

# Office of Inspector General

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Small Business Administration

Semiannual Report to Congress

Spring 2016



October 1, 2015-March 31, 2016





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) Spring 2016 Semiannual Report to Congress. The report provides a summary of OIG's activities from October 1, 2015 through March 31, 2016. OIG continues to focus on the most critical risks facing SBA. Our resources are directed at key SBA programs and operations to include Agency management challenges, financial assistance, disaster assistance, Government contracting and business development, financial management and information technology, and security operations.

During this reporting period, OIG issued 12 reports with 49 recommendations to improve SBA operations and reduce fraud and unnecessary losses in the Agency's programs. In addition, OIG investigations resulted in 18 indictments and 24 convictions. Overall, OIG's investigations and audits achieved monetary recoveries and savings of \$106.7 million. OIG also sent 36 suspension or debarment referrals to SBA and 2 additional suspension or debarment referrals to other agencies.

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

- ◆ A New York firm and its president agreed to pay \$20 million to settle a False Claims Act case. A joint investigation was initiated after the U.S. Attorney's Office in the Southern District of New York received a *qui tam* complaint claiming that the firm fraudulently self-certified as a woman-owned small business (WOSB) to obtain defense subcontracts reserved for legitimate WOSBs. However, the investigation determined that the purported women owners of the company did not actually own or control the company.
- ◆ OIG audited the Boots to Business Program, which transitioned from a pilot to a full program in early 2014. SBA ultimately selected Syracuse University to receive a \$3 million grant to deliver the program. However, the audit found that the reviewers did not reliably document their evaluation. SBA therefore cannot demonstrate that its selection was based on merit. Looking forward, we recommended that SBA include oversight of review teams and clarify reviewers' roles and responsibilities in its new grants management standard operating procedures. (Audit Report 16-12, *The Small Business Administration's Boots to Business Grant Award*)
- ◆ As a result of a joint investigation, a Maryland couple was sentenced to pay \$1.6 million in restitution and \$30 million in forfeiture. The man will serve 8 years in prison and 3 years of supervised release. The woman will spend 1 year and 1 day in prison and 3 years of supervised release. Two other Maryland individuals were sentenced to 3 years of supervised probation and each ordered to pay over \$850,000. The individuals were involved in a fraudulent scheme that resulted in their two companies receiving millions of dollars in Federal contracts intended for small businesses and small businesses owned by service-disabled veterans.

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.

A handwritten signature in black ink, appearing to read "Peggy E. Gustafson".

Peggy E. Gustafson

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# Overview

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## The Small Business Administration

The mission of the 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, technical (e.g., 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.

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## 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>.

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# Management Challenges

Each year, OIG identifies the most serious management and performance challenges facing SBA. In accordance with the Reports Consolidation Act of 2000 and Office of Management and Budget (OMB) Circular A-136, SBA reports this information in its agency financial report. The management challenges represent areas that OIG considers particularly vulnerable to fraud, waste, abuse, or mismanagement, or which otherwise pose significant risk to the Agency, its operations, or its credibility. Each management challenge generally has originated from one or more reports issued by OIG or the Government Accountability Office (GAO).

For each management challenge, OIG provides SBA with recommended remedial actions together with an assessment of Agency progress on each recommended action during the preceding fiscal year. If sufficient progress occurs during the previous fiscal year, OIG assigns a higher color score and the arrow indicator shows upward movement. The following table provides a summary of this year's management challenges. ([Report 16-01](#))

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		Color Scores					
		Status at End of FY 2015				Change from Prior Year	
Challenge		Green	Yellow	Orange	Red	Up ↑	Down ↓
1	Small Business Contracting		1				
2	IT Security		2	3			1
3	Human Capital	1	2			1	
4	Lender Oversight		2				
5	8(a) Business Development Program			2	1		
6	Loan Agent Fraud	1	2	1		2	
7	Loan Management and Accounting System	4				4	
8	Improper Payments – 7(a) program	1	3			1	
9	Disaster Loan program (NEW)						
10	Acquisition Management	1		4		1	
	TOTAL	8	12	10	1	9	1

# Small Business Access to Capital

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SBA provides small businesses with capital and financial assistance through several key programs and has a financial assistance portfolio of guaranteed and direct loans over \$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 SBA'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.

Additionally, 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. Some

identified methods used to defraud SBA are described in the cases below.

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## **Maryland Man Sentenced to 4 Years in Prison for Bank Fraud**

A Maryland man was sentenced in Federal court to 4 years in prison and 5 years of supervised release for bank fraud, conspiring to commit bank fraud, and destroying records in a Federal investigation. He was also ordered to forfeit nearly \$2.3 million.

The investigation revealed that the man and others encouraged prospective borrowers using the services of two loan brokerage firms to apply for business loans through SBA's Section 7(a) Guaranteed Loan Program. Small business owners are required to invest a certain amount of their own money into the business before they can qualify for such loans. The man compiled and submitted to lenders the documentation necessary to substantiate the borrowers' equity injection and ability to repay the SBA loans, as well as documents needed for other commercial loans.

From 2006 to April 2014, he and others defrauded financial institutions by submitting false copies of the borrowers' monthly bank statements to reflect more money than was actually in the borrowers' accounts. They also allegedly prepared and submitted false tax returns for the borrowers, which inflated the borrowers' income. The financial institutions relied on the false information to lend funds to the borrowers, resulting in loan broker commissions being paid to the two firms.

The man was responsible for brokering 76 SBA loans to 13 different SBA lenders and 17 loans to other commercial loan lenders. The forecasted loss amount for non-SBA and SBA loans is \$54.6 million. The investigation was worked in conjunction with the U.S. Postal Inspection Service.

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**Pennsylvania Man Sentenced to 9 Years in Prison and Nearly \$1.2 Million in Restitution**

The owner of a Philadelphia, PA, business was sentenced in Federal court to 9 years in prison and 9 years of supervised release, and was ordered to pay nearly \$1.2 million in restitution and a \$2,125 special assessment fee.

He had previously been convicted for his schemes to defraud banks, the Internal Revenue Service (IRS), SBA, and the Philadelphia School District of hundreds of thousands of dollars. The jury had found the owner guilty of bank fraud, making false statements, filing a false Federal tax return, failing to pay Federal income tax, theft concerning programs receiving Federal funds, and wire fraud.

The investigation disclosed that, between 2005 and 2012, the man made false statements to banks to obtain loans, made other false statements to banks and SBA to settle loans for less than what was owed, filed false Federal income tax returns, failed to pay Federal taxes, and stole from the Philadelphia School District, which had received Federal funds for its operations. Regarding the SBA charges, the business received three SBA-guaranteed loans in the amounts of \$25,000; \$15,000; and \$10,000. The loans defaulted and were charged off. During collection proceedings, the owner made false statements regarding repayment ability pertaining to the first two SBA loans. The investigation was conducted jointly with the Federal Bureau of Investigation (FBI), IRS Criminal Investigation (CI), and the U.S. Department of Education, with the cooperation of the Philadelphia School District's OIG.

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**New Hampshire Executive to Pay \$500,000 in Restitution**

The co-owner and chief financial officer of a New Hampshire steel fabricator pled guilty in the U.S. District Court for Vermont to making a false statement. He previously had been indicted for making false statements and reports, overvaluing property and security for the purpose of influencing the actions of Federal Deposit Insurance Corporation (FDIC) insured financial institutions, and aiding and abetting. In addition, the man was to forfeit to the United States any property resulting from the crime, including but not limited to over \$1.2 million. As part of his plea agreement, the Government will not pursue the forfeiture. He will instead pay \$500,000 in restitution.

The man's firm had relied on financing from an FDIC-insured Vermont bank. By the end of 2010, the bank had extended \$10 million in line-of-credit financing based on the value of the firm's assets, including accounts receivable, inventory, and work in progress. The bank's loans were so large that it needed two other FDIC-insured banks to share in the lending. The first bank also funded a \$2 million SBA-guaranteed loan in December 2010, bringing the total borrowing to over \$12 million. The man made false statements and reports in connection with the bank loans by manipulating the value of the firm's assets, including the value of its inventory and work in progress, in order to maintain and expand the firm's bank borrowing. This joint investigation continues in conjunction with FDIC OIG and the FBI.

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### **Maryland Man Sentenced to 2 Years in Prison and Over \$1.6 Million in Restitution**

A Maryland man was sentenced in Federal court to 2 years in prison and 5 years of supervised release. He was also ordered to pay nearly \$1.7 million in restitution and to forfeit a home. He previously had pled guilty to bank fraud, money laundering, and aggravated identity theft.

The investigation revealed that the man provided false statements and equity injection proof to obtain a nearly \$1.7 million SBA Section 7(a) loan. He had provided a falsified SBA statement of personal history, commercial bank application, and tax returns for 2006 through 2009 to an SBA-approved lender. The man listed the social security number (SSN) of a deceased victim on the documents. He also provided fabricated bank statements to the lender as proof that he maintained enough assets to support an equity injection. Review of the actual bank statements showed that the man did not possess the necessary equity injection to qualify for the loan.

After the 7(a) loan was approved and disbursed, he converted part of the proceeds to personal use when he purchased cashier's checks to purchase a new home in Maryland. The man also attempted to file bankruptcy in Maryland by using his actual SSN but falsified bankruptcy documents when he failed to list the SBA-approved commercial lender and the 7(a) loan in his bankruptcy filings. This investigation continues in conjunction with the Social Security Administration OIG.

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### **Georgia Bank President Sentenced to 7 Years in Prison and Ordered to Pay \$3.9 Million in Restitution**

The former president of a Georgia banking company was sentenced in Federal court to 7 years of incarceration and 3 years of supervised release. He was also ordered to pay \$3.9 million in restitution. The man previously had pled guilty to conspiracy to commit bank fraud and conspiracy to commit major fraud against the United States. He admitted that, from 2005 through 2010, he conspired with others to obtain money, funds, credits, securities, and other property of the banking company while replacing non-performing loans with new Government guaranteed loans, including a \$1.5 million SBA-guaranteed loan to a Georgia business. This was done to make the bank appear financially stronger than it actually was.

To save the failing bank, the president continued these illegal activities during the time that the bank received assistance from the Troubled Asset Relief Program (TARP), a Government initiative established to help institutions during a financial crisis. His actions caused a monetary loss to SBA, the U.S. Department of Agriculture (USDA), and the FDIC of over \$3.9 million. This is a continuing joint investigation with the FDIC, Special Inspector General for TARP, FBI, USDA OIG, and Tift County (GA) Sheriff's Office.

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### **7(a) Lender to Pay SBA \$299,318 for Failing to Properly Follow SBA's Origination and Closing Requirements**

OIG reviewed a \$1.3 million 7(a) loan intended to acquire a limousine service. We identified that a 7(a) lender did not provide sufficient information to support that it approved the loan in accordance with SBA's origination and closing requirements.

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Specifically, the lender did not inspect or adequately value the significant fixed assets for this limousine and transportation service business, resulting in increased losses to SBA. SBA has agreed to recover the \$299,318 guarantee payment from the lender to cure the lender's material deficiencies on this loan. ([Report 16-08](#))

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**7(a) Lender to Pay \$2 Million to SBA for not Complying with SBA's Origination and Closing Requirements**

OIG identified that another 7(a) lender did not provide sufficient information to support that it approved the loan in accordance with SBA's origination and closing requirements. Specifically, the lender did not comply with material SBA requirements regarding new construction of and improvements to an existing building. We also determined that the lender failed to address and mitigate adverse changes affecting both project control and the borrower's financial condition, compounding the risk to the SBA loan. As a result, SBA has agreed to recover from the lender the \$2 million guarantee payment to cure the lender's material deficiencies on this loan. ([Report 16-11](#))

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# Disaster Loan Program

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Disaster assistance has been part of the Agency since its inception in 1953. The Disaster Loan Program is the only form of SBA assistance not limited to small businesses. Through its Office of Disaster Assistance, SBA provides long-term, low-interest financial assistance following a disaster to businesses of all sizes, private non-profit organizations, homeowners, and renters. 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). Each year, SBA approves billions of dollars in disaster assistance loans. For FY 2015, SBA's disaster financial assistance portfolio is \$6.3 billion.

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. The following OIG audits and investigative work 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.

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## **Florida Couple Charged with Theft by Deception for Hurricane Sandy Relief Fraud and Make Full Restitution**

The New Jersey Office of the Attorney General charged a Florida couple with theft by deception for filing false applications to collect Federal relief funds after Hurricane Sandy. Both defendants entered into New Jersey's pretrial intervention program and made full restitution of \$31,900 to the Federal Emergency Management Agency (FEMA), and another \$10,000 to the New Jersey Department of Community Affairs (DCA) for a grant under the Homeowner Resettlement Program (RSP). The couple had also been approved for a \$129,600 SBA disaster home loan, from which they had received \$50,000 in proceeds. They paid the loan in full. While the couple had claimed that their primary residence in New Jersey was damaged by Hurricane Sandy, the house was actually a vacation property. Their primary residence was in Florida. This investigation was worked jointly with a task force comprised of the New Jersey DCA, U.S. Department of Homeland Security (DHS) OIG, and U.S. Department of Housing and Urban Development (HUD) OIG, under the direction of the New Jersey Office of the Attorney General.

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## **New Jersey Woman Sentenced to 1 Year of Probation and to Pay \$23,148 in Restitution**

A New Jersey woman pled guilty in State court and was convicted of theft by deception. She was sentenced to 1 year of probation and 100 hours of community service, and paid \$13,148 in restitution to FEMA and \$10,000 in restitution to the State of New Jersey. The woman previously had paid the \$115,255 outstanding balance of her SBA disaster loan. The investigation disclosed that she claimed that a storm-damaged New Jersey house was her

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primary residence, when in fact it was a vacation home at the time of Hurricane Sandy. As a result of fraudulent disaster applications, the woman received \$137,400 in SBA disaster loan proceeds, a \$10,000 grant funded through HUD, and \$13,148 in FEMA rental assistance. This case was investigated jointly by a task force comprised of SBA OIG, HUD OIG, DHS OIG, and the New Jersey Division of Criminal Justice, under the direction of the New Jersey Office of the Attorney General.

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#### **Texas Man Pleads Guilty to Hurricane Ike Fraud**

The former president of a Texas community care center pled guilty in Federal court to fraud in connection with a major disaster. He had obtained an SBA disaster loan for Hurricane Ike-related damages to his Houston non-profit organizations—the community care center and a religious institute. The initial \$995,400 disaster loan amount was increased to over \$1.3 million after the man claimed a cost overrun for his repairs. Nearly all of the \$1.3 million loan was disbursed, and the loan is in liquidation.

The investigation found that several contractor and vendor-related invoices submitted to SBA were never paid or were merely proposals purported as having been paid. The man's first \$250,000 loan disbursement was deposited in his bank. On the same date, he wrote a \$200,000 check from that account to a roofing firm with "Roofing Repair/Replacement" in the check's memo section. Also on that date, the roofing company owner wrote a \$200,000 check to the man with "donation" in the memo section. This check was deposited into the subject's bank. However, the roofing company had not even started repairs at the disaster sites prior to the first disbursement.

The former president then withdrew \$223,000 from the bank, purchased a cashier's check for

that amount, and deposited it into an escrow account for his attempted purchase of a Houston radio station for \$8.75 million. He later manipulated a bank employee to withdraw escrow funds, thus violating his brokerage agreement and resulting in the radio station owner suing the bank for releasing the funds without the owner's consent. Consequently, the radio station owner received a monetary settlement from the bank.

Moreover, SBA instructed the former president to address liens and judgments appearing on his title commitment. To show these judgments as having been paid, he submitted copies of checks never negotiated by the lien holders. The man apparently used the same ploy with the title company, thus obtaining a clear title policy. Nonetheless, contacts with attorneys and a title search during the investigation determined that the liens still existed.

In addition, the man and his wife used over \$263,000 for gambling, with the SBA disaster loan being the primary funding source. There were also several thousand dollars of cash withdrawals from bank accounts consisting of checks written by the husband or wife and made payable to the other spouse.

Finally, the former president purchased the locations of his two organizations in an arrangement with two Florida companies. He issued several hundred thousand dollars of church bonds on behalf of the community center, with the bonds to be backed by the properties as collateral. Although required to pay a monthly mortgage payment to repay bond holders, he defaulted. His only payment to bond holders was a nominal amount using SBA disaster loan proceeds. After forming a nonprofit development corporation, he foreclosed on all three nonprofits' locations in an attempt to eliminate existing liens. This is a joint investigation with the FBI.

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# Procurement Assistance

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## Small Business Development & Contracting Programs

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 women or service-disabled veterans, and small businesses that are disadvantaged or located in historically underutilized business zones (HUBZones). For example, the HUBZone Program helps small businesses stimulate 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's programs also reach out to benefit service-disabled veteran-owned small businesses (SDVOSBs) and women-owned small businesses (WOSBs).

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 small business development and contracting programs in order to wrongfully receive preference for Government contracts. OIG and other Federal investigations have identified schemes in which companies 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 some attempt to manipulate the procurement assistance process.

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### **New York Firm and President Agree to \$20 Million Settlement**

A New York firm and its president agreed to pay \$20 million to settle a False Claims Act case. A joint investigation was initiated after the U.S. Attorney's Office in the Southern District of New York received a *qui tam* complaint claiming that the firm fraudulently self-certified as a WOSB to obtain defense subcontracts with government prime contractors which the prime contractors reserved for legitimate WOSBs. The investigation determined that the purported women owners of the company did not actually own or exercise any degree of control over the long-term and daily operations of the company. This was a joint investigation with the Defense Criminal Investigative Service (DCIS) and Air Force Office of Special Investigations (AFOSI).

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**Missouri Woman and Man Sentenced After Fraudulently Receiving Over \$7 Million in Funding Intended for Service-Disabled Veterans**

A Missouri woman was sentenced to 20 months in prison and ordered to pay a monetary judgment of \$30,000. The woman had previously pled guilty in a Federal court in Kansas to wire fraud and aiding and abetting.

Her son was later sentenced in Federal court to 51 months of imprisonment and 3 years of supervised release. He was also ordered to pay a \$30,000 monetary judgment. The man had previously pled guilty to conspiracy to commit fraud against the United States, major program fraud, and wire fraud.

The investigation showed that the woman, her husband, her son, and the majority owner of a different business conspired to defraud the Government to obtain SDVOSB contracts. She, her husband, and her son made false statements so that their Kansas construction company could obtain SDVOSB status and bid on contracts awarded under that program. As part of his guilty plea, the husband admitted to fraudulently claiming service-disabled veteran status. The investigation disclosed that he was never classified as a service-disabled veteran.

Moreover, the investigation found that the fourth individual, who was the majority owner of a construction firm, falsely claimed to have worked for the Kansas company and conspired with the others to use that company as a pass-through business for his construction firm. The Kansas company obtained more than \$6.7 million in SDVOSB set-aside contracts from the U.S. Department of Veterans Affairs (VA) and approximately \$748,000 in SDVOSB set-aside contracts from the U.S. Department of Defense before the scheme unraveled. This is a joint

investigation with the General Services Administration (GSA) OIG, VA OIG, and DCIS.

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**Maryland Couple Sentenced to Prison and to Pay \$1.6 Million in Restitution and \$30 Million in Forfeiture**

A Maryland man was sentenced in Federal court to 8 years of incarceration, to be followed by 3 years of supervised release. He was also ordered to pay \$1.6 million in restitution, \$492,961 in tax restitution, a \$200 special assessment, and \$30 million in forfeiture. The man and his wife had previously pled guilty to conspiracy to commit wire fraud and tax evasion. They had been controlling corporate officers and majority shareholders of an engineering services firm and a business support services company.

His wife was later sentenced in Federal court to 1 year and 1 day of incarceration, to be followed by 3 years of supervised release. She was also ordered to pay \$1.6 million in restitution, \$492,961 in tax restitution, and a \$30 million forfeiture along with her residence, jointly and severally, with her husband.

In addition, two other Maryland individuals were sentenced. One was sentenced in Federal court to 3 years of supervised probation with a 6-month stay at a residential facility. He was also ordered to pay \$855,000 in restitution. The man had previously pled guilty to conspiracy to commit wire fraud and tax fraud. He had intentionally made material misrepresentations to the U.S. Government by falsely representing himself as the president and owner of the two firms.

The other individual, the in-house counsel to the two firms, was sentenced in Federal court to 3 years of supervised probation and was ordered to pay

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\$851,762 in restitution. He also had pled guilty to conspiracy to commit wire fraud and tax fraud.

Both companies were awarded millions of dollars in Federal contracts, pursuant to small business and SDVOSB set-aside contracts. Competitors had protested the companies' eligibility several times, based on affiliation issues and size determination matters. Each time SBA had found the firms to be small businesses. However, the information that SBA used to determine the firms' size was intentionally false and submitted by the in-house counsel. The in-house counsel also failed to pay taxes on various funds associated with the companies. This investigation was conducted jointly with the IRS CI, DCIS, Department of Labor OIG, and AFOSI.

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**Virginia Vice President of 8(a) Construction Management Firm Pleads Guilty to Conspiracy to Commit Major Fraud**

A Virginia man pled guilty in U.S. District Court for the District of Columbia to conspiracy to commit major fraud against the United States. He formerly served as the vice president of a Section 8(a) construction management firm. In January 2009, the firm graduated from the 8(a) Program, and a second firm, allegedly also owned by the man—a fact that the man purportedly tried to keep secret—applied to the program. The second firm was certified for the 8(a) Program in May 2009. The second firm relied on the first firm's employees, equipment, vehicles, and information technology resources, and obtained over \$8.5 million in 8(a) set-aside contracts from GSA. In November 2010, the man was convicted of bribery of a Government official. The conduct alleged in this matter occurred while he was on probation for the bribery. This case is being jointly investigated with GSA OIG and the FBI.

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**North Carolina Couple Convicted for Fraudulently Obtaining \$9 Million in Sole-Source and Set-Aside Contracts and \$5 Million in SDVOSB Contracts**

A North Carolina couple was convicted in Federal court in the Eastern District of Tennessee of conspiracy to commit wire fraud, wire fraud, and major fraud against the United States. The investigation determined that the defendants conspired to fraudulently obtain 8(a) certification for an investment firm to gain access to \$9 million in sole-source and set-aside contracts reserved for qualified 8(a) small businesses. They also inappropriately claimed SDVOSB status for a construction company to obtain \$5 million in contracts reserved for SDVOSBs. The defendants submitted fraudulent invoices, receipts, and credit card statements to SBA and other Government entities. By virtue of the guilty verdicts, the couple forfeited \$179,004 in cash and five pieces of real property that were previously identified and seized as fruits of the crime. This case was investigated jointly with the VA OIG, Department of Interior (DOI) OIG, U.S. Secret Service, and Department of Justice.

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**Idaho Woman Sentenced to 5 Years of Imprisonment and to Pay Approximately \$3.2 Million**

Following an appeal which overturned four tax charges, an Idaho woman pled guilty in Federal court to making and signing a false tax return. Following her plea, she was sentenced for the tax conviction and resentenced for previous wire fraud, mail fraud, and interstate transportation of property taken by fraud convictions. The woman was sentenced to 5 years of imprisonment on the fraud convictions and 2 years of imprisonment on the tax conviction, with the sentences to run concurrently.

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She was also ordered to pay \$131,400 in restitution, \$22,859 for the costs of prosecution, and a \$3.1 million forfeiture money judgment. The woman had previously paid these amounts. In addition, her former significant other, who was also a minority shareholder in her construction company, was found guilty of obstruction of justice and conspiracy to obstruct justice.

The woman originally had taken steps to artificially lower her personal net worth, such as acquiring, holding, and transferring assets into the names of nominees so as to appear economically disadvantaged. This allowed her firm to qualify for the U.S. Department of Transportation's (DOT) Disadvantaged Business Enterprises (DBE) and SBA's Section 8(a) Programs. She also caused fraudulent tax returns to be filed for herself and the company. These returns did not report all of her or the company's income. The false returns and financial statements had been submitted to support the firm's applications to the 8(a) Program and the DBE Program for Idaho and Utah.

During a 26-day trial, the Government presented evidence that the woman omitted, deleted, altered, and miscategorized entries in her firm's financial records. She also concealed her role in other business entities that dealt with her company. The jury heard evidence that the firm received over \$2.5 million in Federal contracts and over \$15 million in State government contracts based on the company's fraudulently obtained 8(a) and DBE statuses in Idaho and Utah, respectively. The Government also presented evidence that, to impede an IRS audit of her firm and a criminal investigation of her, the woman and the minority shareholder fabricated documents and made false statements that sought to conceal the true nature, source, and extent of her property. This investigation was conducted jointly with IRS CI, DOT OIG, and the FBI.

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### **Colorado Firm Pleads Guilty to Conspiracy and Wire Fraud**

A Colorado construction corporation pled guilty in the U.S. District Court for the District of Columbia to conspiracy to commit major fraud against the Government and wire fraud. The firm also pled guilty to a single forfeiture count. The corporation had entered into an agreement to obtain contracts using the set-aside status of two companies controlled by a woman. One company was a Section 8(a) and HUBZone-certified firm, whereas the other was an 8(a)-certified firm. Both companies received 3 percent of the value of set-aside contracts in return for passing the contracts through to the Colorado corporation. The two companies did not complete any work on the contracts. The Colorado corporation received over \$70 million in set-aside contracts as a result of the scheme. This case is being jointly investigated with the FBI, DCIS, and GSA OIG.

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### **New York firm Agrees to \$5 Million Settlement for SDVOSB Fraud**

The U.S. Attorney's Office for the Northern District of New York filed a settlement agreement in a civil action against four firms and four individuals for violating the False Claims Act. The defendants agreed to pay \$5 million to settle allegations that an illegitimate SDVOSB misrepresented itself to obtain numerous set-aside contracts reserved for SDVOSBs.

From 2009 to 2012, the defendants claimed that a service-disabled veteran was the controlling owner of a construction company, when in fact owners of the non-SDVOSB created the company as a vehicle to gain access to SDVOSB set-aside dollars and influenced all aspects of its operation. The investigation found that the service-disabled veteran was only minimally involved in the

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company's decision-making and continued to perform work for the non-SDVOSB. The investigation also revealed that the SDVOSB's operations were unduly reliant on the employees, resources, and bonding capacity of the non-SDVOSB. This investigation was conducted jointly with VA OIG and DCIS.

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### **The Tennessee SBDC Did Not Sufficiently Document Personnel Costs**

SBA awarded about \$1.9 million to the Tennessee SBDC (Lead Center) hosted by Middle Tennessee State University for calendar year 2013. We found the Lead Center generally complied with grant requirements for reporting, budget management and control, and its Federal expenditures and matching contributions were, in general, properly authorized, classified, supported, and charged to the grant.

Of the \$1.9 million that SBA awarded to the Lead Center, the approved budget designated nearly \$1.2 million to be used for personnel costs. However, a significant portion of the personnel expense transactions that we tested did not sufficiently document the actual time personnel spent working on the grant. For every dollar that lead centers receive from SBA, SBDCs must provide a dollar-for-dollar match. Because employees' time and effort spent on the grant counted towards the Lead Center and subcenters' required match, if this time and effort was overstated, the match could also be overstated. SBA plans to implement both recommendations that we made. ([Report 16-06](#))

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### **SBA Compromised the Integrity of its Boots to Business Grant Award Selection Process**

In 2012, SBA provided Syracuse University \$450,000 to develop a new, pilot veteran's assistance program, called the Boots to Business (B2B) Program. In February 2014, SBA announced the B2B Program as a full program and posted the announcement on Grants.gov. SBA staff retrieved 10 eligible applications from the system and eventually selected Syracuse University for the \$3 million grant.

We found that SBA's program announcement included a process to evaluate B2B grant applications. However, reviewers responsible for evaluating and scoring applications did not consistently follow this evaluation guidance. Additionally, although officials in the Office of Veterans Business Development (OVBD) met with the reviewers to discuss which applicant should be selected to receive the \$3 million award, SBA has no documentation rationalizing its final selection of Syracuse University. Because SBA lacked such documentation, it could not demonstrate that it made a merit-based selection in awarding the grant. Overall, these issues may have been prevented if officials in the Office of Grants Management and OVBD had provided effective oversight, and SBA had a current Standard Operating Procedure for grants management that (1) provided clear guidance on how to develop program-specific review criteria, (2) clearly defined the roles and responsibilities of grants and program personnel involved in the evaluation process, and (3) ensured grants and program personnel maintained a record of the evaluation process. SBA plans to implement our four recommendations. ([Report 16-12](#))

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# Agency Management

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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 the Office of the Chief Operating Officer 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. Below are the results of our oversight of SBA agency management.

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## **Independent Auditors' Report on SBA's FY 2015 Financial Statements**

We contracted with an independent certified public accounting firm, KPMG LLP (KPMG), to audit SBA's consolidated financial statements for FY 2015. This audit is an annual requirement of the Chief Financial Officers' Act of 1990 and was conducted in accordance with the Generally Accepted Government Auditing Standards; the Office of Management and Budget Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*; and GAO's *Financial Audit Manual* and *Federal Information System Controls Audit Manual*. KPMG reported that:

- ◆ The financial statements were fairly presented in all material aspects in conformity with U.S. generally accepted accounting principles.
- ◆ There were no material weaknesses in internal control.
- ◆ There was a significant deficiency related to SBA's information technology security controls, which has been identified in the past.
- ◆ There is one instance of noncompliance with laws and regulations related to the Debt

Collection Improvement Act of 1996, which also has been reported in the past.

KPMG noted that SBA management identified a matter that may be reported as an Anti-deficiency Act violation. We subsequently have been advised that the Agency reported this matter as a violation to the Director of OMB in accordance with OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*. ([Report 16-02](#))

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## **Independent Auditors' Report on SBA's FY 2015 Special-Purpose Financial Statements**

We again contracted with KPMG to audit SBA's reclassified balance sheet and the reclassified statements of net costs and changes in net position and Federal trading partner note (referred to as special-purpose financial statements) for FY 2015. KPMG performed the audit in accordance with the Office of Management and Budget Circular No. A-136, *Financial Reporting Requirements*, and the *Treasury Financial Manual*, Part 2, Chapter 4700 (TFM 2-4700).

KPMG reported that the statements, including the Federal trading partner note, fairly present in all material aspects SBA's financial position for FYs 2014 and 2015. The results of operations and the changes in net position for the period are also in accordance with U.S. generally accepted accounting principles, and the presentation is in conformance with the requirements of TFM 2-4700. ([Report 16-03](#))

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## **Independent Public Accountant Management Letter in Audit Report**

Regarding SBA's FY 2015 financial statements, KPMG noted four matters involving internal

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controls and other operational matters that included deficiencies in: (1) lender assessment corrective action followup, (2) lender-delegated authority renewals, (3) disaster loan servicing, and (4) reviews of STAR time and attendance reports. ([Report 16-04](#))

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### **SBA Needs To Strengthen Its Information Technology Procurement Practices To Ensure Adequate Planning and Financial Oversight**

OIG reviewed SBA's procurement practices for contracts to acquire IT products and services. For FYs 2013 and 2014, SBA obligated \$161.7 million on new contract actions, of which \$109 million (67 percent) were information technology (IT) product or service contracts.

We reviewed 12 contracts with estimated total contract values of \$98.4 million. Of these, six were awarded by SBA contracting officers and six were awarded by DOI's Interior Business Center (IBC) on SBA's behalf.

We found that SBA personnel did not adequately plan for contracts and inconsistently evaluated vendor quotes while performing a best value determination for one contract. If these problems persist, SBA will be unable to determine whether it is receiving its IT deliverables at fair and reasonable prices. In addition, for the six contracts awarded by IBC, SBA did not comply with Federal Acquisitions Regulation (FAR) requirements when determining whether using IBC was the best procurement approach. As a result, SBA spent over \$600,000 in service fees to use IBC for the six contracts we reviewed. SBA could incur an additional \$1.3 million in contract services fees if the six contracts are fully exercised. We also found that SBA funded 8 of the 12 contracts—with a total estimated value of \$64.3 million—using a variety of

SBA appropriations that Congress authorized for specific purposes without providing justification or documentation. ([Report 16-05](#))

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### **Loan Management and Accounting System Incremental Improvement Projects Progress**

The Loan Management and Accounting System (LMAS) incremental improvement projects (IIPs) were a series of focused and cost-effective IT projects intended to upgrade financial software and application modules in SBA's legacy Loan Accounting System. The majority of the IIPs were completed prior to our review, but some projects remained open. In January 2015, SBA completed the remaining IIPs and fully migrated all core financial components off the mainframe.

We found that the transition to production generally complied with SBA's system development method but noted that the migration of some user interface screens was delayed. We recommended SBA conduct a security impact assessment and reauthorize the Capital Access Financial System for operation. SBA agreed with this recommendation. ([Report 16-07](#))

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### **FY 2015 Risk Assessment of SBA Charge Card Programs**

In accordance with OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, for FY 2015, OIG assessed risks of illegal, improper, or erroneous purchases and payments associated with SBA's purchase and travel card programs. We found that SBA implemented internal controls and guidance for these programs. However, SBA could improve its risk management controls and practices for the

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purchase card program in areas such as records management and continuous monitoring. The Agency agreed to implement our four recommendations. ([Report 16-09](#))

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### **Weaknesses Identified During the FY 2015 Federal Information Security Management Act Review**

The Federal Information Security Management Act (FISMA) requires that OIG review SBA's information technology security program. To determine SBA's compliance with FISMA, OIG contracted with KPMG and monitored its work. We also assessed the Agency's progress in implementing open recommendations and compared our current year assessment with our FY 2014 FISMA evaluation. In addition to the 31 open FISMA recommendations, we made 5 new recommendations to address FISMA-related vulnerabilities. SBA fully agreed with all five recommendations, provided documentation to support that two have been implemented, and agreed to complete two by September 2016 and one by March 2017. ([Report 16-10](#))

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### **SBA Gift Authority**

Section 4(g)(2) of the Small Business Act, as amended, provides that any cash gift, devise, or bequest accepted by the Administrator under Section 4(g) 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, no cash gifts were accepted during this semiannual reporting period.

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# Other Significant Activities

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## 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 2,335 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 online connection with the FBI. As a result of OIG referrals during this reporting period, SBA business loan program managers declined 25 applications totaling over \$24.3 million, and disaster loan program officials declined 5 applications totaling nearly \$157,000. In addition, the Section 8(a) Program declined 2 applications for admission.

During this reporting period, OIG also initiated 87 background investigations and issued 21 security clearances for Agency employees and contractors. Moreover, OIG adjudicated 148 background investigative reports and coordinated with SBA's Office of Disaster Assistance to adjudicate 7 derogatory background investigation reports. Finally, OIG processed 2,073 internal name check requests for Agency activities such as success stories, "Small Business Person of the Year" nominees, and disaster assistance new hires.

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## OIG Promotes Debarment and Other Administrative Enforcement Actions

SBA 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 SBA 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 2 referrals to other agencies. (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:

***Judgment Debtors Referred for Debarment.*** In 2013, SBA obtained a \$255,793 Program Fraud Civil Remedies Act (PFCRA) judgment against an individual and a company that made material misrepresentations on an application for a guaranteed loan. Neither the company nor the individual made acceptable arrangements to pay this debt. OIG referred both the individual and the company for debarment on the debt, the underlying facts, and the PFCRA judgment itself.

***8(a) Figurehead Scheme Results in Debarment Referrals.*** Several individuals participated in a scheme establishing a figurehead chief executive officer to maintain a company's certification in the 8(a) Business Development Program. Those individuals did not notify SBA of control changes at the company on more than one occasion and

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committed various other program violations. SBA  
OIG referred the company and all individuals  
involved in the scheme for debarment.

*Bank Employees Referred for Suspension.*  
Following an OIG investigation, the Government  
charged two bank employees for a scheme  
involving, among other things, submitting an  
allegedly false gift letter in connection with an  
SBA-guaranteed loan. SBA OIG referred those  
individuals for suspension pending the outcome of  
the criminal case.

*Loan Broker Referred for Suspension.* The  
Government charged a loan broker for committing  
bank bribery following an SBA OIG investigation.  
This broker allegedly conspired with others to  
approve loans the broker referred without regard  
to whether the loans were sound and paid a  
kickback for the approvals. The broker also  
allegedly conspired with others to ensure the  
broker received commissions on the loans. This  
matter remains under review for additional  
referrals.

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### **OIG Provides Training to Multiple Agencies to Promote Debarment and other Remedies**

During this reporting period, OIG personnel  
trained criminal investigators from several  
agencies. This training included information on  
subpoenas, civil remedies, administrative  
remedies, and small business procurement cases.

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### **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 59 proposed  
revisions of these program directives and submitted  
comments designed to improve 31 of these  
initiatives.

For example, during the reporting period, OIG  
provided extensive comments regarding internal  
grant procedures, loan program affiliations, the  
HUBZone Program, and the Surety Bond Guaranty  
Program. We also renewed our objection to the SBA  
proceeding with sole-source contracting in the  
WOSB Program without having a certification  
requirement in place.

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### **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

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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 first half of FY 2016.

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## 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 641 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. Hotline staff monitor matters referred to SBA program offices for further action to ensure timely response and 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 (WPA), the Whistleblower Protection and Enhancement Act (WPEA), 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>.

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# Statistical Highlights

October 1, 2015–March 31, 2016

## Summary of Office-Wide Dollar Accomplishments

As a Result of Investigations & Related Activities	
Potential Investigative Recoveries & Fines	\$48,041,372
Asset Forfeitures Attributed to OIG Investigations	\$31,680,955
Loans/Contracts Not Approved or Canceled as a Result of Investigations	\$160,000
Loans Not Made as a Result of Name Checks	\$24,505,850
Investigations Sub-Total	\$104,388,177
As a Result of Audit Activities	
Disallowed Costs Agreed to by Management	\$2,345,783
Recommendations that Funds Be Put to Better Use Agreed to by Management	\$0
Audit Sub-Total	\$2,345,783
<b>TOTAL</b>	<b>\$106,733,960</b>

## Efficiency and Effectiveness Activities Related to Audit, Other Reports,

Reports Issued	12
Recommendations Issued	49
Dollar Value of Costs Questioned	\$2,955,414
Dollar Value of Recommendations that Funds be Put to Better Use	\$1,342,438
Recommendations for which Management Decisions Were Made	50
Recommendations Without a Management Decision	16
Collections as a Result of Questioned Costs	\$312

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### **Indictments, Convictions, Case Actions**

Indictments from OIG Cases	18
Convictions from OIG Cases	24
Cases Opened	49
Cases Closed	48

### **SBA Personnel Actions Taken as a Result of Investigation**

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

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## 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 April 1, 2016	69*
Suspensions Issued by the Agency	5
Proposed Debarments Issued by the Agency	11
Final Debarments Issued by the Agency	6
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	2

\*These numbers are based on SBA actions reported to OIG. SBA did not, however, confirm the current state of several referrals in response to OIG queries. We have, therefore, published the numbers in this table based on the best information available, but caution the reader that the Agency may have made more progress than indicated.

## Agency Legislative and Regulatory Proposals Reviewed

Legislation, Regulations, Standard Operating Procedures, and Other Issuances Reviewed	59
Comments Provided by OIG to Improve Legislation, Regulations, Standard Operating Procedures, and Other Issuances	31

# Appendix I: Reports Issued

October 1, 2014-March 31, 2015

## Top Management Challenges

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Report on the Most Serious Management and Performance Challenges In Fiscal Year 2016	16-01	10/15/2015	\$0	\$0
<b>Program Subtotal</b>	<b>1</b>		<b>\$0</b>	<b>\$0</b>

## Small Business Access to Capital

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Management Advisory Memo 16-11	16-11	3/17/2016	\$2,046,465	\$0
Management Advisory Memo 16-08	16-08	1/08/2016	\$299,318	\$0
<b>Program Subtotal</b>	<b>2</b>		<b>\$2,345,783</b>	<b>\$0</b>

## Procurement Assistance

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
The Small Business Administration's Boots to Business Grant Award	16-12	3/28/2016	\$0	\$0
Small Business Development Center Hosted by Middle Tennessee State University	16-06	12/18/2015	\$0	\$0
<b>Program Subtotal</b>	<b>2</b>		<b>\$0</b>	<b>\$0</b>

## Agency Management

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Weaknesses Identified During the FY 2015 Federal Information Security Management Act Review	16-10	3/10/2016	\$0	\$0
FY 2015 Risk Assessment of SBA Charge Card Programs	16-09	2/05/2016	\$0	\$0
Loan Management and Accounting System Incremental Improvement Projects Progress	16-07	12/18/2015	\$0	\$0
Management Letter – SBA’s FY 2015 Financial Statements Audit	16-04	12/11/2015	\$0	\$0
Independent Auditors’ Report on the SBA’s FY 2015 Special Purpose Financial Statements	16-03	11/17/2015	\$0	\$0
Independent Auditors’ Report on the SBA’s FY 2015 Financial Statements	16-02	11/16/2015	\$0	\$0
SBA Needs to Strengthen its Information Technology Procurement Practices to Ensure Adequate Planning and Financial Oversight	16-05	12/17/2015	\$609,631	\$1,342,438
<b>Program Subtotal</b>	<b>7</b>		<b>\$609,631</b>	<b>\$1,342,438</b>
<b>Total of All Programs</b>	<b>12</b>		<b>\$2,955,414</b>	<b>\$1,342,438</b>

# Appendix II: Reports

## With Questioned Costs

		Reports	Recommendations*	Questioned Costs**	Unsupported Costs***
A.	No management decision made by	0	0	\$0	\$0
B.	Issued during this reporting period	3	3	\$2,955,414	\$2,955,414
	SUBTOTAL (Universe from which management decisions could be made in this reporting period)	3	3	\$2,955,414	\$2,955,414
C.	Management decisions made during this reporting period	3	3	\$2,955,414	\$2,955,414
	(i) Disallowed costs	2	2	\$2,345,783	\$2,345,783
	(ii) Costs not disallowed	1	1	\$609,631	\$609,631
D.	No management decision made by	0	0	\$0	\$0

\* Reports may have more than one recommendation.

\*\* Questioned costs are those that are found to be improper.

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

## Appendix III: Reports

### With Recommendations that Funds Be Put to Better Use

	Reports	Recommendations*	Recommended Funds For Better Use
A. No management decision made by September 30, 2015	0	0	0
B. Issued during this reporting period	1	1	\$1,342,438
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	0	0	0
(i) Recommendations agreed to by SBA management	0	0	0
(ii) Recommendations not agreed to by SBA management	0	0	\$0
D. No management decision made by March 31, 2016	1	1	\$1,342,438

\* Reports may have more than one recommendation.

# Appendix IV: Reports

## With Non-Monetary Recommendations

		Reports	Recommendations
A.	No management decision made by September 30, 2015*	7	17
B.	Issued during this reporting period	8	45
	Universe from which management decisions could be made in this reporting period – Subtotals	15	62
C.	Management decision(s) made (for at least one recommendation in the report) during this reporting period	13	47
D.	No management decision made by March 31, 2016*	6	15

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

# Appendix V: 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

\* Overdue as of March 31, 2016. "Overdue" is defined as more than 180 days from the date of issuance.

# Appendix VI: Reports

Without Final Action as of March 31, 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
12-22	The SBA's Ratification Process Could Lead to Possible Anti-Deficiency Act Violations	9/28/2012	*	**
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	*	**
13-14	The SBA's 417 Unauthorized Commitments Impacted Mission-Related Services and Increased Costs	3/28/2013	11/3/2015	**
13-16R	Purchase Reviews Allowed \$4.6 Million in Improper Payments on 7(a) Recovery Act Loans	6/14/2013	3/28/2014	4/30/2015
13-17	The SBA's Portfolio Risk-Management Program Can be Strengthened	7/2/2013	9/30/2013	3/16/2016

\* 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
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	*	**
14-07	Management Letter-SBA's FY 2013 Financial Statement Audit	1/15/2014	9/8/2014	3/31/2016
14-08	Improvement is Needed to Ensure Effective Quality Control at Loan Operation Centers	1/17/2014	1/17/2014	4/27/2016
14-12	Weaknesses Identified During the FY 2013 Federal Information Security Management Act Review	4/30/2014	4/30/2014	**
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	9/30/2015

\* 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
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	*	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	*	**
4-34	Audit of SBA's Process for Complying with the Federal Managers' Financial Integrity Act Reporting Requirements	7/29/2004	9/9/2004	9/30/2016
8-12	Oversight of SBA Supervised Lenders	5/9/2008	6/20/2008	12/31/2014

\* 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 March 31, 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	<p>We recommend the CIO coordinate with SBA program offices to enhance security vulnerability management processes. Specifically, SBA should:</p> <ul style="list-style-type: none"> <li>(a) redistribute procedures and train employees on the process for reviewing and mitigating security vulnerabilities,</li> <li>(b) periodically monitor the existence of unnecessary services and protocols running on their servers and network devices,</li> <li>(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,</li> <li>(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.</li> </ul>	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
13-16R	6/14/2013	Seek recovery of \$680,900 from American Bank of Commerce on the guaranty paid by SBA.	3/28/2014	4/30/2015
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 Monterey County Bank to bring the loan into compliance, and, if not possible, seek recovery of \$413,704 (less any amounts received from liquidation) from Monterey County Bank on the guaranty paid by SBA for the loan.	3/20/2015	4/2/2016
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

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
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
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
15-11	5/15/2015	We recommend that the Associate Administrator for Entrepreneurial Development develop and implement a corrective action plan that includes the underlying causes of the improper payments identified by OIG in its review of FY 2014 Hurricane Sandy technical assistance grants.	5/15/2015	12/31/2015

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
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
15-15	7/31/2015	Review the expenditures for the \$335,217 transfer of funds to ensure these costs are supportable and allowable, and document the rationale for approving the transfer.	8/3/2015	9/30/2015
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	6/30/2016
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

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Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
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

# Appendix VIII: Significant Recommendations

October 1, 2015–March 31, 2016

Report Number	Title	Date Issued	Recommendation
16-02	Independent Auditors' Report on the SBA's FY 2015 Financial Statements	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.
16-02	Independent Auditors' Report on the SBA's FY 2015 Financial Statements	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:</p> <ul style="list-style-type: none"> <li>◆ Implement an effective off-boarding process, and periodically verify that controls to remove logical access for separated employees are implemented and operating as designed;</li> <li>◆ Establish a process for the identification and removal of separated contractors to help ensure that access is timely removed upon contractor separation; and</li> <li>◆ Timely remove access to general support systems and major applications (including development and test environments) when employees and contractors are</li> </ul>

Report Number	Title	Date Issued	Recommendation
16-02	Independent Auditors' Report on the SBA's FY 2015 Financial Statements	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:</p> <ul style="list-style-type: none"> <li>◆ Review and rationalize current audit and logging activities and capabilities to determine their effectiveness in addressing risks to systems and data;</li> <li>◆ 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;</li> <li>◆ Retain evidence of the audit log review; and</li> <li>◆ Develop an Agency-wide plan and schedule for</li> </ul>
16-05	SBA Needs to Strengthen its Information Technology Procurement Practices to Ensure Adequate Planning and Financial Oversight	12/17/2015	Establish policy and procedures to ensure the individual responsible for the Chief Acquisition Officer's duties does not participate as a voting member in future technical evaluations.
16-05	SBA Needs to Strengthen its Information Technology Procurement Practices to Ensure Adequate Planning and Financial Oversight	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.

Report Number	Title	Date Issued	Recommendation
16-05	SBA Needs to Strengthen its Information Technology Procurement Practices to Ensure Adequate Planning and Financial Oversight.	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.
16-05	SBA Needs to Strengthen its Information Technology Procurement Practices to Ensure Adequate Planning and Financial	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.
16-05	SBA Needs to Strengthen its Information Technology Procurement Practices to Ensure Adequate Planning and Financial	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.

Report Number	Title	Date Issued	Recommendation
16-05	SBA Needs to Strengthen its Information Technology Procurement Practices to Ensure Adequate Planning and Financial Oversight	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.
16-06	Small Business Development Center Hosted by Middle Tennessee State University	12/18/2015	Require the Lead Center to obtain after-the-fact confirmations based on verification of time and effort employees spend working on the grant prepared by either the employee, the principle investigator on the grant, or a responsible official with suitable means of verification that the work was performed by the employee, at least annually.
16-06	Small Business Development Center Hosted by Middle Tennessee State University	12/18/2015	Require that the Lead Center implements procedures to ensure performance data reported to the SBA is accurate.
16-08	Management Advisory Memo 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.
16-11	Management Advisory Memorandum	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.
16-12	The Small Business Administration's Boots to Business Grant Award	3/28/2016	When updating and issuing the new grants management SOP, further clarify the roles and responsibilities of grants and program personnel involved in the evaluation process.

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Report Number	Title	Date Issued	Recommendation
16-12	The Small Business Administration's Boots to Business Grant Award	3/28/2016	When updating and issuing the new grants management SOP, include procedures to ensure a written record of all data used, discussions held, and decisions made on grant applications is maintained in the official grant file and readily available for examination.

# Appendix IX: Cosponsored & Other Activities

October 1, 2015–March 31, 2016

Event Name	Name of Cosponsor(s)	Event Location	Date Fully Executed
2016 SBA Small Business Awards Luncheon	Nevada DO - Southern Nevada Public Television	Las Vegas, NV	3/31/2016
Lender Appreciation Breakfast	Springfield BO - RIM, Inc.	Springfield, MO	3/31/2016
Small Business Roundtable Discussion on Affordable Care Act and the Small Business Health Options Program	Maine DO - Centers for Medicare & Medicaid Services, Bangor Region Chamber of Commerce	Bangor, ME	3/31/2016
West Virginia 2016 Small Business Week Awards	West Virginia DO-First Microloan of West Virginia, Huntington National Bank, Impakt Marketing, Keylogic, MVB Bank, Regional Development Funding Corporation, SCORE, WV Small Business Development Center	Fairmont, WV	3/23/2016
Strategies for Women in Business	Cleveland DO-Deliberate Directions, LLC dba ActionCoach Business Coaching	Meridian, ID	3/23/2016
Emerging Leaders 2016	Wisconsin DO-City of Milwaukee, SCORE, Wisconsin Women's Business Initiative Corporation, University of Wisconsin Milwaukee, Metropolitan Milwaukee Sewerage District, Milwaukee County, Wisconsin Economic Development Corporation, Wisconsin Business Development Finance Corporation	Milwaukee, WI	3/23/2016
Emerging Leaders 2016	Minnesota DO-City of Minneapolis and the Economic Development Department, City of Saint Paul Planning & Economic Development, Ewald Consulting, Metropolitan Economic Development, Saint Paul Chamber of Commerce, SCORE, SBDC, Small and Disadvantaged Business Opportunity Council, Metropolitan State University, North Central Minority Supplier Development Council	Saint Paul, MN	3/23/2016
Development and presentation of Government Contracting Training Webinars/Webisodes	Pittsburgh DO-JARI Procurement Technical Assistance Center, North Central Procurement Technical Assistance Center, North Central PA Regional Planning and Development Commission	Pittsburgh, PA	3/23/2016
Emerging Leaders 2016	Philadelphia DO-Manufacturers & Traders Trust Company, United Bank of Philadelphia, Russell Dinkins, Radio Host, East River Bank, South Eastern Economic Development Company of PA	Philadelphia, PA	3/23/2016

Event Name	Name of Cosponsor(s)	Event Location	Date Fully Executed
2016 Iowa Small Business Week Awards Reception	Des Moines DO - SCORE Association	Des Moines, IA	3/23/2016
Southern California Procurement & Manufacturing Summit "A GLOBAL PERSPECTIVE"	Santa Ana DO - Riverside County Economic Development Agency - Office of Foreign Trade, US & Foreign Commercial Service - International Trade Administration - US Department of Commerce - Pacific South Network - Inland Empire U.S. Export Assistance Center	Riverside, CA	3/18/2016
Emerging Leaders 2016	Massachusetts DO - Hispanic-American Institute, Inc., University of Massachusetts Amherst - Massachusetts Small Business Development Centers, City of Boston, Office of Business Development, SCORE, Center for Women & Enterprise, Inc., Supplier Diversity Office of the Commonwealth of Massachusetts, Radius Bank, Eastern Bank, Boston Private Bank, Hispanic-American Chamber of Commerce, Inc.	Boston, MA	3/16/2016
Alternative Lending for Small Business Entrepreneurs	New York DO - Alpha Phi Alpha Fraternity, Inc.	New York, NY	3/16/2016
Oregon Small Business Week Award Event 2016	Portland DO - Albina Community Bank, Banner Bank, Columbia State Bank, Evergreen Business Capital, KBNP Radio 1410 - The Money Station, KeyBank, NW Business Development Association, SCORE Portland Chapter 11, Umpqua Bank, Union Bank, U.S. Bank, Wells Fargo	Portland, OR	3/16/2016
Monthly Small Business University Educational Series	Washington DC DO-Montgomery Community Media, Mid-Atlantic Federal Credit Union, Taylor-Leonard Corporation, Maryland Women Business	Rockville, MD	3/15/2016
2016 Small Business Award Ceremony	Washington DC DO-Montgomery County Economic Development, SCORE	Silver Spring, MD	3/15/2016
2016 SBA Illinois District Office Lender Awards Conference	Illinois DO - City of Chicago, SCORE Chicago, Illinois Department of Commerce and Economic Opportunity, Illinois Business Financial Services, Lake County Partnership for Economic Development, Regional Development Company, Small Business Growth Corporation, SomerCor 504 Inc.	Chicago, IL	3/15/2016

Event Name	Name of Cosponsor(s)	Event Location	Date Fully Executed
Emerging Leaders 2016	Washington DC DO-Arlington Economic Development, Baltimore Washington Corridor Chamber, Bowie BIC, Community Business Partnership, DC Chamber of Commerce, DC Small and Local Business Development, Eagle Bank, Fairfax County Economic Development Authority, FSC First, Greater Washington Hispanic Chamber of Commerce, Maryland SBDC, Maryland Women's Business Center, M&T Bank, PNC Bank, Prince George's County Chamber of Commerce, Prince George's County Economic Development Corporation, Prince George's County Community College, SCORE, and Washington DC Economic Partnership	Tysons Corner, VA, Largo, MD	3/15/2016
Emerging Leaders 2016	Georgia DO-Women's Entrepreneurial Opportunity Project, Inc.	Atlanta, GA	3/15/2016
Emerging Leaders 2016	Indiana DO-BKD LLP, Indiana Economic Development Corporation, Indiana Office of Small Business and Entrepreneurship, Indy Chamber of Commerce, SCORE, Women's Business Center, Chase Bank, Fifth Third Bank, Indiana Business Bank, Ridgestone Bank	Indianapolis, IN	3/15/2016
Small Business Week Awards Luncheon 2016	Delaware DO-Delaware Community Development Corporation	Wilmington, DE	3/15/2016
Emerging Leaders 2016	Puerto Rico DO-Banco Popular de Puerto Rico, Technology Initiative of the Northeast, Corporacion para el Fomento Empresarial del Comercio y de las Comunidades, PathStone, Polytechnic University of Puerto Rico, Women's Business Institute, Puerto Rico Small Business & Technology Development Center	San Juan, PR	3/15/2016
Intro Financing Event	North Dakota DO-Greater Fargo Moorhead Economic Development Corporation, North Dakota State University Research and Technology	Fargo, ND	3/15/2016
New Mexico 2016 Small Business Week Events	New Mexico DO-Albuquerque Hispano Chamber of Commerce, New Mexico Small Business Development Center Network	Albuquerque, NM	3/15/2016
Empowering Women in Business	Boise DO - Nampa Chamber of Commerce	Nampa, ID	3/10/2016

Event Name	Name of Cosponsor(s)	Event Location	Date Fully Executed
Emerging Leaders 2016	New Hampshire DO - NH Small Business Development Center, TD Bank, Eversource Energy	Manchester, NH	3/10/2016
Strategies for Women in Business	Boise DO - Deliberate Directions, LLC dba ActionCoach Business Coaching	Meridian, ID	3/8/2016
Emerging Leaders 2016	El Paso DO-Greater El Paso Chamber of Commerce, El Paso Hispanic Chamber of Commerce, South-West Texas Border Small Business Development Center Network El Paso, South-West Texas Border Small Business Development Center Network Alpine, SCORE, Women's Business Border Center, Contract Opportunities Center	El Paso, TX	3/3/2016
Emerging Leaders 2016	Mississippi DO-Mississippi e-Center@JSU, Greater Jackson Chamber Partnership/Jackson Chamber of Commerce, Mississippi Minority Business Alliance, Inc.	Jackson, MS	3/3/2016
Emerging Leaders 2016	South Florida DO-Florida International University, Miami SCORE, Midwest Regional Bank, Beacon Council, Miami Dade Chamber of Commerce, Miami-Dade Gay and Lesbian Chamber of Commerce, Coral Gables Chamber of Commerce, Miami Business Development Agency, Women's Business Development Council	Miami, FL	3/3/2016
Emerging Leaders 2016	South Florida DO-Florida SBDC at the University of South Florida	Tampa, FL	3/3/2016
Emerging Leaders 2016	New Mexico DO-ACCION New Mexico, Albuquerque Hispano Chamber of Commerce, Albuquerque SCORE, Albuquerque SBDC, American Indian Chamber of Commerce, City of Albuquerque Economic Development Department, New Mexico 8(a) & Minority Business Association, South Valley Economic Development Center, The Loan Fund, WESST	Albuquerque, NM	3/3/2016
Executive Breakfast Club Financial Literacy Series for Professionals & Small Business	New York DO - New American Chamber of Commerce	New York, NY	3/3/2016
New Americans: Building Businesses	Massachusetts DO - Worcester Area Chamber of Commerce	Worcester, MA	3/3/2016

Event Name	Name of Cosponsor(s)	Event Location	Date Fully Executed
Emerging Leaders 2016	Boise DO - Boise Metro Chamber, Capital Matrix, Inc., DL Evans, Idaho Small Business Development Center, Glacier Bank dba Mountain West Bank, Eide Bailly, LLP	Boise, ID	2/24/2016
Emerging Leaders 2016	New York DO - Bridgehampton National Bank	New York, Farmingdale, NY	2/24/2016
Small Business Workshops	Nebraska DO - Bellevue University Military Veterans Services Center	Bellevue, NE	2/24/2016
Emerging Leaders 2016	New Jersey DO - Center for Urban Entrepreneurship and Economic Development, Greater Newark Enterprises Corporation, M&T Bank, New Jersey Business and Industry Association, New Jersey Small Business Development Center, Statewide Hispanic Chamber of Commerce, UCEDC	Newark, NJ	2/22/2016
Emerging Leaders 2016	North Carolina DO - Central Piedmont Community College, The Charlotte Chamber of Commerce, Charlotte Mecklenberg Black Chamber of Commerce, Carolinas Virginia Minority Supplier Development Council, City of Charlotte-Charlotte Business INclusion, Mecklenberg County-Minority Women & Small Business Enterprises Program, Charlotte SCORE #0047, NC Small Business & Technology Development Center, NC Institute of Minority Economic Development, Latin American Economic Development Corporation of the Piedmont Atlantic Region	Charlotte, NC	2/18/2016
7(j) Preparation Training	Tennessee DO - Knoxville Area Urban League	Knoxville, TN	2/18/2016
2016 SBA Maryland Small Business Week Awards Luncheon and Trade Show	Baltimore DO - Maryland Small Business Week Awards Program, Inc.	Woodlawn, MD	2/18/2016
Emerging Leaders 2016	North Dakota DO - Eide Bailly, LLP, North Dakota State University Research and Technology Park	Fargo, ND	2/18/2016
Emerging Leaders 2016	Utah DO - Utah Certified Development Company, Mountain West Small Business Finance	Fargo, ND	2/18/2016
Export Problems & Opportunities St. Louis Workshops	St. Louis DO - Technology Entrepreneur Center, Inc. d/b/a T-REX	St. Louis, MO	2/11/2016

Event Name	Name of Cosponsor(s)	Event Location	Date Fully Executed
Operation Start Up & Grow: Veteran's Business Conference	Syracuse DO - New York Business Development Corporation, M&T Bank, Institute for Veterans and Military Families, Onondaga Community College, Onondaga Small Business Development Center, WISE Women's Business Center, Syracuse SCORE, The Tech Garden, Martin J. Whitman School of Management-Department of Entrepreneurship & Emerging Enterprises-Falcone Center for Entrepreneurship-Syracuse University, National Grid, Visual Technologies, SRC, Inc., Onondaga County Office of Economic Development, City of Syracuse Office of Neighborhood and Business Development	Syracuse, NY	2/8/2016
Small Business Excellence Award Recognition	Syracuse DO - New York Business Development Corporation	Albany, Syracuse, NY	2/8/2016
Emerging Leaders 2016	Arizona DO - American Indian Chamber Education Fund Procurement Technical Assistance Center, American Indian Chamber of Commerce of	Phoenix, AZ	2/8/2016
Business Smart Workshops	Wichita DO - Wichita State University-WSU Ventures, Kansas Small Business Development Center, Kansas Procurement Technical Assistance Center, SCORE Wichita Chapter 0143, Wichita Metro Chamber of Commerce, Wichita Hispanic Chamber of Commerce, Network Kansas, Simmons First Bank	Wichita, KS	2/4/2016
Emerging Leaders 2016	St. Louis DO - Grace Hill Women's Business Center, Veterans Business Resource Center, Small Business & Technology Development Center, SCORE Chapter 21, Procurement Technical Assistance Center, Midwest Regional Bank, Enterprise Bank & Trust, Fortune Bank, Capital Consulting Services, LC, The HIVE 44	St. Louis, MO	2/4/2016
HUBZone, Contracting and Small Business Resource Seminar	Maine DO - Midcoast Regional Redevelopment Authority	Brunswick, ME	2/2/2016
Better Together for Small Business Growth: A conference for economic development officials	Maine DO - SCORE Maine, Maine Development Foundation, Economic Development Council of Maine	Augusta, ME	2/2/2016

Event Name	Name of Cosponsor(s)	Event Location	Date Fully Executed
Shared office space within the Commons on Champa	Colorado DO-Office of Economic Development City and County of Denver	Denver, CO	2/1/2016
New Mexico SBA and New Mexico SBDC PTAP Workshops	New Mexico DO - New Mexico Small Business Development Center Procurement Technical Assistance Program	New Mexico Statewide	2/1/2016
Emerging Leaders 2016	Dallas DO- Dallas Black Chamber of Commerce, DFW Minority Supplier Development Council	Dallas, TX	2/1/2016
How to Open a Rural Lodging Business	West Virginia DO-West Virginia State University Extension Service; SCORE Chapter #256	World Wide Web	2/1/2016
Let's Connect: Woman-Owned Small Business Panel	Portland DO - EnviroIssues	Portland, OR	1/21/2016
Government Contracting Workshop Series	Vermont DO - Vermont Technical College Vermont Tech Enterprise Center Vermont Small Business Development Center, Vermont Procurement Technical Assistance Center	Vermont Statewide	1/20/2016
Bridges to Success, Business Development Expo	Illinois DO - City of Chicago, SCORE Chicago	Chicago, IL	1/12/2016
Small Business Week Awards Luncheon 2016	Los Angeles DO - Los Angeles Area Chamber of Commerce	Los Angeles, CA	1/11/2016
Social Media Marketing and Costing Models for the New Minimum	Buffalo DO - New York State Restaurant Association - Western New York Chapter	Buffalo, NY	1/11/2016
WE Center Business Workshops	North Dakota DO - New American Consortium for Wellness and Empowerment	Fargo, ND	1/11/2016
2016 Salute to Small Business	South Carolina DO - South Carolina Chamber of Commerce	Columbia, SC	1/11/2016
Reaching Out to You: A Small Business Conference	Kansas City DO - Federal Deposit Insurance Corporation, Kansas City Kansas Community College, SCORE Kansas City Chapter 19, Urban Financial Services Coalition, Women's Business Center	Kansas City, MO	1/11/2016
SBA 2016 Awards Breakfast	Wisconsin DO - SCORE SE Wisconsin, Reinhart Boerner Van Deuren, Milwaukee Business Journal	Milwaukee, WI	1/11/2016
Monthly Business Learning Program	Pittsburgh DO - Fayette County Cultural Trust and Connellville Redevelopment Authority	Connellsville, PA	1/11/2016

Event Name	Name of Cosponsor(s)	Event Location	Date Fully Executed
Small Business Sunday	Portland DO - Christian Chamber Northwest, Minority Business Development Agency – Seattle, Multnomah University, FranNet Oregon	Portland, OR	12/4/2015
Maine and New Hampshire Federal Matchmaking Event	Maine DO - Eastern Maine Development Corporation, Maine Procurement Technical Assistance Center, New Hampshire Procurement Technical Assistance Program	Portland, ME	11/25/2015
Entrepreneurship Workshops and Trainings	Hawaii DO - Adult Friends for Youth	Hawaii Statewide	11/12/2015
Small Business Workshops	Hawaii DO - Ewa Beach Community Based Development Organization dba FOR' EWA Pono	Hawaii Statewide	11/12/2015
SBA Annual Lenders & Partners Meeting "Eagle Awards"	Connecticut DO - Gateway Community College Foundation	New Haven, CT	11/12/2015
American Supplier Initiative Focus on Veterans and Native Americans	Georgia DO -Georgia State University Small Business Development Center	Atlanta, GA	11/2/2015
Selling to the Government Training Series	North Dakota DO-Impact Procurement Technical Assistance Center	Bismarck, Devils Lake, Dickinson, Fargo, Grand Forks, ND	11/2/2015
New York District Office Annual Lender Awards for FY 2015	New York DO - New York Business Development Corporation	Jamaica, NY	10/28/2015
Destination: HUB – Baltimore, Maryland	HQ/OGCBD/Office of HUBZone Empowerment Contracting-John Hopkins University, John Hopkins Health System	Baltimore, MD	10/25/2015
Queens Small Business Expo	New York DO - Queens Economic Development Corporation, Friends of Corona Plaza	Corona, NY	10/22/2015
SBA National Veterans' Small Business Week Event	Los Angeles DO - Association of United States Army	Los Angeles, CA	10/22/2015
The Adult Small Business Boot Camp Series	New York DO - New American Chamber of Commerce	Brooklyn, NY	10/22/2015
New Hampshire Lenders Awards Program	New Hampshire DO - New Hampshire Bankers Association	Concord, NH	10/20/2015

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<b>Event Name</b>	<b>Name of Cosponsor(s)</b>	<b>Event Location</b>	<b>Date Fully Executed</b>
Oxford Hills Meet Your Lenders and Resource Providers	Maine DO - Oxford Hills Chamber of Commerce, Oxford Hills SCORE Chapter 479	South Paris, ME	10/20/2015
2015 Small Business Saturday Campaign	HQ/Office of Communications and Public Liaison - American Express	Nationwide, World Wide Web	10/16/2015
Small and Medium Businesses Sustainability Breakfast	Georgia DO - Cox Enterprises, Inc.	Atlanta, GA	10/15/2015
Business Roundtables	Wyoming DO - First Northern Bank of Wyoming	Buffalo, WY	10/15/2015
Women's Business Roundtables	Wyoming DO - First State Bank of Newcastle	Newcastle, WY	10/15/2015
National Small Business Week 2016	HQ/Office of Communications and Public Liaison - SCORE Association	Nationwide, 10 SBA Regional Events TBA	9/23/2015

# Appendix X: Legal Actions Summary

October 1, 2014–March 31, 2015

State Program		Jointly with	Alleged Violation(s) Prosecuted	Legal Action
CA	BL	FBI, TIGTA	An individual misused a social security number when applying for an SBA express loan. The individual used one social security number when he applied for the SBA loan, and used a different number when filing for bankruptcy.	Individual was found guilty and was sentenced to 57 months of confinement, followed by 4 years of supervised release, and ordered to pay \$729,192 in restitution.
CA	BL	FBI	Two bank employees recruited a straw borrower to act as the owner of a restaurant. They directed the straw owner to apply for an SBA loan using false documents. Based on the information provided, the restaurant owner received a \$280,000 SBA loan.	Two individuals were indicted.
CA	BL	Riverside County District Attorney's Office	Two individuals conspired to obtain \$1.4 million dollars to purchase medical equipment. They inflated the cost of the equipment on the original application, then months later, attempted to apply for two additional loans to purchase the same equipment.	An individual pled guilty and was sentenced to 84 days confinement, 26 months of probation, and ordered to pay restitution (to be determined at a later date).
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. One was sentenced to 5 years of probation and ordered to pay \$597,340 in restitution. The other individual is awaiting sentencing and faces deportation.
DC	GC	FBI, GSA/OIG	An individual, who was previously convicted of bribery of a Government official, concealed this information on his application to participate in the 8(a) Program.	Individual pled guilty.

State Program		Jointly with	Alleged Violation(s) Prosecuted	Legal Action
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.	The corporation pled guilty and was ordered to pay a \$500,000 fine, \$1.2 million in forfeiture, and a \$400 special assessment.
FL	GC	USCG, DCIS, DHS/OIG	An individual falsely certified to SBA that its principal office was located in a designated HUBZone. The investigation revealed that the office was not located in a HUBZone.	Individual was sentenced to 3 years of probation and 24 days in the county work farm.
GA	BL	FBI, FDIC/OIG, SIGTARP, USDA/OIG	A bank official initiated a scheme to get rid of bad debt by refinancing a bad loan with an SBA-guaranteed loan.	Individual pled guilty and was sentenced to 7 years in prison incarceration, 3 years of supervised release, and ordered to pay \$3.9 million in restitution.
IA	BL	FBI, FDIC/OIG, Iowa Dept of Criminal Investigations	An individual assisted others in acquiring fraudulent loans by filling out loan documents without the knowledge or consent of the purported borrowers.	One individual was sentenced to 13 months in prison, 5 years of probation, and ordered to pay \$121,700 in restitution. Another was sentenced to 3 years of probation and ordered to forfeit \$10,000.
ID	GC	IRS/CI, DOT/OIG	An individual artificially lowered her personal net worth in order to appear economically disadvantaged to obtain 8(a) status. The individual received over \$15 million in Government contracts based on the fraudulent status.	Individual was sentenced to 5 years in prison, and ordered to pay \$131,400 in restitution, \$22,859 for the cost of prosecution, and a \$3,084,038 forfeiture.
IL	BL	FBI, IRS/CI, FDIC/OIG	A bank employee conspired with an individual to "flip" gas stations using fraudulent SBA-guaranteed loans.	Individual pled guilty.

State Program		Jointly with	Alleged Violation(s) Prosecuted	Legal Action
IL	BL	ED/OIG, FHFA/OIG, HUD/OIG	Individuals used a mentally-disabled person's identifying information to obtain a bank loan guaranteed by SBA.	Individuals pled guilty. One individual was sentenced to 3 years of probation and ordered to pay \$24,490 in restitution. A second individual was sentenced to 2 years of supervised release, 200 hours of community service, and ordered to pay \$588,940 in restitution.
IL	BL		An individual directed his accounting manager to prepare false financial statements, tax returns, and profit and loss statements in order to obtain an SBA loan.	Individual was indicted.
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 of imprisonment, 4 years of supervised release, and ordered to pay \$963,696 in restitution.
KS	BL	IRS/CI, USSS, FDIC/OIG	A loan officer and bank customers were involved in a fraudulent scheme to provide funding to a business using the SBA Express Loan Program.	Individuals were sentenced to 3 years of probation and were ordered to pay \$53,737 in restitution.
KS	GC	DCIS, GSA/OIG, VA/OIG	Individuals conspired to falsely certify a company as an SDVOSB in order to obtain Government contracts.	Individual pled guilty and was sentenced to 20 months in prison and ordered to pay a monetary judgment of \$30,000.
LA	DL		An individual created and submitted a fraudulent document in order to stop SBA from garnishing another individual's wages. The garnishment was a result of a defaulted \$196,000 SBA loan.	Individual pled guilty and was sentenced to 3 years of probation and ordered to pay \$9,433 in restitution.
MD	BL	USPIS	An individual submitted altered IRS documents to inflate business income in order to qualify for SBA 7(a) loans.	Individual was sentenced to 4 years in prison, followed by 5 years of supervised release, and ordered to forfeit \$2.2 million.

State Program		Jointly with	Alleged Violation(s) Prosecuted	Legal Action
MD	GC	Army CID, FBI, IRS, DCIS, DOL/OIG, GSA/OIG, VA/OIG	An individual conspired with Government officials to steer a contract worth nearly \$1 billion to his company. The individual admitted to creating fictitious and inflated invoices for equipment and services to the Government.	Individual was sentenced to 88 months of imprisonment, 3 years of supervised release, and ordered to pay \$7.6 million in restitution and forfeit \$6.8 million.
MD	GC	Air Force/OSI, DCIS	Individuals conspired with a Government employee to give their company an unfair competitive advantage in obtaining more than \$53 million in Government contracts.	Individuals were indicted.
MD	GC	Air Force/OSI	A company was awarded an SBA 8(a) sole-sourced contract totaling over \$1 million. The company entered into a pass-through agreement with another company, who performed all of the work on the contract.	Individual was indicted.
MD	GC	IRS/CI, DCIS, DOL/OIG	Individuals misrepresented their business as an SDVOSB in order to obtain Government contracts. In addition, they conspired to misrepresent documents related to past performance.	Individual was sentenced to 3 years of supervised release, ordered to pay restitution of \$1.6 million, tax restitution of \$492,961, and to forfeit \$30 million. A second individual was sentenced to 8 years in prison, 3 years of supervised release, ordered to pay \$1.6 million in restitution, \$492,492 in tax restitution, and to forfeit \$30 million.
MN	BL	FBI	Individual concealed from the bank and SBA that he was party to a civil lawsuit alleging breach of contract and fraud related to his business activities.	Individual was indicted.

State Program		Jointly with	Alleged Violation(s) Prosecuted	Legal Action
MO	BL	FBI	Individuals, including an SBA employee, conspired to fraudulently obtain SBA express loans and community express lending status for a bank. They proceeded to use the status to obtain fraudulent loans.	One individual was sentenced to 3 years of probation and ordered to pay \$91,885 in restitution. A second individual was sentenced to 1 year and 1 day in prison followed by 3 years of supervised release.
NJ	DL	NJ/DCA, DHS/OIG, HUD/OIG	Individuals filed false applications to obtain rental assistance from FEMA. These individuals asserted that they were forced to relocate to a rental home as a result of storm related damage to their property, when in fact they were never forced to relocate.	Individual entered into a pretrial diversion program and ordered to perform 50 hours of community service and pay a \$155 assessment.
NJ	DL	NJ/DCA, DHS/OIG, HUD/OIG	Individual falsified the location of his primary residence in order to obtain Government assistance in the aftermath of Hurricane Sandy.	Individual was sentenced to 3 years in prison and ordered to pay a \$155 assessment.
NJ	DL	NJ/DCA, DHS/OIG, HUD/OIG	Individual falsified the location of his primary residence in order to obtain Government assistance in the aftermath of Hurricane Sandy.	Individual pled guilty.
NJ	DL	NJ/DCA, DHS/OIG, HUD/OIG	Individuals falsified the location of their primary residence in order to obtain Government assistance, including a \$40,000 SBA loan, in the aftermath of Hurricane Sandy.	Individual was sentenced and ordered to pay \$87,051 in restitution. The individual made partial restitution of \$56,000 prior to sentencing.
NJ	DL	NJ/DCA, 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 pled guilty and was sentenced to 1 year of probation, 100 hours of community service, and made full restitution of \$23,148.
NJ	DL	NJ/DCA, DHS/OIG, HUD/OIG	Individuals falsified the location of their primary residence in order to obtain Government assistance in the aftermath of Hurricane Sandy.	Both individuals entered into a pretrial diversion program and made full restitution of \$41,900.

State Program		Jointly with	Alleged Violation(s) Prosecuted	Legal Action
NJ	DL	FBI, HUD/OIG, SIGTARP	Individual submitted false documents to support his SBA disaster loan. In addition, the individual used the proceeds of the loan for personal expenses.	Individual was indicted.
NJ	DL	NJ/DCA, DHS/OIG, HUD/OIG	Individual claimed that a storm-damaged house was her primary residence, when in fact it was a vacation property owned by her and her parents.	Individual was charged by complaint-summons.
NJ	DL		Individuals falsified the location of their primary residence in order to obtain Government assistance in the aftermath of Hurricane Sandy.	Individuals were charged by complaint-summons.
NJ	DL	NJ/DCA, 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 charged by complaint-summons.
NJ	DL	NJ/DCA, 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 pled guilty and was required to pay restitution in the amount of \$12,820.
NY	GC	DCIS, VA/OIG	Individuals conspired to fraudulently self-certify their business as an SDVOSB in order to bid on and obtain Government contracts.	Individuals agreed to a \$5,000,000 civil settlement.
NY	GC	Air Force/OSI, DCIS	A corporation fraudulently self-certified as a WOSB in order to bid on and obtain Government contracts.	Individuals agreed to a \$20 million civil settlement.
PA	BL	FBI, IRS, ED/OIG	Individual made false statements to various banks and SBA during the application and settlement processes involving SBA-guaranteed loans.	Individual was found guilty and sentenced to 9 years in prison, 9 years of supervised release, and ordered to pay \$1.1 million in restitution.

State Program		Jointly with	Alleged Violation(s) Prosecuted	Legal Action
TN	GC	FBI, USSS, DOI/OIG, VA/OIG	Individuals conspired to fraudulently obtain SBA 8(a) certification for a company in order to obtain \$9 million in sole-source and set-aside contracts.	Individuals were found guilty.
TX	GC	Army CID, GSA/OIG, VA/OIG	Individual was using his father's identity to claim SDVOSB status for his business. The father was in no way affiliated with the business.	Individual were indicted and found guilty.
VA	GC	DHS/OIG, GSA/OIG, USPS/OIG, VA/OIG	An individual directed his employees to conspire with other SDVOSBs to submit what appeared to be competitive bids, when in fact they knew they were not competitive.	Individual was sentenced to 8 months of imprisonment, 1 year of supervised release, and ordered to pay a \$10,000 fine and a \$100 assessment.
VT	BL	FBI, FDIC/OIG	An individual made false statements and reports in connection with SBA loans by manipulating the value of assets.	Individual pled guilty.
WI	GC	FBI, DCIS	Individuals fraudulently applied for and obtained HUBZone certification from SBA. Investigation revealed that the company was not located in a designated HUBZone.	Individual indicted and pled guilty.
PR	GC	VA/OIG	Individuals conspired to use an SDVOSB as a pass-through or front company for an SBA graduated 8(a) firm. The business received contracts from the Department of Veteran's Affairs totaling \$6.6 million.	Individuals entered into a civil settlement for \$30,000.

**Legal Actions Summary Program Codes:**

Business Loans (BL)  
 Disaster Loans (DL)  
 Government Contracting and Section 8(a) Business Development (GC)  
 Integrity Assurance (IA)  
 Microloan Program (ML)

**Joint-investigation Agency Acronyms:**

Defense Criminal Investigative Service (DCIS)  
 Department of Homeland Security Immigration and Customs Enforcement (DHS/ICE)  
 Department of Homeland Security Office of Inspector General (DHS/OIG)

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Department of Housing and Urban Development Office of Inspector General (HUD/OIG) Social Security Administration Office of Inspector General (SSA/OIG)  
 Department of Interior Office of Inspector General (DOI/OIG) United States Air Force Office of Special Investigations (Air Force/OSI)  
 Department of Labor Office of Inspector General (DOL/OIG) United States Army/Criminal Investigation Division (Army/CID)  
 Department of Transportation Office of Inspector General (DOT/OIG) United States Coast Guard (USCS)  
 Department of Veterans Affairs Office of Inspector General (VA/OIG) United States Postal Inspection Service (USPIS)  
 United States Secret Service (USSS)  
 District of Columbia Office of Inspector General (DC/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)  
 National Aeronautics and Space Administration Office of Inspector General (NASA/OIG)  
 Naval Criminal Investigative Service (NCIS)  
 New Jersey Department of Community Affairs (New Jersey DCA)

# Appendix XI: External Peer Reviews

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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.

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## 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.

The OIG 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.” SBA OIG is working to address one outstanding recommendation to provide staff auditors with procedures and training for conducting and documenting internal control assessments. SBA OIG plans to implement these new procedures and training by September 30, 2016.

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## Peer Reviews Conducted

SBA OIG did not conduct any peer review this period.

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## 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.

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# Appendix XII: OIG Organization

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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

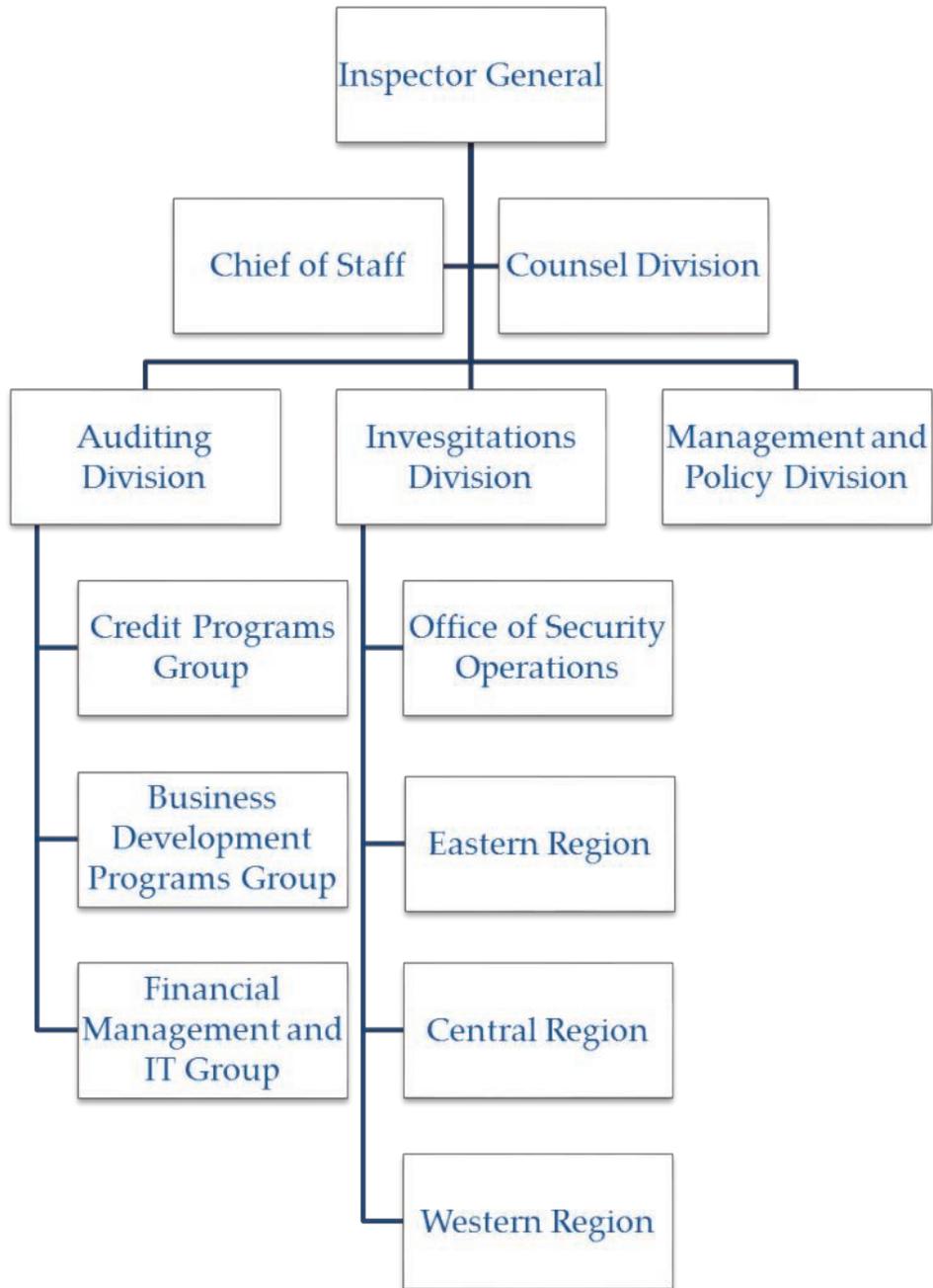
administrative enforcement matters; processes subpoenas; responds to Freedom of Information and Privacy Act requests; and reviews and comments on proposed policies, regulations, legislation, and procedures.

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

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# Make a Difference!

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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

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\*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.