

Office of Inspector General

Small Business Administration



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Small Business Administration
Office of Inspector General
Washington, DC 20416



I am pleased to present the U.S. Small Business Administration (SBA or the Agency) Office of Inspector General's (OIG) Fall 2016 Semiannual Report to Congress. The report provides a summary of OIG's activities from April 1, 2016 through September 30, 2016. OIG continues to focus on the most critical risks facing SBA. Our resources are directed at key SBA programs and operations, to include financial assistance, Government contracting and business development, financial management and information technology, disaster assistance, Agency management challenges, and security operations.

During this reporting period, OIG issued 11 reports with 32 recommendations to improve SBA operations and reduce fraud and unnecessary losses in the Agency's programs. In addition, OIG investigations resulted in 27 indictments and 17 convictions. Overall, OIG's investigations and audits achieved monetary recoveries and savings of \$38,005,547. OIG also sent 36 suspension or debarment referrals to SBA and 4 additional suspension or debarment referrals to other agencies.

In achieving these results, OIG dedicated its oversight resources toward the principal program areas of SBA. A few noteworthy reviews and investigative outcomes detailed in this report are highlighted below:

- We presented the results of our ongoing High Risk 7(a) Loan Review Program. OIG's review of eight early-defaulted loans identified material lender origination and closing deficiencies that justified denial of the guaranty for three loans totaling \$3.2 million. To facilitate SBA's timely review and recovery of these payments, we formally issued separate reports on each loan that included detailed descriptions of the identified material deficiencies. We also identified suspicious activity on two purchased loans totaling \$1.4 million, resulting in formal referrals to our Investigations Division.
- A bank agreed to pay the United States \$9.5 million to settle claims, without admitting liability, under the False Claims Act in connection with the issuance of SBA-guaranteed loans. The United States contended that it had civil claims against the bank because it failed to adhere to SBA Preferred Lenders Program (PLP) requirements.
- Our audit of 8(a) Business Development Program Eligibility found 30 of the 48 8(a) Program applicants evaluated did not meet one or more areas of eligibility, based on information in the Business Development Management Information System (BDMIS). As a result, it was not clear whether these 30 firms should have been approved into the 8(a) Program.

I would like to thank OIG's employees for their outstanding efforts to promote economy, efficiency, effectiveness, and integrity in SBA programs and operations. We look forward to continuing to work with Administrator Contreras-Sweet and SBA's management to address the issues and challenges facing the Agency.

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Peggy E. Gustafson

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Table of Contents

Overview of SBA and OIG	1
Small Business Access to Capital	2
Disaster Assistance Program	8
Procurement Assistance	11
Agency Management	14
Other Significant OIG Activities	17
Statistical Highlights: April 1, 2016-September 30, 2016.....	20
Fiscal Year 2016 Statistical Highlights: October 1, 2015-September 30, 2016.....	22
Appendix I: Reports Issued April 1, 2016-September 30, 2016.....	23
Appendix II: Reports with Questioned Costs	25
Appendix III: Reports with Recommendations that Funds Be Put to Better Use	26
Appendix IV: Reports with Non-monetary Recommendations.....	27
Appendix V: Reports from Prior Periods with Overdue Management Decisions	28
Appendix VI: Reports without Final Actions as of September 30, 2016.....	29
Appendix VII: Significant Recommendations from Prior Reporting Periods without Final Actions as of September 30, 2016	32
Appendix VIII: Significant Recommendations April 1, 2016-September 30, 2016.....	41
Appendix IX: Cosponsored & Other Activities April 1, 2016-September 30, 2016	44
Appendix X: Legal Actions Summary.....	55
Appendix XI: Results of External Peer Reviews	61
Appendix XII: Organization.....	62
Appendix XIII: Organization Chart	63

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Overview

The U.S. Small Business Administration

The mission of the U.S. Small Business Administration (SBA or the Agency) under the Small Business Act, as amended, is to maintain and strengthen the Nation's economy by enabling the establishment and vitality of small businesses and assisting in the economic recovery of communities after disasters. The Agency's strategic plan for fiscal years (FY) 2014-2018 has three overarching goals:

- ◆ Growing businesses and creating jobs.
- ◆ Serving as the voice for small businesses.
- ◆ Building an agency that meets the needs of today's and tomorrow's small businesses.

SBA is organized around four key functional assistance areas: financial, contracting, entrepreneurial development, and disaster assistance. The Agency also represents small businesses through an independent advocate and an ombudsman.

SBA's headquarters is in Washington, D.C.—with staff in 10 regional offices, 68 district offices and corresponding branch offices, and 4 disaster field offices—to deliver business products and services. There are also six Government contracting area offices. SBA also maintains a vast network of resource partners in all 50 States, the District of Columbia, Puerto Rico, American Samoa, the U.S. Virgin Islands, and Guam.

The Office of Inspector General

Pursuant to the Inspector General Act of 1978 (the IG Act), as amended, the Office of Inspector General (OIG) provides independent, objective oversight to improve the integrity, accountability, and performance of SBA and its programs for the benefit of the American people. While SBA's programs are essential to strengthening America's economy, the Agency faces a number of challenges in carrying out its mission. Challenges include fraudulent schemes affecting all SBA programs, significant losses from defaulted loans, procurement flaws that allow large firms to obtain small business awards, excessive improper payments, and outdated legacy information systems.

OIG plays a critical role in addressing these and other challenges by conducting audits to identify wasteful expenditures and program mismanagement; investigating fraud and other wrongdoing; and taking other actions to deter and detect waste, fraud, abuse, and inefficiencies in SBA programs and operations.

OIG's activities also help to ensure that SBA employees, loan applicants, and program participants possess a high level of integrity. This is critical to the proper administration of SBA's programs because it helps ensure that SBA resources are used by those who deserve and need them most. Appendix I contains information regarding audit and other reports issued by OIG during this reporting period. Appendix X contains summaries of investigative actions. Copies of OIG reports and other products are available at <https://www.sba.gov/office-of-inspector-general>.

Small Business Access to Capital

SBA provides small businesses with capital and financial assistance through several key programs and has a financial assistance portfolio of guaranteed and direct loans totaling about \$118.8 billion. Over the years, OIG has worked closely with the Agency to identify potential points of risk and to improve SBA's oversight and controls to ensure that eligible participants most in need of assistance benefit from these programs.

For example, the Agency's largest lending program, the Section 7(a) Loan Guaranty Program, is SBA's principal vehicle for providing small businesses with access to credit that cannot be obtained elsewhere. Proceeds from a 7(a) loan may be used to establish a new business or to assist in acquiring, operating, or expanding an existing business. This program relies on numerous outside parties (e.g., borrowers, loan agents, and lenders) to complete loan transactions, with the majority of loans being made by lenders to whom SBA has delegated loan-making authority. Additionally, SBA has centralized many loan approval and servicing functions and reduced the number of staff performing these functions, placing more responsibility on—and giving greater independence to—its lenders. Past OIG reviews have reported on these trends, and OIG continues to identify weaknesses in SBA's lender and loan agent oversight processes.

Criminals use a wide array of techniques to fraudulently obtain—or induce others to obtain—SBA-guaranteed loans. These include submitting fraudulent documents, making fictitious asset claims, manipulating property values, using loan proceeds contrary to the terms of the loans, and failing to disclose debts or prior criminal records. Consequently, there is a greater chance of financial loss to the Agency and its lenders. OIG dedicates a significant portion of its resources to identifying wrongdoers and, whenever possible, recovering funds.

Audit of SBA's 504 Loan Liquidation Process

This report presented the results of our review of SBA's 504 loan liquidation process. Our results showed management and monitoring of the 504 liquidation portfolio at the Commercial Loan Servicing Centers (CLSC) during FYs 2015 and 2016 was effective. Additionally, SBA CLSCs generally maximized recovery when liquidating the 504 loans we reviewed. While SBA had established effective policies and procedures and had experienced staff managing its current 504 loan liquidation operations, we identified opportunities to improve SBA's internal controls. Specifically, we determined that one CLSC had not developed a formal training plan for staff in accordance with established goals and procedures. We also determined that the internal policies and procedures for liquidating 504 loans were unique to and applied inconsistently at the centers. In addition, components of the information systems used by each center were developed independently and were not utilized uniformly. Without consistent implementation and application of policies and procedures over the 504 loan liquidation process, the CLSCs' effectiveness in liquidating 504 loans could result in loss to the Agency. Further, in the event of significant turnover or workload fluctuation at a given center, differences in operations could impact the Agency's ability to effectively reallocate resources to meet demand. OIG recommended two actions that will help improve SBA's internal controls over servicing and liquidating 504 loans. The Agency agreed with OIG's findings and recommendations. (Report 16-23)

The OIG High Risk 7(a) Loan Review Program Recommends \$3.2 Million in Recoveries

This report presented the results of our ongoing High Risk 7(a) Loan Review Program from April 2015 to September 2016 and an overall summary of our work to date. OIG's review of eight early-defaulted loans identified material lender origination and closing deficiencies that justified denial of the guaranty for three loans totaling \$3.2 million. To facilitate SBA's timely review and recovery of these payments, we formally issued separate reports on each loan that included detailed descriptions of the identified material deficiencies. We also identified suspicious activity on two purchased loans totaling \$1.4 million, resulting in formal referrals to our Investigations Division.

To date, four loans that had material lender deficiencies or indications of suspicious activity financed change of ownership transactions. In our judgment, change of ownership transactions continue to be an area of high risk for SBA. Furthermore, four loans we formally reported on or referred to our Investigations Division were included in either SBA's FY 2014 or FY 2015 reviews for improper payments. SBA did not identify or report the improper payments totaling \$4.5 million associated with these loans.

OIG recommended in the previous management advisory memorandums that SBA require the lenders to bring the three loans into compliance or seek recovery of approximately \$3.2 million. SBA agreed with the recommendations and is working with the lenders. In this report, we recommended that SBA evaluate the time National Guaranty Purchase Center (NGPC) loan specialists have to review complex early-defaulted loans involving change of ownership transactions. SBA agreed with the recommendation. (Report 16-22)

Management Advisory Memorandum

As part of the High-Risk 7(a) Loan Review Program, OIG issued this memorandum to provide SBA with early notification of issues identified during our review. Specifically, we identified a loan with material lender non-compliance with SBA's loan origination and closing requirements. Specifically, the lender neither ensured SBA loan proceeds were used for an eligible purpose nor assessed the borrower's repayment ability and size in accordance with SBA's requirements. As a result, we determined a recovery from the lender for SBA's guaranty payment of \$850,791 would be appropriate to cure the lender's material deficiencies on this loan. The Agency agreed with the recommendation to recover funds from the lender. (Report 16-19)

Three Men Sentenced and Another Found Guilty for Involvement in Fraudulently Obtaining a \$2.32 Million SBA-Guaranteed Loan

Two telemarketers, who are also the brothers of the owner of a Denver, Colorado real estate investment firm, each pled guilty in State court to bait advertising. They were sentenced to 1 year of probation on the same date.

In addition, a loan processor and father to the real estate firm's owner was sentenced in State court to 5 years of probation and remanded to the U.S. Department of Homeland Security (DHS) for deportation from the United States. If he returns to the U.S. without legal authorization, he would be in violation of his probation and subject to resentencing by the court. He was also ordered to pay \$459,917 in restitution, after having previously pled guilty to felony theft.

Finally, the owner of the real estate firm was found guilty in State court of (1) violating the Colorado Organized Crime Control Act; (2) forgery involving SBA, a California bank, and the State of Colorado; (3) criminal impersonation; and (4) theft of funds from various lenders.

The brothers and father were originally charged along with the firm's owner and two other family members in a 37-count indictment. The indictment included charges of violating the Colorado Organized Crime Control Act, attempting to influence a public servant, criminal impersonation, conspiracy, theft, and committing forgery and making false statements to SBA, the State of Colorado, and various lenders. The five family members associated with the owner have all pled guilty and have been sentenced.

The investigation showed that the firm's owner had obtained a \$2.32 million SBA-guaranteed loan to refinance his office building and other existing debt. To obtain the loan, he concealed his extensive criminal history and the fact that he was on probation. The owner also falsified documents related to his debts. He and five other family members created a criminal enterprise using their status as professionals in the real estate industry to execute a large long-term fraud-for-profit scheme. The scheme primarily centered on mortgage fraud that included manipulating multiple real estate transactions through fraudulent statements, material omissions, false identification and notary commissions, and "straw buyers" to purchase and sell real estate.

This was a joint investigation with the Colorado Attorney General's Office, Colorado Bureau of Investigation, the Federal Bureau of Investigation (FBI), and Federal Housing Finance Agency (FHFA) OIG.

Illinois Man Pleads Guilty to Fraud and Tax Evasion

A Chicago-area entrepreneur pled guilty to financial institution fraud and sales tax evasion in an Illinois county circuit court. He had been indicted in connection with schemes to defraud SBA, a participating bank, the Illinois Department of Commerce and Economic Development, and the Illinois Department of Revenue. The schemes involved commercial financing and retail sales tax for his two theaters.

The investigation revealed that to obtain approval for \$4.86 million in SBA refinancing for his failing businesses, the man directed his accounting manager to prepare false financial statements, alter profit and loss statements, and prepare bogus tax returns portraying a profitable business. Specifically, the entrepreneur grossly inflated 2009 through 2012 sales income figures by \$50,000 each month. He also submitted the false documents to a lender service provider and a financial institution to support his loan applications.

A concurrent investigation by the Illinois Department of Revenue revealed sales tax evasion schemes at the theaters. The businesses together failed to pay at least \$1.3 million in collected sales tax. Both businesses defaulted on their mortgages and filed for bankruptcy. This is a joint investigation with the Illinois State Department of Revenue, Bureau of Criminal Investigations, and Attorney General's Office.

California Man Sentenced and Ordered to Pay Nearly \$1 Million in Restitution

The former owner of a California sushi bar and grill was sentenced in Federal court to 3 years of supervised release and ordered to pay \$992,582 in restitution, with SBA receiving \$675,211 and the Federal Deposit Insurance Corporation (FDIC), the receiver for the original lender, receiving \$317,371. The man previously pled guilty to bank bribery. He had been the owner of several small businesses in the San Diego area, including the sushi bar and a now-defunct supermarket.

In 2006, the sushi bar had been approved for a \$250,000 SBA guaranteed loan. In 2008, the man was approved for a \$1.8 million SBA guaranteed loan for the supermarket. In 2009, he defaulted on the supermarket loan, causing approximately \$1.8 million in losses. In 2010, the bank failed and was taken over by the FDIC. The

investigation found that the man gave cash to a bank employee in order to influence the funding of the two loans. He also conspired with an associate to submit several fabricated Internal Revenue Service (IRS) and State of California tax documents that falsely stated that outstanding business taxes had been paid. The fraudulent tax documents induced the SBA lender to approve the supermarket loan.

This investigation was worked jointly with the Treasury Inspector General for Tax Administration (TIGTA), FBI, FHFA OIG, and FDIC OIG.

Former Missouri Bank Executive Sentenced to Prison and Ordered to Pay Over \$4.2 Million in Restitution

The former executive vice president of a Missouri bank was sentenced in Federal court to 3 years imprisonment and 3 years of supervised release. He was also ordered to pay \$4,223,917 in restitution.

The man had previously pled guilty to conspiracy to defraud the United States in connection with a complex commercial loan fraud scheme in which 16 others were also charged. The individuals were initially charged via a 185-count indictment for a bank fraud scheme that took advantage of SBA-guaranteed loans. As part of the scheme, a number of SBA loans were fraudulently obtained by businesses ineligible to receive them. Accordingly, the co-conspirators concealed past due loan payments of distressed borrowers, made loans to nominee borrowers, created false entries in bank records, structured loans to avoid the bank board of directors' scrutiny, and concealed unrecorded letters of credit. They also utilized SBA loan proceeds for personal use, misapplied loan proceeds, prepared fraudulent SBA loan applications, and paid and accepted bribe money to secure loans.

While on pre-trial release related to the above charges, the former executive engaged in a check fraud scheme and was charged with possessing and uttering a forged security as part of another scheme to defraud the Government. Consequently, he and another individual each pled guilty for their role in providing false information to the U.S. Department of Housing and Urban Development (HUD) and Federal Housing Administration in order to obtain a \$18,219,400 loan for the operation and maintenance of a Missouri apartment complex. The former executive is the last of the 17 co-conspirators to be sentenced for the commercial fraud scheme. This investigation is being conducted jointly with the FBI and HUD OIG.

Minnesota Exporter Pleads Guilty for Bank Fraud Scheme

A Minnesota soybean exporter pled guilty in Federal court to making false statements in connection with a bank fraud scheme. The investigation revealed that the man, on behalf of a grain company, applied for and received a line of credit through a bank between 2011 and 2013. The credit line was guaranteed by SBA under the Export Working Capital Program (EWCP), with the man serving as a personal guarantor. He renewed and increased the line of credit with the bank multiple times, with each increase requiring him to provide truthful information regarding his financial condition, loan purpose, and background, including any liens and judgments against him.

During his annual renewal of the company's line of credit, the man concealed from the bank and SBA that he had been served with a complaint and summons in 2008 for a civil lawsuit alleging breach of contract and business fraud. Moreover, after losing a 2011 trial resulting from this civil lawsuit, he concealed from the bank and SBA a \$98,519 judgment entered against him in 2012 by a Minnesota county court.

The investigation also showed that the man wrote \$407,247 in checks from the grain company's EWCP line of credit to his associated soybean processing business in order to pay that firm's construction costs. He knew that he was not permitted to transfer proceeds from his export line of credit to pay another company's

expenses unrelated to soybean exporting and that doing so was a misapplication of EWCP loan proceeds. His actions resulted in the bank and SBA suffering \$1,497,305 in losses. This is an ongoing joint investigation with the FBI.

Bank Agrees to Pay \$9.5 Million under the False Claims Act

A bank agreed to pay the United States \$9.5 million to settle claims, without admitting liability, under the False Claims Act in connection with the issuance of SBA-guaranteed loans. The bank had approved 74 SBA loans that were brokered by an investment firm through its principals. Beginning in 2006, certain investment firm loans went into default. The bank submitted guaranty claims to SBA for payment of many of these loans. SBA approved the claims for 24 loans and paid the bank the SBA-guaranteed portion of the unpaid balances at the time of default, minus any recovery from the liquidation of business assets.

The U.S. Attorney's Office for the District of Maryland subsequently prosecuted a major principal and others associated with the investment firm for conspiring to commit bank fraud. The scheme was designed to fraudulently obtain SBA-guaranteed business loans, with resulting losses of over \$100 million. The main principal and other defendants admitted that they created and submitted false and fraudulent documents to secure the bank's loan approvals. For example, he and others used computer software programs to alter bank statements and created false management resumes, profit and loss figures, gift letters, and other documents. The bank in turn approved the loans based on this documentation. The main principal and five other defendants were convicted for their roles in the scheme and sentenced to Federal prison.

The United States contended that it had civil claims against the bank because it failed to adhere to PLP lender requirements. These requirements include demanding adequate bank and IRS tax records from the borrowers, ensuring that borrowers had the ability to repay the loans, and applying prudent lending standards. Moreover, the bank had sought payment on SBA guarantees even though the bank should have known that SBA requirements for recovery on the guarantees were not met. This investigation was worked jointly with the FBI.

California Broker and Bank Official Sentenced and Ordered to Pay over \$1.5 Million in Restitution

A loan broker for a now-defunct California bank was sentenced in Federal court to 3 years of supervised release with 10 months of home detention. She was also ordered to pay \$82,185 in restitution to the FDIC. The broker had previously pled guilty to making false statements related to an investigation into bribes paid to the bank's vice president, who was also the SBA lending department manager.

The former bank vice president was sentenced in Federal court to 3 years of supervised release with 12 months of home detention. She was also ordered to pay \$973,789 in restitution to SBA and \$482,283 in restitution to the FDIC. The former vice president previously had pled guilty to conspiracy.

As part of her guilty plea, the loan broker admitted paying cash bribes in return for the bank official's assurance that loans for the business customers the broker referred would be approved and funded, and that the broker's commissions would be paid. As part of her job, the broker helped her borrowers compile their loan application packages and submit them to the bank. In return for generating business, the bank paid her a commission or referral fee, which was calculated as a percentage of each loan referred. The broker collected tens of thousands of dollars from the bank. She "kicked back" a portion of the fees to the bank vice president, in cash, every time she was paid. The broker admitted that, in 2006, the vice president had asked her for such an arrangement.

In turn, the bank vice president made certain that the broker's clients' loans were approved so that the broker could collect commissions, regardless of the loans' soundness and their benefit to the bank. In addition, the vice president arranged to pay the broker a fraudulent \$30,000 "commission" for a loan she had no part in brokering. The broker generated a fake invoice, pretending that she had earned the commission.

Although the bank vice president did not have direct authority to lend bank funds, she reviewed borrowers' applications and recommended that loans be approved and funds disbursed. She conspired to misapply bank funds in order to issue loans under favorable terms to unqualified or under-qualified borrowers. Moreover, the two individuals supported the disbursement of bank funds by supplying or knowingly accepting false information in the borrowers' loan applications and overlooking negative aspects of the borrowers' creditworthiness.

The broker admitted lying to law enforcement agents by concealing these bribe payments and hiding her relationship with the bank vice president. She falsely told Federal agents that she never saw the banker accept money in exchange for loans. Moreover, even though the two women traded several phone calls and text messages and had a June 2014 sit-down meeting, the broker falsely reported to Federal agents in September 2014 that she had not spoken to or seen the bank vice president since before she learned about the investigation. In her plea agreement, the broker acknowledged that her false statements significantly impeded the investigation of the bank vice president. This was a joint investigation with the FBI, TIGTA, FDIC OIG, and FHFA OIG.

Illinois Appraiser to Serve 30 Months of Incarceration and Pay over \$553,000 in Restitution

A former Illinois commercial real estate appraiser and president of an appraisal company was sentenced in Federal court to 30 months of incarceration and 1 year of supervised release. He was also ordered to pay \$553,367 in restitution.

The man had previously pled guilty to evading income tax. He had been one of seven Chicago-area individuals indicted as part of this ongoing investigation. The appraiser was also the president, sole owner, and sole shareholder of a second valuation firm. He maintained a bank account in that firm's name.

As the sole owner of the first company, the appraiser was required to report all ordinary income or loss from that company on his individual income tax return. In 2008, the first company had gross receipts exceeding \$1 million. He diverted more than \$550,000 of that company's gross receipts to his own use by directing its employees to issue checks payable to the second firm or to him personally. He then deposited, or caused to be deposited, the checks into a separate bank account. The embezzled funds were then used for his personal use.

His tax evasion activities were discovered during a loan fraud investigation at a different bank. A former SBA market president at that bank used the appraiser's services for every fraudulent SBA loan that he approved. Over the past 10 years, taking into account this and other loan fraud investigations, the appraiser completed appraisals for hundreds of different businesses associated with fraudulent SBA-guaranteed loans. This investigation is being conducted jointly with the FDIC OIG, IRS Criminal Investigation (CI), and FBI.

Disaster Assistance Program

Disaster assistance has been part of the Agency since its inception in 1953. Through its Office of Disaster Assistance, SBA provides long-term, low-interest financial assistance to businesses of all sizes, private non-profit organizations, homeowners, and renters following a disaster. Each year, SBA approves hundreds of millions of dollars in disaster assistance loans. SBA's FY 2015 year-end disaster financial assistance portfolio balance was \$6.3 billion.

The Disaster Loan Program is the only form of SBA assistance not limited to small businesses; the program's disaster loans are the primary form of Federal assistance for repairing and rebuilding non-farm, private sector disaster losses. The program includes four categories of loans for disaster-related losses: (1) home disaster loans, (2) business disaster loans, (3) economic injury disaster loans (EIDL), and (4) military reservist economic injury loans (MREIDL).

Unfortunately, the need to disburse such loans quickly poses many complications and may create opportunities for dishonest applicants to commit fraud. OIG and GAO audits have identified that SBA's disaster loans have been vulnerable to fraud and losses in the past because loan transactions are often expedited in order to provide quick relief to disaster survivors, and disaster lending personnel, who are brought into the workforce quickly, may lack sufficient training or experience. Additionally, the volume of loan applications may overwhelm SBA's resources and its ability to exercise careful oversight of lending transactions. OIG audits and investigations have identified specific instances of fraud as well as necessary systemic improvements to reduce fraud and provide effective and efficient loan delivery and protect taxpayer dollars.

Early-Defaulted Hurricane Sandy Disaster Loans

This report presented the results of our audit of Early Defaulted Hurricane Sandy Disaster Loans. Hurricane Sandy struck the East Coast of the United States in October 2012, causing approximately \$67 billion in damage. As of November 2013, SBA had approved and disbursed 19,295 loans, totaling approximately \$758 million; 501 of these loans had defaulted by April 2015. We reviewed a random sample of 21 loans selected from the 501 early-defaulted Hurricane Sandy loans to determine whether the borrowers were eligible, had satisfactory credit history, and had repayment ability.

We found that despite the relatively low early default rate of Hurricane Sandy loans compared to other disasters; 17 of the 21 loans we reviewed were approved without verifying borrowers' eligibility or were made to borrowers that lacked creditworthiness or repayment ability. We statistically projected our sample results to the universe of early-defaulted loans and determined with 95 percent confidence that at least 361 of the 501 early-defaulted loans, valued at \$4.3 million, were not approved in accordance with SBA or other Federal requirements. The most prevalent area of concern we observed was borrower creditworthiness as the majority of loans in our sample were made to borrowers with unsatisfactory credit histories. We also determined that the Office of Disaster Assistance could improve its disaster loan portfolio risk analysis process to reduce the early default rate. We made recommendations to clarify creditworthiness guidance; train employees to adequately determine borrower eligibility, creditworthiness, and repayment ability; and improve portfolio risk analyses. (Report 16-18)

Former Executive Sentenced for Bank Fraud and False Statements, Including a Disaster Loan

An Illinois man was sentenced in Federal court to 1 day in prison, 120 days of home confinement, 800 hours of community service, and 4 years of supervised release. In addition, he was ordered to pay \$740,829 in restitution for committing bank fraud and making false statements. The man had been the vice president, chief financial officer, and a shareholder of a firm that sold and serviced industrial batteries and related products. His co-defendant, the president and majority shareholder of the firm, was previously sentenced and ordered to pay \$222,867 in restitution to SBA.

The investigation showed that from approximately April 2007 to May 2011, the two men sought to fraudulently retain funds obtained from a commercial bank. They submitted financial information to the bank which falsely inflated their company's account receivables, sales, and inventory in order to conceal their company's declining financial condition and prevent the bank from demanding repayment and seizing company assets.

Moreover, around May 2009, the two men submitted to SBA the same materially false information in order to receive a \$240,100 economic injury disaster loan. Specifically, they submitted inflated monthly sales figures for 2007 and 2008 in their disaster loan application, while knowing that the sale figures were false.

Finally, the men submitted the firm's 2008 Federal corporate tax return to SBA as a supplementary submission in order to obtain the disaster loan. The tax return falsely represented the company's sales for 2008 as \$5.4 million, when in fact the company's sales were only \$3 million. The company defaulted on the disaster loan, resulting in \$222,867 in losses to SBA. This investigation is being conducted jointly with the FBI.

New York Man Pleads Guilty to Conspiracy to Commit Wire Fraud

A New York man pled guilty in Federal court to conspiracy to commit wire fraud. A second man has been indicted for his role in the wrongdoing. The two men originally were accused of participating in mortgage flip and loan modification schemes. In the flip scheme, they allegedly induced lenders to issue mortgages and then kept some of the proceeds. In the modification scheme, they allegedly defrauded more than a thousand homeowners who paid them advance fees to have their troubled mortgages modified. However, the men allegedly did little or no work on the modifications.

In addition, the investigation disclosed that the first man had obtained a \$113,900 SBA disaster loan in October 2013 to repair his damaged property due to Hurricane Sandy. The indictment alleged that he submitted false information to SBA to support his loan application. The man also allegedly misused the loan proceeds by paying for personal expenses, including his wedding in Cancun, Mexico. This investigation is being jointly conducted with the FBI, the Special Inspector General for The Troubled Asset Relief Program (SIGTARP), and HUD OIG.

New Jersey Woman Ordered to Pay over \$90,000 in Restitution

A New Jersey woman was sentenced in State court to 12 months of probation and was ordered to pay \$90,733 in restitution, including \$37,036 owed to SBA. She and her husband had pled guilty to theft by deception in connection with filing false applications following Hurricane Sandy. He is jointly responsible for the \$37,036 in SBA restitution.

The investigation disclosed that the married couple falsely claimed that their storm-damaged property in one New Jersey city was their primary residence during Hurricane Sandy. In reality, their primary residence was in another city, and the damaged property was actually a summer home. They applied and were approved for a \$64,000 SBA disaster loan but ultimately, accepted and received just \$40,000 in loan proceeds, of which the

current balance is \$37,036. The wife filed other applications by herself. Consequently, she received \$28,875 in Federal Emergency Management Agency rental assistance. She also received \$12,698 in Homeowner Resettlement Program (RSP) grants and \$12,123 in Reconstruction, Rehabilitation, Elevation, and Mitigation (RREM) funds. RSP and RREM funds are provided by HUD but are administered by the New Jersey Department of Community Affairs (DCA). This investigation was conducted jointly with a task force comprised of the New Jersey DCA, DHS OIG, and HUD OIG, in conjunction with the New Jersey Office of the Attorney General.

Procurement Assistance

Each year, the Federal Government spends hundreds of billions of dollars in Federal contracts to procure goods and services. SBA has worked to maximize opportunities for small business firms to receive these contract awards. For the current fiscal year, the Federal Government aims for 23 percent of these awards to go to small businesses.

To accomplish this goal, SBA has specific programs which focus on strengthening particular types of small businesses, including firms owned and controlled by service-disabled veteran-owned small businesses (SDVOSBs) and women-owned small businesses (WOSBs), and small businesses that are disadvantaged or located in historically underutilized business zones (HUBZones). For example, the HUBZone Program helps small businesses stimulate their, economically-challenged local economies. Similarly, to help small, disadvantaged businesses gain access to Federal and private procurement markets, SBA's Section 8(a) Business Development Program offers a broad range of business development support, such as mentoring, procurement assistance, business counseling, training, financial assistance, surety bonding, and other management and technical assistance.

SBA also provides assistance to existing and prospective small businesses through a variety of counseling and training services offered by partner organizations. Among these partners are small business development centers (SBDCs), the Service Corps of Retired Executives (SCORE) Association, and women's business centers (WBCs). SBA also designed the Boots to Business (B2B) Program to provide transitioning service members interested in exploring business ownership or other self-employment opportunities with technical assistance and access to information on available resources and start-up capital. These programs require effective and efficient management, outreach, and service delivery.

Even with effective controls, some businesses misrepresent their eligibility for the HUBZone, WOSB, SDVOSB, and 8(a) programs in order to wrongfully receive preference for Government contracts. OIG and other Federal investigations have identified schemes in which companies owned or controlled by non-disadvantaged persons falsely claim to be disadvantaged firms or use actual disadvantaged firms as fronts.

In other schemes, perpetrators use bribery or fraudulent procurement documents to achieve their ends. The following cases illustrate how criminals attempt to manipulate the procurement assistance process.

SBA's 8(a) Business Development Program Eligibility

The 8(a) Program provides economically and socially disadvantaged, small business owners with business development assistance and preference-based Federal contracts. In this review, OIG found that 30 of the 48 8(a) Program applicants evaluated did not meet one or more areas of eligibility, based on information in the Business Development Management Information System (BDMIS). The director of the Office of Certification and Eligibility and the associate administrator for Business Development (AA/BD) gathered additional information for 18 firms and, based on this information, approved the firms into the 8(a) Program. However, for the remaining 30 firms, the AA/BD approved the firms without fully documenting in BDMIS how all areas of concern regarding eligibility raised by lower-level reviewers were resolved. As a result, it was not clear whether these 30 firms should have been approved into the 8(a) Program.

During the past year within SBA, the 8(a) Program has experienced a change in leadership, identified an aggressive growth plan for the coming years, began testing a streamlined application process, and shifted

responsibilities for continuing eligibility reviews. As new management works to improve the program, we encourage SBA management to ensure the documentation supporting 8(a) Program application approvals is maintained in a method ensuring clear eligibility of the applicant. OIG made two recommendations to improve SBA's eligibility determination process for the 8(a) Program. SBA management's planned actions resolve these recommendations. (Report 16-13)

Five California Companies to Pay over \$5.8 Million under Settlement Agreement

Five California companies headquartered in the same building entered into a settlement agreement with the U.S. Government and two qui tam relators. In a qui tam complaint, a private citizen (the relator) can sue on behalf of the United States and share in any recovery. The settlement agreement resolved the relators' qui tam action against the five companies pursuant to the False Claims Act. Per the agreement, the five companies will pay \$5,801,694 to the United States and an additional \$115,000 to the relators for attorney's fees.

The relators had alleged that, between 2010 and 2014, one of the companies falsely represented and certified that it was a small business concern in order to obtain Federal small business set-aside government contracts. They alleged that the firm did not qualify as a small business, per SBA regulations, due to its affiliation with two of the other firms, both of which are large companies. Nonetheless, the firm claiming to be a small business submitted bids for and obtained Federal small business set-aside contracts. The investigation confirmed the allegations.

The California companies neither admitted liability nor concurred with the allegations. However, all parties did agree to the terms of the settlement agreement. This case was initiated based on the qui tam lawsuit. This was a joint investigation with the General Services Administration (GSA) OIG.

Texas Man Sentenced to 69 Months in Prison and over \$1.2 Million in Forfeiture

A Texas man was sentenced in Federal court to 69 months of imprisonment, to be followed by 3 years of supervised release. In addition, the man was ordered to forfeit \$1,270,304. A jury previously had found him guilty of theft of Government money or property, as well as aggravated identity theft.

The man had created a company and had been awarded contracts set aside for service-disabled veteran-owned small businesses. However, he was not a veteran and had used the identity of his father, who was a service-disabled veteran, to qualify for set-aside contracts that he otherwise would not be entitled to. The father was not affiliated with the company.

Guam Entrepreneurs Plead Guilty to Conspiracy

The owner of a construction company pled guilty in Federal court on Guam to different counts of conspiracy to commit visa fraud. His sister, who was also the firm's vice president, pled guilty to conspiracy to commit money laundering.

Case agents previously had served a seizure warrant to a bank for \$1,875,407. The bank immediately froze the funds and issued an official bank check payable to the U.S. Department of the Treasury. Immediately following the bank seizure, the construction company owner was located at his firm and arrested.

The investigation revealed that the two individuals had misused the H-2B visa worker program while working on Section 8(a) set-aside contracts awarded to the construction company. It also found that the man had a prior criminal history associated with a similar 1998 visa fraud violation that he failed to disclose to SBA in his 8(a)

application and his firm's annual updates. His prior criminal history and misuse of the H-2B visa program are violations of the 8(a) program's entry and continued eligibility requirements related to good character. Because of the non-disclosures, the construction company was granted 8(a) status and awarded 8(a) set-aside contracts in excess of \$20 million.

Due to its proximity to the individuals, IRS CI is leading this investigation. SBA OIG and Homeland Security Investigations will jointly monitor the investigation to completion.

Colorado Businessman Debarred from U.S. Government Contracting

The U.S. Army debarred the owner and former president of a Colorado information technology firm from conducting business or contracting with the Federal government for 5 years. The debarment was based on his 2014 indictment in Federal court for making false statements to SBA, conspiracy, and filing false tax returns.

The man had directed his accountant and controller in the concealment of millions of dollars in assets, including a Vail, CO, condominium. He also diverted millions of dollars in unreported income, mostly through overseas accounts. This information was omitted from SBA annual updates and financial statements. Thus, the owner was able to maintain his firm's certification as an 8(a) disadvantaged business.

In addition, he concealed the assets and income from the IRS by filing false tax returns. His misrepresentations led to the wrongful award of over \$17 million in 8(a) set-aside contracts to his firm from 2006 to 2010. In 2015, he was sentenced to 6 months in prison and 1,000 hours of community service. He also was ordered to pay \$1,171,179 in restitution and a \$250,000 fine after having pled guilty to conspiring to commit offenses against the United States, SBA, and IRS. This investigation was worked jointly with the Defense Criminal Investigative Service, IRS CI, GSA OIG, and U.S. Army Criminal Investigation Command. This matter was referred by the GSA OIG.

Massachusetts Firm Co-Owner to Serve 30 Months in Prison and Pay \$1 Million Fine

The co-owner of a Massachusetts construction firm was sentenced in Federal court to 30 months in prison and 1 year of supervised release. He was also ordered to pay a \$1 million fine. In addition, a forfeiture hearing is forthcoming. A jury had previously found him guilty of conspiracy to defraud the United States and wire fraud.

The investigation disclosed that, between 2006 and 2010, the man had made false statements to the Department of the Army, GSA, Department of the Navy, and Department of Veterans Affairs (VA) regarding his firm's qualifications in order to receive service-disabled veteran-owned small business set-aside contracts. The investigation was conducted jointly with the U.S. Army Criminal Investigation Command, GSA OIG, Naval Criminal Investigative Service, and VA OIG.

Agency Management

OIG is responsible for ensuring that Agency management appropriately safeguards SBA from fraud, waste, and abuse, and that SBA activities directly further Agency goals. As part of these efforts, OIG works with the Offices of the Chief Financial Officer (CFO), the Chief Information Officer (CIO), and Management and Administration to review financial reporting and performance management, human resources, procurements and grants, space and facilities, and maintenance of SBA's information systems and related security controls.

Review of SBA Executive and Political Appointee Travel

The Office of the Chief Financial Officer and the Denver Finance Center (DFC) provide oversight of SBA's travel program for employees traveling on official business. Delegated officials within SBA have the vital responsibility of ensuring that travel claims are properly prepared in accordance with the regulations and that travel is in the best interest of the Government.

We found that SBA did not always ensure local, domestic, and international travel authorizations and vouchers complied with Federal and SBA travel regulations. Specifically, we noted that (1) actual expenses, travel dates and locations, and annual leave were not pre-approved prior to traveling; (2) appropriate officials did not approve travel authorizations and vouchers; (3) claims for reimbursement did not include complete supporting documentation as required by SBA and Federal travel guidance; and (4) local travel vouchers were not submitted in a timely manner. Furthermore, SBA had gaps in the system for identifying and reporting premium travel that resulted in submission of an inaccurate 2014 premium travel report to GSA. This occurred because SBA officials did not always follow SBA's travel policies and procedures. Additionally, we believe these issues may have occurred due to confusion amongst travelers, authorizing and approving officials and the DFC regarding the type of review that each employee is expected to perform during the official travel process. We made four recommendations to the Office of the Chief Financial Officer. SBA management agreed with our four recommendations and provided additional documentation to close three of the recommendations and the associated questioned costs. (Report 16-14)

SBA's FY 2015 Progress in Reducing Improper Payments

The objectives of this audit were to (1) determine whether SBA complied with Improper Payments Elimination and Recovery Act (IPERA) using guidelines outlined in the Office of Management and Budget Memorandum M-15-02, Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments, and (2) assess SBA's progress in remediating improper payment-related recommendations. To achieve our objectives we assessed controls SBA has implemented to address prior year OIG recommendations and evaluated whether SBA mitigated those risks. We also assessed SBA's efforts to prevent and reduce improper payments and reviewed the accuracy and completeness of improper payment disclosures in the 2015 Agency Financial Report (AFR).

Our overall qualitative review showed that SBA continued to make progress in its efforts to prevent and reduce improper payments. SBA published and posted an AFR on its website, conducted program-specific risk assessments, published improper payment estimates for all programs and activities identified as susceptible to significant improper payments, published extracts from the applicable programmatic corrective action plans in the AFR, reported a gross improper payment rate of less than 10 percent for six of seven areas tested for FY 2015 reporting, and published and met the annual reduction target for three of the applicable seven areas tested.

However, SBA was not compliant with IPERA reporting requirements; disbursements for goods and services had an improper payment rate that exceeded the 10 percent threshold; and Sections 7(a) and 504 loan guaranty approvals, Hurricane Sandy disaster relief grants, and disbursements for goods and services did not meet their annual reduction target.

The report contains four recommendations that SBA generally agreed to address. SBA implemented Recommendation 1; therefore, it is considered closed. Recommendations 2, 3, and 4 will remain open until OIG receives documentation demonstrating that these recommendations have been addressed. We requested that SBA provide us within 90 days their progress in addressing these recommendations. (Report 16-15)

Weakness Identified During SBA's Office 365 Cloud Email

In order to meet Office of Management and Budget (OMB) guidance, SBA started the Office 365 cloud email migration project, which will move its email system off of the on-premises SBA email servers to Office 365's cloud-based system. We conducted a review to determine whether SBA's email cloud migration to Office 365 followed applicable Federal guidance and standards, such as those outlined in FedRAMP. We identified multiple risk areas during the migration. First, our office found that the Capstone working group has not taken preliminary steps to develop an archive policy or establish testing plans to ensure the Office 365 cloud email migration meets Capstone requirements. Additionally, because the project has faced significant delays, the Office of the Chief Information Officer should evaluate whether to continue, modify, or terminate the cloud email project. We also determined that SBA has not reported the project's status accurately and timely. Due to a lack of planning and oversight, the Agency has exceeded anticipated timelines without deploying a system that meets OMB deadlines and guidance.

The Office of the Chief Information officer generally agreed with the memorandum results and five recommendations. However, we noted that management's response to Recommendation 5 only addressed the status of the Office 365 cloud email migration, rather than reporting the controls for all SBA IT investments on the Federal IT dashboard. (Report 16-16)

Fiscal Year 2016 Report of the U.S. Small Business Administration Pursuant to The Cybersecurity Act of 2015, Section 406, Federal Computer Security

OIG contracted with the independent certified public accounting firm KPMG to evaluate whether SBA designed and implemented its internal controls over cybersecurity logical access and information security management in accordance with Section 406 of the Cybersecurity Information Sharing Act of 2015 (the Cybersecurity Act). We selected a subset of personally-identifiable information development and production systems for KPMG's review and evaluation. The independent auditor's report found that the Agency did not meet Federal standards relating to Section 406 of the Cybersecurity Act. The Office of the Chief Information officer agreed with evaluation findings and conclusions. Related recommendations will be issued in conjunction with our annual Federal Information Security Management Act (FISMA) assessment. (Report 16-17)

Review of SBA's Practices for Senior Executive Service Initial Pay Setting

As part of OIG's ongoing review of SBA's pay setting practices, we identified that Executive Resources set initial pay higher than allowed for 4 out of 10 Senior Executive Service (SES) employees we reviewed. Additionally, for one political SES hired in March 2015, Executive Resources set the initial pay based on the 2015 SES pay table instead of 2013, which resulted in an overpayment of \$969. Furthermore, because SBA lost its SES certification on August 25, 2015, the pay levels for newly appointed political SESs hired after that date must be based on 2013 rates of basic pay for agencies without a certified SES performance appraisal system.

Nevertheless, Executive Resources set the initial pay for three political SESs above level III of the 2013 executive pay schedule after SBA lost its SES certification, which amounted to overpayments totaling \$6,704. In total, the four SES appointees received overpayments totaling \$7,673. Accordingly, this advisory contains three recommendations to strengthen internal controls over pay setting practices. SBA management agreed to implement these recommendations, including recovering the overpayments. (Report 16-20)

SBA's 2015 and 2016 Cash Gifts

The Consolidated Appropriations Act, 2016 (the Act) gives SBA the authority to accept gifts to carry out its mission. Employees may solicit and accept gifts on behalf of SBA after proper approvals, including a conflict of interest determination by SBA's Office of General Counsel. The Consolidated Appropriations Act provides that any gift, devise, or bequest of cash accepted by the Administrator shall be held in a separate account and shall be subject to semiannual audits by the Inspector General who shall report his or her findings to Congress.

Our evaluation found that SBA generally complied with the Act regarding the solicitation, acceptance, holding, and utilization of cash gifts. We determined that SBA's Office of Communications and Public Liaison obtained proper approval from the Office of General Counsel for the 2014 National Small Business Week. However, of the 14 entities that cosponsored the 2014 National Small Business Week, 3 were not properly vetted through SBA program offices to ensure no business relationships existed that would cause a conflict of interest. Also, SBA's Office of General Counsel did not confirm whether a conflict of interest existed between SBA and two of those entities. We also determined that SBA's Office of Communications and Public Liaison did not distribute excess cash contributions in accordance with SBA policy. Specifically, the fiscal agent retained custody of \$75,000 instead of distributing it in accordance with SBA policy. In addition, SBA did not always use gift funds for allowable expenses in accordance with SBA regulations and policy. We made four recommendations that the Agency agreed to implement. (Report 16-21)

SBA Gift Authority

The Consolidated Appropriations Act, 2016 provides that any cash gift, devise, or bequest accepted by the Administrator shall be held in a separate account and shall be subject to semiannual audit by the Inspector General, who shall report her findings to Congress. According to SBA's Office of Strategic Alliances, SBA accepted 17 cash gift in the amount of \$81,373 during this semiannual reporting period. OIG will audit these gifts in accordance with the Consolidated Appropriations Act, 2016.

Other Significant OIG Activities

Character Screening Diminishes Potential Program Fraud

Participants in SBA programs involving business loans, disaster assistance loans, Section 8(a) certifications, surety bond guarantees, SBICs, and CDCs must meet Agency character standards. To help ensure that this occurs, OIG's Office of Security Operations utilizes name checks and, where appropriate, fingerprint checks to determine criminal background information. During this reporting period, OIG processed 2,035 external name check requests for these programs.

OIG also refers applicants who appear ineligible because of character issues to program officials for adjudication. The referrals are based on data from OIG's on-line connection with the FBI. As a result of OIG referrals during this reporting period, SBA business loan program managers declined 16 applications totaling over \$11 million and disaster loan program officials declined 18 applications totaling \$913,738.

During this reporting period, OIG also initiated 59 background investigations and issued 12 security clearances for Agency employees and contractors. Moreover, OIG adjudicated 55 background investigative reports and coordinated with SBA's Office of Disaster Assistance to adjudicate 12 derogatory background investigation reports. Finally, OIG processed 705 internal name check requests for Agency activities such as success stories, "Small Business Person of the Year" nominees, and disaster assistance new hires.

OIG Promotes Debarment and Other Administrative Enforcement Actions

OIG promotes suspensions, debarments, and similar administrative enforcement actions. These actions protect taxpayer funds from parties who are not a good risk for the Government. A typical OIG referral contains a summary of allegations, suggested administrative record (evidence supporting the case), and a draft notice of suspension or proposed debarment. Most OIG administrative referrals involve SBA's loan and contract programs. OIG ensures a suspension and debarment official reviews all appropriate allegations arising in other contexts, such as the investigation of False Claims Act *qui tam* cases.

During this reporting period, OIG sent 36 suspension and debarment referrals to SBA and made referrals to other agencies that resulted in 4 actions. (See the Statistical Highlights section of this report for additional suspension and debarment results.) A representative sample of matters referred to suspension and debarment officials follows:

- OIG referred the owner of a small business and the small business for debarment after the owner pleaded guilty to submitting false information to a Federal agency in connection with the business's HUBZone application. The owner falsely represented the business maintained a principal office in a HUBZone when applying to that program with SBA.
- OIG referred a New Jersey woman for debarment based upon her conviction for false statements in connection with an application for Hurricane Sandy Homeowner Grant and Loan funds from the New Jersey Department of Community Affairs and SBA. The woman received those funds after creating or reinforcing the false impression that her primary residence was at a specific address eligible for Hurricane Sandy relief.

- The Chief Financial Officer of a small business seeking an SBA guaranteed loan submitted falsified financial information in connection with the loan application. Following that individual's conviction for Bank Fraud and Submitting False Statements, OIG referred the officer for debarment.

OIG Provides Training to Multiple Agencies on Small Business Procurement Integrity

SBA OIG partnered with the National Science Foundation OIG to present the second annual Small Business Procurement Integrity Seminar. This seminar, which OIG offered in two locations, equipped Federal oversight personnel with the knowledge to identify, develop and pursue small business contracting fraud cases. The course covered the major small business contracting programs and included a discussion of typical fraud schemes, program rules and key procurement databases accentuated by multiple case studies. At the end of the session, participants took part in a hypothetical case, which allowed the application of principles taught during the day.

During this reporting period, OIG personnel participated in the training of criminal investigators from several Federal agencies and the District of Columbia Office of Inspector General. This training included information on subpoenas, civil remedies, administrative remedies and small business procurement cases.

OIG Reviews of Proposed Agency Regulations, Operating Procedures, and Other Initiatives Lead to Improved Program Controls to Reduce Fraud, Waste, Abuse, and Inefficiencies

As part of OIG's proactive efforts to promote accountability and integrity and reduce inefficiencies in SBA programs and operations, OIG reviews changes that SBA proposes to make to its program directives such as regulations, internal operating procedures, Agency policy notices, and SBA forms that are completed by the public. OIG often identifies material weaknesses in the proposals and works with the Agency to implement recommended revisions to promote more effective controls and deter waste, fraud, or abuse. During the reporting period, OIG reviewed 60 proposed revisions of these program directives and submitted comments designed to improve 21 of these initiatives.

For example, during the reporting period, OIG noted that the Agency sought to exclude contracts from the overall amount of Federal Procurement Dollars at variance with the controlling statute. OIG commented on several additional matters, including the all small business Mentor-Protégé program, the Office of Women's Business Ownership, the Surety Bond Guaranty program standard operating procedure, credit for lower tier subcontracting and the Agency's regulatory agenda.

2004 Legislation Requires SBA Regulations and OIG Approval of SBDC Surveys

In December 2004, Congress amended Section 21(a)(7) of the Small Business Act (15 U.S.C. 648(a)(7)) to restrict disclosing information regarding individuals or small businesses that have received assistance from an SBDC and to limit the Agency's use of such information. The provision also required SBA to issue regulations regarding disclosures of such information for use in conducting financial audits or SBDC client surveys. In 2009, the Agency represented to OIG that it would issue regulations as required by the statute. In April of 2014, SBA sent the proposed regulations for publication in the Federal Register for public comment.

In addition, Section 21(a)(7) of the Small Business Act states that until these SBDC information disclosure regulations are issued, the Inspector General must approve any SBDC client survey, as well as the use of any survey information, and must also include this approval in OIG's Semiannual Report to Congress. SBA did not submit any surveys of SBDC clients for OIG review during the second half of FY 2016.

OIG Hotline

OIG's Hotline reviews allegations of waste, fraud, abuse, or serious mismanagement within SBA or its programs from employees, contractors, and the public. During this reporting period, the Hotline received 400 complaints. Hotline conducts a preliminary review of each allegation and may consult with OIG's Investigations Division, Auditing Division, and Office of Counsel to determine the appropriate course of action. Referrals within OIG may result in corrective actions, audits, or administrative, civil, or criminal investigations. Matters referred to SBA program offices for further action are monitored by Hotline staff for timely response; adequate resolution of the allegations; and to document any corrective action taken. In May, 2015, in accordance with the Administration's second Open Government National Action Plan, the whistleblower ombudsman met the requirements of the Office of Special Counsel 2302(c) Certification Program. The Program requires Federal agencies inform their workforces about the rights and remedies available to them under the Whistleblower Protection Act, the Whistleblower Protection and Enhancement Act, and related civil service laws.

Comprehensive information on whistleblower protection may be found on OIG's website at <https://www.sba.gov/oig/whistleblower-rights-and-protection> .

Statistical Highlights

April 1, 2016 through September 30, 2016

Summary of Office-Wide Dollar Accomplishments

As a Result of Investigations & Related Activities	
Potential Investigative Recoveries & Fines	\$23,666,476
Asset Forfeitures Attributed to OIG Investigations	\$1,270,304
Loans/Contracts Not Approved or Canceled as a Result of Investigations	\$300,000
Loans Not Made as a Result of Name Checks	\$11,913,738
Investigations Sub-Total	\$37,150,518
As a Result of Audit Activities	
Disallowed Costs Agreed to by Management	\$855,029
Recommendations that Funds Be Put to Better Use Agreed to by Management	\$0
Audit Sub-Total	\$855,029
TOTAL	\$38,005,547

Efficiency and Effectiveness Activities Related to Audit, Other Reports, and Follow-Up Activities

Reports Issued	11
Recommendations Issued	32
Dollar Value of Costs Questioned	\$5,081,693
Dollar Value of Recommendations that Funds be Put to Better Use	\$0
Recommendations for which Management Decisions Were Made	34
Recommendations Without a Management Decision	14
Collections as a Result of Questioned Costs	\$206,852

Indictments, Convictions, Case Actions

Indictments from OIG Cases	27
Convictions from OIG Cases	17
Cases Opened	55
Cases Closed	36

SBA Personnel Actions Taken as a Result of Investigation

Dismissals	0
Resignations/Retirements	0
Suspensions	0
Reprimands	0
Other	0

Program Actions Taken During the Reporting Period as a Result of Investigations

Suspensions and/or Debarments Recommended to the Agency	36
Pending at the Agency as of October 1, 2016	81*
Suspensions Issued by the Agency	4
Proposed Debarments Issued by the Agency	31
Final Debarments Issued by the Agency	17
Proposed Debarments Declined by the Agency	0
Administrative Agreements Entered by the Agency in Lieu of Debarment	0
Suspension and Debarment Actions by Other Agencies	4

* The Agency has sent notices on 36 of these referrals.

Agency Legislative and Regulatory Proposals Reviewed

Legislation, Regulations, Standard Operating Procedures, and Other Issuances Reviewed	60
Comments Provided by OIG to Improve Legislation, Regulations, Standard Operating Procedures, and Other Issuances	21

Full Year Statistical Highlights

Fiscal Year 2016

Summary of Office-Wide Dollar Accomplishments

As a Result of Investigations & Related Activities	
Potential Investigative Recoveries & Fines	\$71,707,848
Asset Forfeitures Attributed to OIG Investigations	\$32,951,259
Loans/Contracts Not Approved or Canceled as a Result of Investigations	\$460,000
Loans Not Made as a Result of Name Checks	\$36,419,588
Investigations Sub-Total	\$141,538,695
As a Result of Audit Activities	
Disallowed Costs Agreed to by Management	\$3,200,812
Recommendations that Funds Be Put to Better Use Agreed to by Management	\$0
Audit Sub-Total	\$3,200,812
TOTAL	\$144,739,507

Efficiency and Effectiveness Activities Related to Audit, Other Reports, and Follow-Up Activities

Reports Issued	23
Recommendations Issued	81
Dollar Value of Costs Questioned	\$8,037,107
Dollar Value of Recommendations that Funds be Put to Better Use	\$1,342,438
Recommendations for which Management Decisions Were Made	84
Recommendations Without a Management Decision	14
Collections as a Result of Questioned Costs	\$207,165

Appendix I: OIG Reports Issued

April 1, 2016 through September 30, 2016

Agency Management

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Review of SBA Executive and Political Appointee Travel	16-14	4/14/2016	\$3,792	\$0
SBA's FY 2015 Progress in Reducing Improper Payments	16-15	5/13/2016	\$0	\$0
Weakness Identified During SBA's Office 365 Cloud Email	16-16	6/7/2016	\$0	\$0
Fiscal Year 2016 Report of the U.S. Small Business Administration Pursuant to the Cybersecurity Act of 2015, Section 406, Federal Computer Security	16-17	8/11/2016	\$0	\$0
Management Advisory Memorandum 16-20	16-20	8/22/2016	\$7,673	\$0
Evaluation Report 16-21: SBA's 2015 and 2016 Cash Gifts	16-21	8/23/2016	\$0	\$0
Program Subtotal	6		\$11,465	\$0

Credit/Capital Programs

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Management Advisory Memorandum 16-19	16-19	8/16/2016	\$850,791	\$0
Evaluation Report 16-22: The OIG High Risk 7(a) Loan Review Program Recommends \$3.2 million in Recoveries	16-22	9/30/2016	\$0	\$0
Management Advisory Memorandum 16-23: Audit of SBA's 504 Loan Liquidation Process	16-23	9/30/2016	\$0	\$0
Program Subtotal	3		\$850,791	\$0

Contracting Programs

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Report 16-13: SBA's 8(a) Business Development Program Eligibility	16-13	4/6/2016	\$0	\$0
Program Subtotal	1		\$0	\$0

Disaster Loans

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Report 16-18: Early Defaulted Hurricane Sandy Disaster Loans	16-18	8/15/2016	\$4,219,437	\$0
Program Subtotal	1		\$4,219,437	\$0

Appendix II: OIG Reports

With Questioned Costs

	Reports	Recommendations*	Questioned Costs**	Unsupported Costs***
A. No management decision made by March 31, 2016	0	0	0	0
B. Issued during this reporting period	4	6	\$5,081,693	\$862,256
SUBTOTAL (Universe from which management decisions could be made in this reporting period)	4	6	\$5,081,693	\$862,256
C. Management decisions made during this reporting period	3	4	\$862,256	\$862,256
(i) Disallowed costs	2	2	\$855,029	\$850,791
(ii) Costs not disallowed	3	4	\$688,127****	\$11,465
D. No management decision made by September 30, 2016	1	2	\$4,219,437	\$0

* Reports may have more than one recommendation.

** Questioned costs are those which are found to be improper.

*** Unsupported costs may be proper, but lack documentation. Unsupported costs are a subset of questioned costs.

**** Costs not disallowed include one recommendation from a prior period for which a decision on the dollar amount was not made until the current period. It was reported previously as a disallowed cost in error.

Appendix III: OIG Reports

With Recommendations that Funds Be Put to Better Use

	Reports	Recommendations*	Recommended Funds For Better Use
A. No management decision made by March 31, 2016	1	1	\$1,342,438
B. Issued during this reporting period	0	0	0
SUBTOTAL (Universe from which management decisions could be made in this reporting period)	1	1	\$1,342,438
C. Management decisions made during this reporting period	1	1	\$1,342,438
(i) Recommendations agreed to by SBA management	0	0	0
(ii) Recommendations not agreed to by SBA management	1	1	\$1,342,438
D. No management decision made by September 30, 2016	0	0	0

* Reports may have more than one recommendation.

Appendix IV: OIG Reports

With Non-Monetary Recommendations

	Reports	Recommendations
A. No management decision made by March 31, 2016*	6	15
B. Issued during this reporting period	9	26
SUBTOTAL (Universe from which management decisions could be made in this reporting period)	15	41
C. Management decision(s) made (for at least one recommendation in the report) during this reporting period	10	29
D. No management decision made by September 30, 2016*	8	12

* Adding the number of reports for C. & D. may not result in the subtotal of A. & B. because any single report may have recommendations that fall under both C. & D.

Appendix V: OIG Reports

From Prior Periods with Overdue* Management Decisions

Report Number	Title	Date Issued	Status
13-21	SBA Enterprise-Wide Controls over Cosponsored Activities	9/30/2013	Management has not responded to one recommendation in the report
15-16	SBA Needs to Improve its Oversight of Loan Agents	9/25/2015	Management has not responded to two recommendations in the report
16-02	Independent Auditors' Report on the SBA's FY 2015 Financial Statements	11/16/2015	Management has not responded to one recommendation in the report
16-04	Management Letter – SBA's FY 2015 Financial Statements Audit	12/11/2015	Management has not responded to three recommendations in the report
16-05	SBA Needs To Strengthen Its Information Technology Procurement Practices To Ensure Adequate Planning and Financial Oversight	12/17/2015	Management has not responded to one recommendation in the report

* Overdue as of September 30, 2016. Overdue is defined as more than 180 days from the date of issuance.

Appendix VI: OIG Reports

Without Final Action as of September 30, 2016

Report Number	Title	Date Issued	Date of Management Decision	Final Action Target Date
11-06	Weaknesses Identified During the FY 2010 FISMA Review	1/28/2011	3/28/2011	9/30/2011
11-14	SBA's Funding of Information Technology Contracts Awarded to ISIKA Technologies, Inc.	6/2/2011	8/1/2011	12/31/2011
12-02	Independent Auditors' Report on the SBA's FY 2011 Financial Statements	11/14/2011	12/22/2011	**
12-04	Small Business Administration's Rationale for Excluding Certain Types of Contracts from the Annual Small Business Procurement Calculations Needs to be Documented	12/6/2011	9/23/2015	**
12-15	Weaknesses Identified During the FY 2011 Federal Information Security Management Act Review	7/16/2012	8/16/2012	12/30/2012
13-03	Benefits of Mentor Protégé Joint Ventures are Unknown: Robust Oversight is Needed to Avoid Abuse and Assure Success	10/23/2012	1/24/2013	9/30/2013
13-04	Independent Auditor's Report on the SBA's FY 2012 Financial Statements	11/14/2012	2/20/2013	9/30/2013
13-08	The SBA Mismanaged Certain 8(a) Information Technology Contracts	12/3/2012	*	**
13-21	SBA Enterprise-wide Controls Over Cosponsored Activities	9/30/2013	*	**
14-03	Opportunities Exist to Further Improve Quality and Timeliness of HUBZone Certifications	11/19/2013	11/14/2013	9/30/2014
14-04	Audit of SBA's FY 2013 Financial Statements dated 11/16/13	12/16/2013	*	**
14-08	Improvement is Needed to Ensure Effective Quality Control at Loan Operation Centers	1/17/2014	1/17/2014	4/27/2016

* Management decision dates vary with different recommendations.

** Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision	Final Action Target Date
14-12	Weaknesses Identified During the FY 2013 Federal Information Security Management Act Review	4/30/2014	4/30/2014	12/31/2015
14-15	Opportunities Exist for the SBA to Improve the Monitoring of Non-Manufacturer Rule Waivers and Determine the Impact on Small Businesses	8/14/2014	8/11/2014	11/30/2014
14-17	Evaluation of SBA's 2013 and 2014 Cash Gifts	8/27/2014	8/27/2014	2/27/2015
14-19	Improvements Needed in the SBA's Oversight of the Financial Management of the District of Columbia Small Business Development Center	9/29/2014	9/29/2014	**
14-21	Review of the LMAS Incremental Improvement Projects	9/30/2014	9/25/2014	5/31/2015
15-02	Independent Auditor's Report of the SBA's FY2014 Financial Statements	11/17/2014	*	**
15-04	Management Letter SBA's FY 2014 Financial Statement Audit	12/17/2014	3/30/2015	10/1/2017
15-07	FISMA FY 2014	3/13/2015	3/3/2015	**
15-09	The OIG High Risk 7(a) Loan Review Program Recommends \$1.8 Million in Recoveries	3/20/2015	3/23/2015	4/2/2016
15-10	SBA's Oversight of the Women Owned Small Business (WOSB) Federal Contract Program	5/14/2015	5/18/2015	9/30/2016
15-11	FY 2014 Evaluation of SBA's Progress in Reducing Improper Payments	5/15/2015	5/15/2015	12/31/2015
15-12	Improvement is Needed in SBA's Separation Controls and Procedures	5/26/2015	5/4/2015	**
15-15	SBA Needs to Improve Its Management of Disaster Technical Assistance Grants	7/31/2015	8/3/2015	**
15-16	SBA Needs to Improve Its Oversight of Loan Agents	9/25/2015	*	**

* Management decision dates vary with different recommendations.

** Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision	Final Action Target Date
16-02	Independent Auditors' Report on the SBA's FY 2015 Financial Statements	11/16/2015	*	**
16-05	SBA Needs to Strengthen its Information Technology Procurement Practices to Ensure Adequate Planning and Financial Oversight.	12/17/2015	12/17/2015	**
16-07	Loan Management and Accounting System Incremental Improvement Projects Progress	12/18/2015	12/21/2015	8/31/2016
16-08	Management Advisory Memo 16-08	1/8/2016	1/6/2016	1/4/2017
16-09	FY 2015 Risk Assessment Over SBA's Charge Card Programs	2/5/2016	4/4/2016	9/30/2016
16-10	Weaknesses Identified During the FY 2015 Federal Information Security Management Act Review	3/10/2016	3/10/2016	**
16-11	Management Advisory Memorandum	3/17/2016	3/10/2016	3/14/2017

* Management decision dates vary with different recommendations.

** Target dates vary with different recommendations.

Appendix VII: Significant Recommendations

From Prior Reporting Periods without Final Action as of September 30, 2016

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
11-14	6/2/2011	We recommend that the CFO establish procedures to discontinue SBA's practice of inappropriately obligating funds on contracts in anticipation of future needs.	8/1/2011	12/31/2011
12-02	11/14/2011	We recommend the CIO coordinate with SBA program offices to enhance security vulnerability management processes. Specifically, SBA should: (a) redistribute procedures and train employees on the process for reviewing and mitigating security vulnerabilities, (b) periodically monitor the existence of unnecessary services and protocols running on their servers and network devices, (c) perform vulnerability assessments with administrative credentials and penetration tests on all SBA offices from a centrally managed location with a standardized reporting mechanism that allows for trending, on a regularly scheduled basis in accordance with NIST guidance, (d) develop a more thorough approach to track and mitigate configuration management vulnerabilities identified during monthly scans, and (e) monitor security vulnerability reports for necessary or required configuration changes to their environment.	12/22/2011	3/31/2012

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
12-02	11/14/2011	We recommend the CIO coordinate with SBA program offices to oversee the review and validation of financial system accounts on a quarterly basis.	12/22/2011	4/30/2012
12-04	12/6/2011	We recommend that the Associate Administrator, Government Contracting and Business Development revise the Goaling Guidelines for the Small Business Preference Programs to include contracts awarded and/or performed overseas in the small business goaling baseline beginning with fiscal year 2011.	9/23/2015	11/30/2015
13-03	10/23/2012	To ensure the SBA achieves its "Priority Goal" of increasing small business participation in government contracting while ensuring that the benefits of SBA's small business programs flow to the intended recipients, we recommend that the Associate Administrator for Government Contracting and Business Development develop specific, measurements (outputs and outcomes) to evaluate benefits of the joint venture agreements to protégé	1/24/2013	9/30/2013
13-21	9/30/2013	We recommend the Office of Strategic Alliances establish controls, such as a reporting system, to ensure that all activities are timely and properly closed out, and that all required documents and reports, as specified in SOP 90 75 3, are obtained.	1/23/2014	12/12/2014

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
14-03	11/19/2013	Update HUBZone guidance based on the current certification process, which includes the full supporting documentation review. Consider incorporating into the guidance a search of FPDS-NG database to ensure the firm is not receiving contracts with HUBZone status during the HUBZone application review and a method to maintain a complete history of the firm's status in the DSBS.	11/14/2013	9/30/2014
14-03	11/19/2013	Review the HUBZone certification process and identify a means to meet the deadlines established by regulation, through an improved business process.	11/14/2013	9/30/2014
14-04	12/16/2013	KPMG recommends that the Chief Information Officer coordinates with SBA program offices to grant elevated network privileges per business needs only and enforce the concept of least privilege or implement mitigating controls to ensure that activities performed using privileged network accounts (including service accounts) are properly monitored.	5/22/2014	12/31/2014
14-04	12/16/2013	KPMG recommends that the Chief Information Officer coordinates with SBA program offices to enforce a network access security baseline(s) across the network, consistent with SBA security policy, Office of Management and Budget directives, and United States Government Configuration Baseline requirements.	4/9/2014	9/30/2014
14-15	8/14/2014	Complete and publish the Standard Operating Procedure for the Non-Manufacturer Rule Waiver Program.	8/11/2014	11/30/2014

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
14-19	9/29/2014	Update SOPs 60 15 and 60 16 to address subsequent statutory and regulatory changes, and to establish adequate controls to ensure effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.	9/29/2014	3/31/2016
14-19	9/29/2014	Implement controls to ensure that Lead Centers exclude excess sub-recipient costs when computing indirect costs.	9/29/2014	9/30/2016
15-09	3/20/2015	Require Ridgestone Bank to bring the loan into compliance, and, if not possible, seek recovery of \$900,175 (less any amounts received from liquidation) from Ridgestone Bank on the guaranty paid by SBA for the loan.	3/23/2015	4/2/2016
15-09	3/20/2015	Require USC Credit Union to bring the loan into compliance and, if not possible, seek recovery of \$471,905 (less any amounts received from liquidation) from USC Credit Union on the guaranty paid by SBA for the loan	3/23/2015	4/2/2016
15-10	5/14/2015	Provide additional, updated training and outreach to the contracting community explaining that program set aside requirements are for awards for goods and services within certain NAICS codes in which women-owned firms have been identified as being underrepresented or substantially underrepresented.	5/18/2015	9/30/2016
15-10	5/14/2015	Provide additional, updated training to WOSBP firms, potential WOSBP firms, and contracting officers on current repository and documentation requirements.	5/18/2015	9/30/2016

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
15-10	5/14/2015	Revise the self-certification forms (SBA Forms 2413 and 2414) to include the name of the individual who is in control of day-to-day operations if different than the owner.	5/18/2015	9/30/2016
15-10	5/14/2015	Revise the SBA Financial Form 413- WOSB Program to ensure it properly provides financial information in accordance with the program requirements.	5/18/2015	9/30/2016
15-10	5/14/2015	Perform eligibility examinations on WOSB and EDWOSB firms identified in this report as potentially ineligible.	5/18/2015	9/30/2016
15-11	5/15/2015	We recommend that the Associate Administrator for Entrepreneurial Development recover \$168,000 of unallowable indirect costs from SCORE.	5/15/2015	12/31/2015
15-12	5/26/2015	We recommend the Chief Financial Officer/Chief Acquisition Officer revise guidance to require the COR to monitor contractor status and provide a standardized method to do so. This guidance should reinforce COR responsibilities for monitoring a contractor's system or network access, identification card receipt and return, SBA separation date, system or network deactivation and security notification date.	5/4/2015	1/29/2017
15-15	7/31/2015	Prepare a closeout report for Sandy technical assistance grants that covers the challenges, successes, and actions to take based on QED's experience. Using the closeout report, develop a plan for deploying technical assistance resources in the wake of a disaster.	8/3/2015	12/31/2016

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
15-16	9/25/2015	Establish and implement procedures for the regular monitoring of SBA Form 159 data to identify concerning trends or risk patterns.	1/7/2016	9/15/2016
15-16	9/25/2015	Develop performance metrics for loan agents that, if exceeded, would trigger closer SBA examination of a loan agent's activity and performance.	2/2/2016	7/31/2016
15-16	9/25/2015	Establish and implement procedures for reporting any concerning trends or suspected fraudulent activity of loan agents to Agency management and OIG.	1/7/2016	9/15/2016
15-16	9/25/2015	Develop benchmarks for contractor performance and require the FTA to implement appropriate application controls and follow-up procedures with lenders to ensure the integrity of the Form 159 database.	Overdue	Target Date Not Established
15-16	9/25/2015	Implement a process using permissible information to uniquely identify loan agents involved with SBA lending programs for tracking purposes.	Overdue	Target Date Not Established
16-02	11/16/2015	KPMG recommends that the Chief Information Officer coordinate with SBA program offices to implement and monitor procedures to ensure that access is appropriately granted to employees and contractors, consistent with the conditions on their access forms after all approvals have been obtained.	2/25/2016	3/31/2017

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
16-02	11/16/2015	<p>KPMG recommends that the Chief Information Officer coordinate with SBA program offices to improve SBA's administration of logical system access by taking the following actions: Implement an effective off-boarding process, and periodically verify that controls to remove logical access for separated employees are implemented and operating as designed; Establish a process for the identification and removal of separated contractors to help ensure that access is timely removed upon contractor separation; and Timely remove access to general support systems and major applications (including development and test environments) when employees and contractors are terminated.</p>	2/24/2016	3/31/2017
16-02	11/16/2015	<p>KPMG recommends that the Chief Information Officer coordinate with SBA program offices to improve SBA's information system logging and auditing program, by taking the following actions: review and rationalize current audit and logging activities and capabilities to determine their effectiveness in addressing risks to systems and data; implement and enforce consistent and effective creation of audit records, capturing relevant auditable events, auditing (i.e., manual or automated review of audit records) for specified events, and automated alerting on specified events across SBA's infrastructure using a risk-based approach; retain evidence of the audit log review; and develop an Agency-wide plan and schedule for implementing the above recommendations.</p>	2/25/2016	3/31/2017

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
16-05	12/17/2015	Develop a formalized review process for Part B funding documents to ensure agency funds are used in accordance with Federal regulations. The formalized review process should be documented to include: identifying SBA department personnel roles and responsibilities for reviewing the funding documents, and an approval mechanism for accountability and transparency.	12/17/2015	1/31/2017
16-05	12/17/2015	Establish and implement clear, written policies and procedures for obligating funds for SBA contracts.	12/17/2015	1/31/2017
16-05	12/17/2015	Require SBA program and management office acquisition personnel to include justification for using SBA funds for each acquisition request in the Acquisition Plan. Ensure that policy is established to require SBA acquisition community to clearly identify the nature of the contract and justify the use of the selected funds are consistent with the funds purpose.	12/17/2015	1/31/2017
16-05	12/17/2015	Establish policies and procedures requiring contracting officers to document and analyze significant cost discrepancies between contractors proposed prices and IGCEs, especially when negotiating sole-source contract award actions.	12/17/2015	1/31/2017
16-05	12/17/2015	Establish and implement clear, written policies and procedures for conducting fair and equitable reviews of competitive offers or proposals for all SBA personnel who perform technical evaluations that support agency acquisition determinations.	Overdue	1/31/2017

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
16-05	12/17/2015	Develop policies and procedures for interagency acquisitions so that SBA is in compliance with Federal requirements to achieve the greatest value possible from interagency acquisitions.	12/17/2015	9/30/2017
16-08	1/8/2016	Require Santander Bank to bring the loan into compliance and, if not possible, seek to recover of \$299,318 from Santander Bank on the guaranty paid by SBA for the loan.	1/6/2016	1/4/2017
16-11	3/17/2016	Require California Bank & Trust to bring the loan into compliance and, if not possible, seek recovery of \$2,046,465 from California Bank & Trust on the guaranty paid by SBA	3/10/2016	3/14/2017

* Management decision dates vary with different recommendations.

** Target dates vary with different recommendations.

Appendix VIII: Significant Recommendations

April 1, 2016-September 30, 2016

Report Number	Title	Date Issued	Recommendation
16-13	SBA's 8(a) Business Development Program Eligibility	4/7/2016	Update policy to require the AA/BD and OCE's director to clearly document their justification for approving or denying applicants into the 8(a) Program, particularly when those decisions differed from lower-level recommendations.
16-14	Review of SBA Executive and Political Appointee Travel	4/14/2016	<p>Reinforce the roles and responsibilities for travelers, authorizing and approving officials, and the Denver Finance Center to ensure compliance with the Federal travel regulations and SBA travel program standard operating procedures.</p> <p>Communication aimed at authorizing and approving officials and the Denver Finance Center should include a focus on the following areas: prior authorization of all travel expenses, including actual lodging expenses, travel dates, travel locations and annual leave; appropriate authorizing and approving officials for special circumstance trips; adequate documentation and sufficient written justification required in the Concur system; and purpose and objective for every level of review.</p>
16-15	SBA's FY 2015 Progress in Reducing Improper Payments	5/13/2016	We recommend that the Office of Financial Program Operations Director ensure supplemental measurements to reduce improper payments in the 7(a) Loan Guaranty Approvals Program are provided to OMB within the required deadline.
16-15	SBA's FY 2015 Progress in Reducing Improper Payments	5/13/2016	We recommend that the Office of Financial Program Operations Director submit to Congress within OMB's required deadline the following: a). Reauthorization proposals for each (discretionary) program or activity that has not been in compliance for three or more consecutive fiscal years; or b). Proposed statutory changes necessary to bring the program or activity into compliance.

Report Number	Title	Date Issued	Recommendation
16-15	SBA's FY 2015 Progress in Reducing Improper Payments	5/13/2016	We recommend that the Office of Financial Program Operations Director submit to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB within 90 days of this report a plan for the 504 Loan Program that includes: a). Measurable milestones for becoming compliant with IPERA; b). Designation of an accountable senior agency official; and c). The establishment of an accountability mechanism, describing the actions the agency will take to become compliant.
16-16	Weakness Identified During SBA's Office 365 Cloud Email Migration	6/7/2016	Develop and issue guidance on email archiving procedures for the Office 365 cloud email migration.
16-16	Weakness Identified During SBA's Office 365 Cloud Email Migration	6/7/2016	Develop and utilize a requirements traceability matrix to document user acceptance of the Office 365 cloud email migration testing in accordance with SBA's system development method.
16-16	Weakness Identified During SBA's Office 365 Cloud Email Migration	6/7/2016	In accordance with OMB Memorandum M-15-14, Management and Oversight of Federal Information Technology, determine whether the data reported to the Federal IT Dashboard is timely and reliable. If deficiencies are identified, immediately notify the Office of Budget and Management through the Integrated Data Collection within 30 days.
16-18	Early Defaulted Hurricane Sandy Disaster Loans	8/15/2016	Develop additional guidance that specifies what constitutes unsatisfactory credit, the period of credit history to be evaluated, and derogatory credit issues that are considered an unacceptable risk to SBA.
16-18	Early Defaulted Hurricane Sandy Disaster Loans	8/15/2016	Develop additional approval criteria for loan officers to mitigate the risk of default associated with loan applicants that have been recommended for decline by the DCMS system due to unsatisfactory credit.
16-18	Early Defaulted Hurricane Sandy Disaster Loans	8/15/2016	Improve existing portfolio risk analyses by monitoring DCMS decline codes that indicate a higher risk of early default.

Report Number	Title	Date Issued	Recommendation
16-18	Early Defaulted Hurricane Sandy Disaster Loans	8/15/2016	Provide improved training and materials to current loan officers and new hires to address the issues identified in our findings, emphasize related criteria, and to support appropriate repayment ability analyses.
16-18	Early Defaulted Hurricane Sandy Disaster Loans	8/15/2016	Provide improved training to loan officers regarding SBA requirements regarding complex eligibility considerations.
16-19	Management Advisory Memorandum 16-19	8/16/2016	Require Newtek Small Business Finance, Inc. to bring the loan into compliance and, if not possible, seek recovery of \$850,791, plus interest on the guaranty paid by SBA for the loan.
16-20	Review of SBA's Practices for Senior Executive Service Initial Pay Setting	8/22/2016	Remedy the \$7,673 in overpayments
16-20	Review of SBA's Practices for Senior Executive Service Initial Pay Setting	8/22/2016	Ensure that SBA has a process in place to keep Executive Resources employees informed on all updates to Federal pay setting laws and regulations
16-21	SBA's FY 2015 and 2016 Cash Gifts	8/23/2016	We recommend the Associate Administrator for Communications and Public Liaison ensure that future cosponsorship agreements include appropriate controls regarding excess funds remaining at the conclusion of a cosponsored activity in accordance with SOP 90 75 3.
16-22	The OIG High Risk 7(a) Loan Review Program Recommends \$3.2 Million in Recoveries	9/30/2016	Evaluate the time NGPC loan specialists have to review complex early-defaulted loans involving change of ownership transactions.

Appendix IX: Cosponsored & Other Activities

April 1, 2016 through September 30, 2016

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
ONBoardD (Open Network for Board Diversity)	HQ/Office of Investment and Innovation – LinkedIn	Online	9/23/2016
Small Business Workshops	Nebraska DO - Little Priest Tribal College	Winnebago, NE	9/23/2016
Entrepreneur Workshop Series	Nebraska DO - Edith Abbott Memorial Library	Grand Island, NE	9/23/2016
Small Business Lending For Your Bank and Community	Nebraska DO - Federal Deposit Insurance Corporation, Federal Reserve Bank of Kansas City	Omaha, NE	9/23/2016
New Hampshire Small Business Matchmaker	New Hampshire DO - New Hampshire Small Business Development Center, New Hampshire Government Contracting Assistance Center	Manchester, NH	9/22/2016
Veterans Small Business Roadshow	Illinois DO-Springfield Branch Office, Veterans Business Outreach Center, Allstate Insurance Company, Illinois SBDC at Southern Illinois University, Illinois Metro East SBDC, Decatur SCORE	Carbondale, IL, Belleville, IL, Decatur, IL	9/20/2016
New Year, New Business Workshop Series	Nebraska DO - Omaha Public Library	Omaha, NE	9/20/2016
Selling to the Government Training Series	North Dakota DO-Impact Procurement Technical Assistance Center	Online, Bismarck, Fargo, Grand Forks, Minot, ND	9/20/2016
Small Business Development Initiative Empowerment Series	New York DO - Harlem Congregations for Community Improvement, Inc.	New York, NY	9/14/2016

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
2017 Small Business Boot Camp Seminar Series	New York - Brooklyn Public Library	Brooklyn, NY	9/9/2016
Veteran Summit	Kansas City DO - Kansas City Power & Light, Metropolitan Community College, Burns & McDonnell, Veterans Business Resource Center	Kansas City, MO	9/9/2016
Business Success Workshops 2016 - 2017	New York DO - Medgar Evers College, Entrepreneurship Experiential Learning Lab	Brooklyn, NY	9/7/2016
Opening Doors to Government Contracting for Women & Minority Small Businesses	Syracuse DO - State University of New York - Mohawk Valley Small Business Development Center, Women's Business Center of New York State, Utica SCORE Chapter, North Country Procurement Technical Assistance Center, The Business Training Institute, Inc.	New York, NY	9/7/2016
Small Business Education Series	Illinois DO-Small Business Majority	Readytalk.com	8/24/2016
Registering your Business in the State of West Virginia.	West Virginia DO-West Virginia Secretary of State	Online	8/24/2016
Women's Network for Entrepreneurial Training (WNET) Business	Wyoming DO-First Interstate Bank	First Interstate Bank, Casper, WY	8/24/2016
AGLCC University-Presented by SBA	Georgia DO-Atlanta Gay & Lesbian Chamber of Commerce	Atlanta, GA	8/24/2016
Business Matchmaking	San Antonio DO-Huston-Tillotson University, Greater Austin Hispanic C of C, PeopleFund	Huston-Tillotson University	8/24/2016
Women's Business Roundtables	Wyoming DO-First State Bank of Newcastle	Newcastle Country Club	8/24/2016

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Financing Rural Small Business – Tools of the Trade (Vermont)	Vermont DO - Federal Reserve Bank of Boston, Federal Home Loan Bank of Boston, Federal Deposit Insurance Corporation - Division of Depositor and Consumer Protection, U.S. Department of Treasury - Office of the Comptroller of the Currency, U.S. Department Agriculture Rural Development, Vermont Economic Development Authority	Montpelier, VT	8/17/2016
2016 Business Connect – Business Matchmaking Event	San Antonio DO - San Antonio Hispanic Chamber of Commerce	San Antonio, TX	8/17/2016
Virgin Islands Outreach, Training and Education Program	Puerto Rico & Virgin Islands DO - University of the Virgin Islands	St. Thomas, VI	8/11/2016
Marketing, Ethics and Customer Reviews Workshops	Boise DO - Better Business Bureau Northwest	Boise, ID	8/9/2016
How to Create a Business Plan Workshop	Boise DO - City of Mountain Home, Idaho - Economic Development Department	Mountain Home, ID	8/9/2016
Entrepreneurship Education & Microloan Initiative for Parents who are Returning Citizens (the Microloan Initiative)	HQ/Office of Entrepreneurship Development - W.K. Kellogg Foundation, Justine Petersen Housing and Reinvestment Corporation	Chicago, IL; Detroit, MI; St. Louis, MO; Louisville, KY	8/4/2016
Export Trade Assistance Program	Santa Ana DO - Riverside Community College District - Inland Empire Center for International Trade Development, Inland Empire Small Business Development Center	Fontana, CA	8/3/2016
Export Trade Assistance Program	Santa Ana DO - Riverside Community College District - Inland Empire Center for International Trade Development, Coachella Valley Small Business Development Center, Riverside County Economic Development Agency - Office of Foreign Trade	Indio, CA	8/3/2016
2016 White House Open Data Summit	HQ/Office of the Administrator - The Data Foundation	Washington, DC	7/20/2016
Spirit of Small Business Awards Program & Luncheon	Los Angeles DO - Pacific Coast Business Times	Goleta, CA	7/15/2016

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Inspiring Women in Entrepreneurship	Syracuse DO - New York Business Development Corporation, Blackstone Launchpad at Syracuse University, WISE Women's Business Center, The Tech Garden	Syracuse, NY	7/14/2016
SBA & CAST-GNY Entrepreneurship Academy - "Starting and Growing Your Business" Program	New York DO - Chinese Association for Science and Technology USA Greater New York	New York, NY	7/14/2016
Small Business Marketing, SBA Programs & Services & WOSB Program	Baltimore DO-Bayview Management, LLC	Towson, MD	7/11/2016
Wealth Diversity Summit, Black America Dream Forum and Veterans Benefit Workshop	Baltimore DO-Financial Empowerment Movement, Inc.	Baltimore, MD	7/11/2016
1st annual summer international business festival.	Louisiana DO-Breazeale, Sachse, & Wilson, LLP, and Hollywood South	New Orleans, LA	7/11/2016
Youth Entrepreneurial Summit	Baltimore DO-Heartsmiles, Inc.	Baltimore, MD	7/11/2016
Selling to the Government Training Series	Wyoming DO-Wyoming Entrepreneur Procurement Technical Assistance Center	Casper, Laramie, Cheyenne, Riverton, Jackson, Fort Washakie, WY, Online	7/11/2016
Affordable Care Act Education Workshop Series FY 2017	Wyoming DO-Wyoming Institute of Population Health, a division of Cheyenne Regional Medical Center	Casper, Laramie, Cheyenne, Riverton, Jackson, Fort Washakie, WY, Online	7/11/2016
Tech Tips for Small Business Webinar Series	Santa Ana DO - Microsoft Corporation	Online, Telephone	6/22/2016
Your Business – Start Smart Workshop Series	Boise DO - City of Meridian	Meridian, ID	6/22/2016

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
SBIR Road Tour	West Virginia DO-TechConnect WV, INNOVA Commercialization Group, West Virginia SBDC, West Virginia SCORE, West Virginia Regional Technology Park, Chemical Alliance Zone, Charleston Area Alliance, Robert C. Byrd Institute for Flexible Manufacturing	Morgantown, WV	6/15/2016
Emerging Leaders 2016	Michigan DO-Automation Alley, Great Lakes Women's Business Council, Detroit Economic Growth Corporation, Detroit Regional Chamber, Michigan Black Chamber of Commerce, Michigan Economic Development Corporation, Michigan Minority Supplier Development Council, Michigan SBDC, Michigan State University Detroit Center, SCORE Chapter 18, TechTown	Detroit, MI	6/15/2016
Emerging Leaders 2016	Colorado DO-City of Englewood, Greater Englewood Chamber of Commerce, Accion Colorado, Colorado Enterprise Fund, Colorado Lending Source, Colorado SBDC, First National Denver Bank, Mi Casa-Women's Business Center	Englewood, CO	6/15/2016
Small Business Opportunities in the Gateway to the Delta.	Mississippi DO - The City of Yazoo City	Yazoo City, MS	6/15/2016
Branding Strategies	Baltimore DO - Business and Professional Women	Towson, MD	6/15/2016
Youth Entrepreneurial Summit	Baltimore DO - Johns Hopkins Health System	Baltimore, MD	6/15/2016
Business Basics Series	New York DO - Emblem Health	Manhattan, Brooklyn, Queens, Bronx, Staten Island, Westchester County, NY	6/14/2016
What small businesses need to know to qualify for SBA's Surety Bond Guarantee Program	HQ/Office of Surety Guarantees - National Association of Surety Bond Producers	Washington, DC; Nationwide	6/9/2016
2016 BDCs & Small Business Capital Formation Forum	HQ/Office of Investment and Innovation - Small Business Investor Alliance, Milken Institute, Morrison & Foerster LLP.	Washington, DC	6/9/2016

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Financing Your Business- Access to Capital 5 C's of Credit, Doing Business with the Federal Government	Georgia DO - Alpha Kappa Alpha Sorority, Inc., The Twenty Pearls Foundation, Inc., SBDC at Georgia State University, BrandBank	Atlanta, GA	6/9/2016
Opening Doors to Business with Government and Prime Contractors	Syracuse DO - New York Air Brake LLC., New York State Office of General Services Division of Service Disabled Veterans' Business Development, Jefferson County Local Development Corporation, Watertown Small Business Development Center	Watertown, NY	6/7/2016
Lender Matchmaker	Buffalo DO - SCORE Buffalo Niagara Chapter 45, Niagara Small Business Development Center	Niagara Falls, NY	6/7/2016
2nd Annual Mentor Protégé Program and Business Matchmaking Conference	HQ/Office of Business Development - American Small Business Alliance, Inc.; FutureNet Group, Inc.; Sevatec, Inc.; The Ravens Group, Inc.; DKW Communications, Inc.; General Dynamics Information Technology; Parsons Corporation; Dun & Bradstreet, Inc.	Arlington, VA	6/7/2016
Government Contracting Opportunities Training Series	Santa Ana DO - NetQuarry, Inc. (Bidspeed)	Santa Ana, CA, Online	6/1/2016
Veteran & Family Day	Lubbock DO-Lubbock International Cultural Center, dba Center for Global Understanding	Lubbock, TX	5/24/2016
Kickoff Event: Asian Business Resource Fair	Massachusetts DO - Asian Real Estate Association of America Boston, Inc.	Boston, MA	5/22/2016
4th Annual SBA Los Angeles Faith Based Small Business Summit	Los Angeles DO - University of Southern California Small Business Diversity Office, AmPac TriState CDC	Los Angeles, CA	5/22/2016
Top Ten Lender Awards Event	Kansas City DO - Alterra Bank	Kansas City, MO	5/22/2016
Grand Island Women's Conference	Nebraska DO - Federal Deposit Insurance Corporation, Edith Abbott Memorial Library	Grand Island, NE	5/20/2016
Small Business Workshops	Nebraska DO - Bellevue University Military Veterans Services Center	Bellevue, NE	5/20/2016

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Strengthen Idaho's Economy: One Glass at A Time	Boise DO - Buy Idaho, Incorporated	Boise, ID	5/20/2016
Encore Entrepreneur	HQ/Office of Entrepreneurship Education - AARP, SCORE (National Office), West Virginia State University Extension Service Economic Development Center (WVSEEDC), Binghamton University SBDC, Missouri Women's Business Center, Missouri Small Business and Technology Development Center, Guilford Tech Community College Small Business Center, North Carolina Rural Economic Development Center, Inc., North Carolina Small Business & Technology Development Center, The Women's Business Center of North Carolina, Friendship Missionary Baptist Church of Miami, City of Miami	Nationwide	5/17/2016
2016 Back to Business Conference	Georgia DO-U.S. General Services Administration, Office of Caesar C. Mitchell	Atlanta, GA	5/17/2016
Veteran Business Connection-Linking Veteran Owned Businesses to Federal Opportunities	Illinois DO-General Services Administration, Veterans Business Outreach Center	Chicago, IL	5/17/2016
Encore Event	Oklahoma DO-AARP, REI Women's Business Center	Tulsa, OK	5/13/2016
2016 Vermont Small Business Awards Ceremony	Vermont DO - Vermont Business Magazine	Waterbury, CT	5/12/2016
Ready, Set, Go for Immigrants	St. Louis DO - St. Louis Economic Development Partnership, International Institute of St. Louis	St. Louis, MO	5/12/2016
2016 Albany Matchmaker	Syracuse DO - New York Business Development Corporation, University at Albany Small Business Development Center, New York State Contract Reporter	Albany, NY	5/12/2016
Advanced Business Development Workshop Series	Hawaii DO - Ho'okumu Foundation, Patsy T. Mink Center for Business and Leadership	Hawaii Statewide	5/12/2016

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Monthly Small Business Educational Series	Washington, DC DO-Greater McLean Chamber of Commerce	McLean, VA	5/11/2016
Encore Event	Oklahoma DO-AARP, REI Women's Business Center	Tulsa, OK	5/11/2016
Emerging Leaders 2016	Oklahoma DO - Rose State College, Rural Enterprises of Oklahoma, Inc., Oklahoma Small Business Development Centers, SCORE Oklahoma City Chapter 212,	Midwest City, OK	5/6/2016
SBA Awards Luncheon	Oklahoma DO - Rose State College	Rose State College	5/6/2016
Small Business Education Series	Washington, DC DO -Clifton, Larson, Allen, LLP	Arlington, VA	5/6/2016
Southeast Export Lender Roundtable	South Florida DO-Miami Free Zone, Citibank, ExWorks Capital, Celtic Bank	Miami, FL	5/6/2016
Small Business Awards Ceremony	Columbus DO-Community Capital Development Corporation, Midwest Business Capital, First Financial, Heartland Bank, TelOhio, KeyBank, Fifth Third Bank, Huntington National Bank, Ohio State Development Corporation, HCDC	Grove City, OH	5/6/2016
Lender Export Finance Breakfast	Syracuse DO - New York Business Development Corporation	Binghamton, NY	5/5/2016
2016 Small Business Matchmaker, Awards Luncheon, Exposition	Buffalo DO - SCORE Buffalo Niagara Chapter 45, Business First, Inc.	Buffalo, NY	5/5/2016
Section 3 Contractor Boot Camp	Buffalo DO - Rochester Housing Authority, Monroe County Finger Lakes Procurement Technical Assistance Center	Rochester, NY	5/5/2016
Small Business Week Workshop/Luncheon/Awards presentation for Nebraska Small Business Person of the Year.	Nebraska DO - Federal Deposit Insurance Corporation	Omaha, NE	4/29/2016

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Emerging Leaders 2016	Fresno DO - California State University Bakersfield Small Business Development Center, University of LaVerne, Bakersfield County Campus	Bakersfield, CA	4/29/2016
Emerging Leaders 2016	Syracuse DO - Onondaga SBDC, Syracuse SCORE, The WISE Center, The Falcone Center, CenterState CEO, The Tech Garden, SUNY College of Environmental Science and Forestry, Central NY Technology Development Organization, Manufacturers Association of Central New York, The City of Syracuse Office of Neighborhood and Business Development, The Downtown Committee, Onondaga County Office of Economic Development	Syracuse, NY	4/29/2016
Small Business – Big Opportunity	Connecticut DO - Travelers Institute	Stamford, CT	4/29/2016
Capital Matchmaking/Business Coaching	Springfield BO - Southern Berkshire Chamber of Commerce, Massachusetts Small Business Development Center Network - Berkshire Regional Office, SCORE Chapter 228	Great Barrington, MA	4/29/2016
Credit Enhancement Day	New Hampshire DO - New Hampshire Bankers Association	Concord, NH	4/29/2016
Small Business Crawl Meridian	Boise DO - City of Meridian	Meridian, ID	4/29/2016
2016 South Florida Small Business Week Awards Program	South Florida DO - City of Doral	Doral, FL	4/29/2016

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
America East SBA Lenders Conferences and Follow-Up Training.	Philadelphia DO - America East, Inc., M&T Bank, Lerch Early, Reliant Business Valuation, Starfield & Smith, Strategic Banking Partners, Prudent Lenders, Agex Financial, Benetrends Financial, Tetra Tech, Cantor Fitzgerald, CDC Capital Markets, Clascorp, LLC, Coastal Securities, Inc., Cortland Capital Markets, DRDA, First Financial Group/Mass Mutual, JR Bruno Associates, Partner Engineering and Science, Inc., Raymond James & Assoc., RBAC, Signature Securities, The Bailey Group, Unisearch, Zions Bank, Business Credit Reports, Accion East, Turner Business Appraisers, Fulton Bank, Nationwide Valuations, Harvest Business Advisors, TRILEAF Environmental, Capital Growth Solutions, United Community Bank, Banc Serv, PCFS 2000, 44 Business Capital A Division of Berkshire Bank, Radar Lender Services, Liberty SBF, AEI Consultants, Hanover Securities, Granite Commercial Management, Outsourced Risk Management Solutions, Collateral Specialists, Inc., SBA Advisors, Inc., LifeEase SBA Insurance Solutions	Philadelphia, PA	4/27/2016
Emerging Leaders 2016	Nevada DO - ACCION Nevada New Mexico Arizona Colorado, CPLC Southwest Prestamos CDFI, Nevada SCORE Chapter 243, Nevada Small Business Development Center, Bank of Nevada, Bank of George	Las Vegas, NV	4/27/2016
Emerging Leaders 2016	Illinois DO - Wintrust Financial Corporation, SCORE	Chicago, IL	4/15/2016
Emerging Leaders 2016	Louisiana DO-Good Work Network, Jefferson Chamber of Commerce, Louisiana Minority Business Council, Louisiana SBDC, New Orleans Chamber of Commerce, New Orleans East Regional Business Park, SCORE, Operation HOPE, State of Louisiana-Department of Economic Development, Urban League of Greater New Orleans, Urban League's Women's Business Center	New Orleans, LA	4/5/2016
Emerging Leaders 2016	Cleveland DO - City of Youngstown Department of Community Planning and Economic Development, Ohio Small Business Development Center at Youngstown State University	Youngstown, OH	4/5/2016

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
11th Government Contracting Matchmaking Event	Puerto Rico DO - Colegio de Ingenieros y Agrimensores de Puerto Rico	Hato Rey, PR	4/5/2016
SBA Small Business Week Breakfast and Awards Ceremony.	Puerto Rico DO - Puerto Rico Bankers Association	San Juan, PR	4/5/2016
2016 Small Business Exchange	Indiana DO - Indianapolis International Airport, Benesch, Friedlander, Coplan & Aronoff LLP, Indy Chamber of Commerce, Central Indiana Women's Business Center, Indiana Small Business Development Center, SCORE, Riley Area Development Corporation	Indianapolis, IN	4/5/2016
Quality Circle 2016.	Pittsburgh DO - Western Pennsylvania Association of SBA-Guaranteed Lenders	Farmington, PA	4/5/2016
Emerging Leaders 2016	Pittsburgh DO - Duquesne University	Pittsburgh, PA	4/5/2016
SBA Day at the Ballpark 2016	Philadelphia DO - Constant Contact	Philadelphia, PA	4/5/2016
Emerging Leaders 2016	New Mexico DO - Albuquerque Hispano Chamber of Commerce, New Mexico Small Business Development Center Network	Albuquerque, NM	4/5/2016
Emerging Leaders 2016	San Antonio DO - Dell Inc., Broadway Bank	San Antonio, TX	4/5/2016
Financial Literacy Workshop	Indiana DO - Centier Bank and Office of the Indiana Attorney General	Gary, IN	4/5/2016
Small Business Awards Luncheon	Utah DO - Utah Certified Development Company, Mountain West Small Business Finance	Salt Lake City, UT	4/5/2016

Appendix X: Legal Actions Summary

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
AL	GC	Army CID, DCIS	A business owner used Chinese products to fulfill a Department of Defense contract in violation of the Buy America Act.	Individual was indicted.
CA	BL	FBI, FDIC/OIG, FHFA/OIG TIGTA	A business owner made a cash payment to a bank employee and submitted false tax returns to obtain an SBA business loan.	Two individuals were convicted and sentenced. One individual was sentenced to 3 years supervised release and ordered to pay \$992,582 in restitution. The second individual was sentenced to 12 months of home confinement and ordered to pay \$973,789 in restitution.
CA	GC	Army CID, DOJ/OIG, GSA/OIG, DCIS	A company falsely represented and certified that it was a small business in order to compete for and obtain Federal small business set-aside contracts.	Company entered into a civil settlement agreement in the amount of \$5,801,694 without admitting liability.
CO	BL	FBI, FHFA/OIG	Individuals conspired to obtain a \$2 million SBA-guaranteed loan by concealing the borrower's extensive criminal history.	Two individuals pled guilty and were sentenced. The two individuals received one year of probation. A third individual was convicted and is awaiting sentencing.
DC	GC	FBI, GSA/OIG	A Colorado corporation conspired with others to utilize an SBA-certified 8(a) firm as a pass-through for over \$70 million in Government contracts.	Two individuals pled guilty.

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
DC	GC	FBI, GSA/OIG	An individual concealed his control of two related companies to obtain 8(a) certification for one of the companies. The 8(a) company obtained \$8.5 million in government contracts to which they were not entitled.	Individual pled guilty and was sentenced to 15 months incarceration, followed by 36 months supervised release and ordered to pay a \$25,000 fine and \$119,165 in restitution.
GU	GC	DHS/HSI, IRS/CI	Two individuals misused the H-2B visa worker program while working on an 8(a) set-aside contract awarded to one of the individual's corporation. In addition, one individual had a criminal history that was not disclosed to SBA.	Two individuals and the corporation pled guilty
IL	BL	FBI	A bank employee embezzled funds that were to be used to pay off existing SBA loans.	Individual charged by information.
IL	BL		An individual prepared false financial statements in order to obtain over \$4.86 million in SBA loans to refinance his failing businesses.	Individual pled guilty
IL	BL	FBI, IRS/CI, FDIC/OIG	During the course of an SBA loan fraud investigation, it was determined that an individual evaded paying Federal income tax by embezzling funds from his business account, then using the funds for his own personal use.	Individual was sentenced to 30 months incarceration, one year of supervised release and ordered to pay \$553,367 in restitution.
IL	DL	FBI	Individuals made false statements to a bank and SBA in order to secure an SBA economic injury disaster loan.	Individual was sentenced to 1 day imprisonment, 120 days of home confinement, 800 hours of community service, 4 years of supervised release and ordered to pay \$740,829.

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
MA	GC	Army CID, GSA/OIG, VA/OIG	Individual made false statements regarding their Service Disabled Veteran-Owned (SDVO) qualifications in order to receive SDVO contracts.	Individual was convicted.
MD	GC	FBI, FHFA/OIG USPIS	Bank failed to adhere to requirements for the preferred lenders program, including demanding adequate bank and IRS tax records from borrowers.	Bank agreed to pay a \$9.5 million settlement without admitting liability.
MN	BL	FBI	Individual concealed civil lawsuit and subsequent judgment from the bank and SBA when applying for a guaranteed loan under the Export Working Capital Program (EWCP).	Individual pled guilty.
MO	BL	FBI	Individual participated in a complex commercial loan fraud scheme in which 16 other individuals were also charged. As part of the scheme, a number of SBA loans were fraudulently obtained by businesses that were ineligible to receive them .	Individual was sentenced to three years imprisonment, and ordered to pay \$4,223,917 in restitution.
MO	BL	FBI, FDIC/OIG	An individual formed straw companies in order to apply for an SBA guaranteed loan. The scheme included preparation of false invoices, profit and loss statements, manufacturing licenses and sales contracts.	Individual was indicted.
NJ	DL	NJ/ AG DHS/OIG, HUD/OIG	Individuals falsified the location of their primary residence in order to obtain Government assistance in the aftermath of Hurricane Sandy.	Individual was sentenced to 12 months probation and ordered to pay \$90,733 in restitution. A second individual entered into pretrial diversion and was ordered to pay \$37,036.
NJ	DL	NJ/AG, DHS/OIG, HUD/OIG	Individual falsified the location of their primary residence in order to obtain Government assistance in the aftermath of Hurricane Sandy.	Individual pled guilty and was sentenced to pretrial diversion and ordered to pay \$32,759 in restitution.

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
NJ	DL	NJ/AG, DHS/OIG, HUD/OIG	Individual falsified the location of their primary residence in order to obtain Government assistance in the aftermath of Hurricane Sandy.	Individual was charged by complaint-summons.
NJ	DL	NJ/AG, DHS/OIG, HUD/OIG	Individuals falsified the location of their primary residence in order to obtain Government assistance in the aftermath of Hurricane Sandy.	Two individuals charged by complaint-summons.
NJ	DL	NJ/AG, DHS/OIG, HUD/OIG	Individual falsified the location of their primary residence in order to obtain Government assistance in the aftermath of Hurricane Sandy.	Individual charged by complaint-summons.
NJ	DL	NJ/AG, DHS/OIG, HUD/OIG	Individuals falsified the location of their primary residence in order to obtain Government assistance in the aftermath of Hurricane Sandy.	Two individuals charged by complaint-summons.
NY	BL	IRS/CI, SIGTARP	Individual assisted in preparing false tax returns which were used to fraudulently obtain SBA and non-SBA loans.	Individual pled guilty.
NY	DL	USPIS	Individual made false statements to SBA when obtaining a Hurricane Sandy disaster loan for a business. The individual allegedly forged the signatures of two other co-owners of the business.	Individual was charged by complaint.
NY	DL	FBI, HUD/OIG, SIGTARP	Individual submitted false information and documents to SBA in support of his disaster loan application. Proceeds of the loan were misused by paying for personal expenses, including a wedding in Cancun, Mexico.	Individual was indicted.
SC	GC	USDA/OIG, Army CID, DCIS, DOE/OIG, IRS/CI, VA/OIG	Individuals participated in four separate but related fraud schemes involving four companies. The fraud related to the 8(a) and SDVO programs.	Eight individuals were indicted.

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
TX	GC	Army CID, GSA/OIG, VA/OIG	An individual used his father's identity to claim SDVO status. The father was not affiliated with the business.	Individual was sentenced to 69 months imprisonment and ordered to pay a \$300 special assessment. In addition, the individual was ordered to forfeit \$1,270,304.
WA	BL	FBI, IRS	Individuals were awarded an SBA loan in the amount of \$298,000 by providing false financial and criminal history information. One individual provided SBA loan proceeds to a co-conspirator who used the funds to fraudulently secure a mortgage.	Individual was charged with superseding indictment.
WI	GC	DCIS, FBI	Individual provided false information to SBA, in response to a protest filed by a competitor, in order to remain in the Historically Underutilized Business Zone (HUB Zone) program. The individual was subsequently awarded a \$1.9 million set-aside contract.	Individual was ordered to pay a \$30,000 fine. Three years probation was waived because the fine was paid immediately.

Legal Actions Summary Program Codes

BL.....Business Loans
DL.....Disaster Loans
GC.....Government Contracting and Section 8(a) Business Development

Joint-investigation Agency Acronyms

Defense Criminal Investigative Service (DCIS)
Department of Agriculture Office of Inspector General (USDA/OIG)
Department of Energy Office of Inspector General (DOE/OIG)
Department of Homeland Security Homeland Security Investigations (DHS/HSI)
Department of Housing and Urban Development Office of Inspector General (HUD/OIG)
Department of Justice Office of Inspector General (DOJ/OIG)

Department of Veterans Affairs Office of Inspector General (VA/OIG)
Federal Bureau of Investigation (FBI)
Federal Deposit Insurance Corporation Office of Inspector General (FDIC/OIG)
Federal Housing Finance Agency Office of Inspector General (FHFA/OIG)
General Services Administration Office of Inspector General (GSA/OIG)
Internal Revenue Service – Criminal Investigation (IRS/CI)
New Jersey Office of Attorney General (NJ/AG)
Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP)
Treasury Inspector General for Tax Administration (TIGTA)
United States Army - Criminal Investigation Division (Army/CID)
United States Postal Inspection Service (USPIS)

Appendix XI: External Peer Reviews

Section 5(a) of the IG Act requires OIGs to report peer review results in their Semiannual Reports to Congress. The following information is provided in accordance with these requirements.

Auditing Division

Generally Accepted Government Auditing Standards (GAGAS) issued by GAO require that audit organizations performing audits and attestation engagements in accordance with GAGAS must have an external peer review performed by reviewers independent of the audit organization being reviewed at least once every 3 years.

OIG's Auditing Division was reviewed by the Smithsonian Institution OIG for the period ending March 31, 2015. In December 2015, SBA OIG received a peer review rating of "pass." By September 30, 2016, SBA OIG had implemented all recommendations.

Peer Reviews Conducted

SBA OIG did not conduct any peer review this period.

Investigations Division

Section 6(e)(7) of the IG Act, Attorney General Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority, and the CIGIE Quality Standards for Investigations require external peer reviews of OIG investigative functions be conducted every 3 years.

In September 2014, the US Department of Interior's OIG reviewed SBA's OIG Investigations Division. The final report, dated November 13, 2014, found the system of internal safeguards and management procedure for the investigative function of SBA OIG complied with CIGIE's quality standards and the applicable Attorney General Guidelines. (OIGs can be assessed as either "compliant" or "noncompliant".) No recommendations were offered.

Appendix XII: Organization

OIG has three divisions and several supporting program offices to carry out its functional responsibilities.

The **Auditing Division** performs and oversees audits and reviews to review and assist SBA in administering its programs and operations economically, efficiently, and effectively. Key areas of emphasis are SBA's loan programs, disaster assistance, business development and Government contracting programs, as well as mandatory and other statutory audit requirements involving computer security and financial reporting. The balance of the engagements is discretionary and focuses on high-risk activities and management issues facing SBA.

The **Investigations Division** manages a program to detect and deter illegal and improper activities involving SBA's programs, operations, and personnel. The criminal investigations staff carries out a full range of traditional law enforcement functions. The security operations staff conducts name checks and, where appropriate, fingerprint checks on program applicants to prevent known criminals and wrongdoers from participating in SBA's programs. The security operations staff also conducts required employee background investigations to achieve a high level of integrity in the Agency's workforce and adjudicates OIG employees and contractors for issuance of PIV cards pursuant to HSPD-12 background investigations requirements.

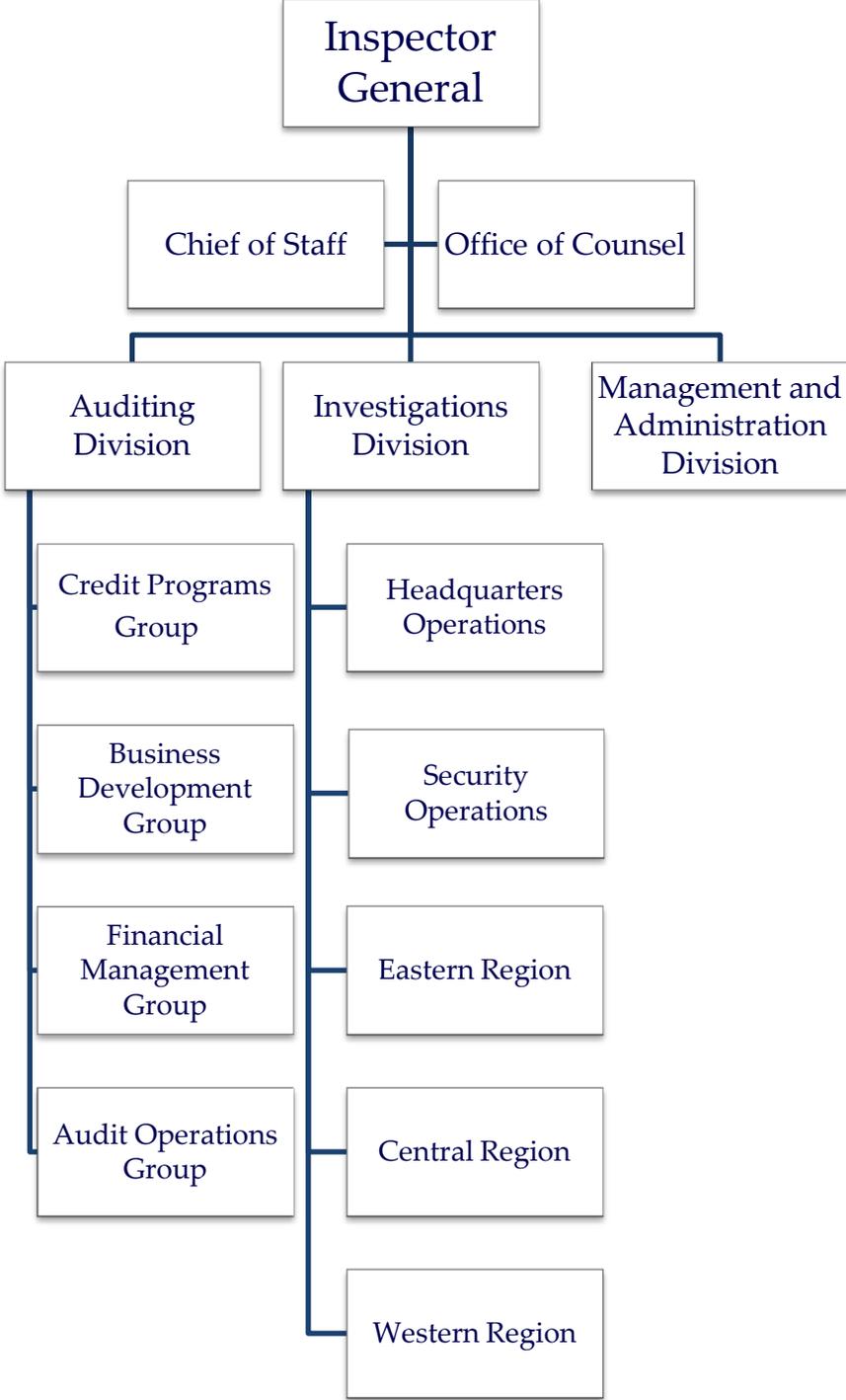
The **Management and Administration Division** provides business support (e.g., budget and financial management, human resources, IT, and procurement) for various OIG functions and activities.

The **Office of Counsel** provides legal and ethics advice to all OIG components; represents OIG in litigation arising out of or affecting OIG operations; assists with prosecuting criminal, civil, and administrative enforcement matters; processes subpoenas; responds to Freedom of Information and Privacy Act requests; and reviews and comments on proposed policies, regulations, legislation, and procedures.

The **OIG Hotline**, under the purview of the **Chief of Staff**, reviews allegations of waste, fraud, abuse, or serious mismanagement within SBA or its programs from employees, contractors, and the public. Hotline staff conduct a preliminary review of all complaints to determine the appropriate course of action and may coordinate reviews of allegations within OIG, SBA program offices, or other Government agencies.

OIG's headquarters is located in Washington, DC. Its field staff are located in Atlanta, GA; Chicago, IL; Dallas-Fort Worth, TX; Detroit, MI; Denver, CO; Herndon, VA; Houston, TX; Kansas City, MO; Los Angeles, CA; Miami, FL; New York, NY; Philadelphia, PA; Tacoma, WA; and Washington, DC.

Appendix XIII: Organization Chart



Make a Difference!

To promote integrity, economy, and efficiency, we encourage you to report instances of fraud, waste, or mismanagement to the OIG Hotline.*

Online:

<https://www.sba.gov/oig/hotline>

Call:

1-800-767-0385 (Toll Free)

Write or Visit:

U.S. Small Business Administration
Office of Inspector General
Investigations Division
409 Third Street, SW (5th Floor)
Washington, DC 20416

*In accordance with Sections 7 and 8L(b)(2)(B) of the Inspector General's Act, confidentiality of a complainant's personally identifying information is mandatory, absent express consent by the complainant authorizing the release of such information.