

U.S. Small Business Administration Office of Inspector General

Semiannual Report to Congress Fall 2009



April 1, 2009 – September 30, 2009

Inspector General Act Statutory Reporting Requirements

The specific reporting requirements prescribed in the Inspector General Act of 1978, as amended, are listed below.

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Section 4(a)(2)	Review of Legislation and Regulations	3 & 17
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	3-17
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Section 5(a)(3)	Prior Significant Recommendations Not Yet Implemented	38-31
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	43-48
Sections 5(a)(5) and 6(b)(2)	Summary of Instances Where Information Was Refused	None
Section 5(a)(6)	Listing of OIG Reports	23
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Section 5(a)(8)	Audit Reports with Questioned Costs	24
Section 5(a)(9)	Audit Reports with Recommendations that Funds Be Put to Better Use	24
Section 5(a)(10)	Summary of Reports From Prior Semiannual Reports Where No Management Decision Was Made	25
Section 5(a)(11)	Significant Revised Management Decisions	None
Section 5(a)(12)	Significant Management Decisions with Which the OIG Disagreed	None
Section 5(a)(13)	Information Described Under Section 05(b) of the Federal Financial Management Improvement Act of 1996	N/A



**U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20416**

October 2009

I am pleased to present the U.S. Small Business Administration (SBA) Office of Inspector General (OIG) Fall 2009 Semiannual Report to Congress. This report provides a summary of the OIG's activities from April 1, 2009 through September 30, 2009.

While I did not become Inspector General until after the reporting period was over—having been sworn in on October 2, 2009—I am grateful for the opportunity to lead an organization that has been consistently recognized for its record of accomplishments. I would like to thank the Deputy Inspector General, Peter McClintock—who was Acting Inspector General during this period—and the entire staff of the OIG for their dedication in providing SBA with quality auditing, investigative, and other services to support and assist the Agency in achieving its mission.

During this reporting period, OIG reports contained 35 recommendations for improving Agency operations, reducing fraud and unnecessary losses in SBA programs, and recovering improper payments. In addition, OIG investigations continued to focus on wrongdoers who employ a variety of methods to fraudulently obtain loans from SBA and its lenders, resulting in 8 indictments and 44 convictions during this period. Overall, the OIG achieved monetary recoveries and savings of more than \$33 million from disallowed costs agreed to by management, recommendations that funds be put to better use agreed to by management, court ordered and other investigative recoveries and fines, and loans/contracts not made as a result of investigations and name checks.

The American Recovery and Reinvestment Act of 2009 (Recovery Act), which was signed into law on February 17, 2009, contains a number of SBA provisions intended to help unlock credit markets and promote economic recovery for the nation's small business sector. During this reporting period, the OIG dedicated considerable efforts toward proactive measures to help prevent fraud, waste, and abuse and ensure that program goals are achieved. For example, the OIG reviewed and provided the Agency with comments on implementing regulations, policy, and guidance before they were finalized. Many of the OIG's recommendations were adopted, resulting in improved controls.

I look forward to working closely with SBA's Administrator, Karen Mills, and the entire SBA leadership team, in leading the OIG's efforts to promote economy, efficiency, effectiveness, and integrity in the Agency's programs and operation.

Peggy E. Gustafson
Inspector General

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Glossary of Abbreviations

ACMIS Acquisition Career Management Information System
ANC	..... Alaska Native Corporation
CDC	..... Certified Development Company
CMOP	..... Consolidated Mail Outpatient Pharmacy
DCIS	..... Defense Criminal Investigative Service
DHS	..... Department of Homeland Security
FBI	..... Federal Bureau of Investigation
FEMA	..... Federal Emergency Management Agency
FY	..... Fiscal Year
HUBZone	..... Historically Underutilized Business Zone
HUD	..... Department of Housing and Urban Development
ICE	..... Immigration and Customs Enforcement
IRS	..... Internal Revenue Service
LMAS	..... Loan Management and Accounting System
LRHP	..... Louisiana Road Home Program
NCDF	..... National Center for Disaster Fraud
NGPC	..... National Guaranty Purchase Center
OFA	..... Office of Financial Assistance
OIG	..... Office of Inspector General
OMB	..... Office of Management and Budget
QA	..... Quality Assurance
SBA	..... Small Business Administration
SBDC	..... Small Business Development Center
SBIC	..... Small Business Investment Company
SCORE	..... Service Corps of Retired Executives
SDB	..... Small Disadvantaged Business
SOP	..... Standard Operating Procedures
USSS United States Secret Service
VA Veterans Administration
WBC Women's Business Center

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Overview of SBA and the OIG

The Small Business Administration

The mission of the Small Business Administration (SBA) 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 current strategic plan has three programmatic strategic goals that broadly define what the Agency and its programs are trying to accomplish.

- Expand America's ownership society, particularly in underserved markets.
- Provide timely financial assistance to homeowners, renters, nonprofit organizations and businesses affected by disaster.
- Improve the economic environment for small business.

A fourth goal in SBA's strategic plan defines the responsibility of the Agency's executive leadership and support functions to help accomplish the three programmatic goals.

- Ensure management and organizational excellence to increase responsiveness to customers, streamline processes, and improve compliance and controls.

SBA is organized around four key functional areas: financial assistance (e.g., loan programs); contracting assistance; technical assistance (e.g., entrepreneurial development); and disaster assistance. The Agency also represents small businesses through an independent advocate and an ombudsman. SBA headquarters is located in Washington, D.C., while its business products and services are delivered with the help of 10 regional offices, 68 district offices, 4 disaster field offices, and 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. As of September 30, 2009, SBA had 2,325 employees, including Office of Inspector General (OIG) personnel, but excluding a total of 2,972 disaster-funded employees for disaster loan making and disaster loan servicing.

The Office of Inspector General

Pursuant to the Inspector General Act of 1978, as amended, the OIG adds value to SBA programs and operations by providing auditing, investigative, and other services to support and assist the Agency in achieving its mission. In addition to its responsibilities under the IG Act, the OIG carries out other significant statutory responsibilities and Government-wide mandates, including responsibilities under the Small Business Act and the Small Business Investment Act.

The OIG seeks to improve SBA programs by identifying key issues facing the Agency, following up to ensure that corrective actions are taken, and promoting a high level of integrity. The Office's efforts and accomplishments during the second half of FY 2009, which are summarized in this report, focused on the two strategic goals in the OIG's strategic plan.

- Improving the economy, efficiency, and effectiveness of SBA programs and operations.
- Promoting and fostering integrity in SBA programs and operations.

Using this framework, the OIG concentrated on critical risks facing SBA, including (1) risks of financial losses due to limited oversight and controls; (2) risks to SBA's performance of its statutory mission to

Overview of SBA and the OIG

promote small business development and Government contracting; and (3) risks associated with SBA's information technology and financial management systems and other internal operations.

Audit and other reports issued during this reporting period are listed in Appendix I. Investigative actions are summarized in Appendix X. Copies of OIG reports and other work products are available on the OIG's website at <http://www.sba.gov/ig>.

Recovery Oversight

The American Recovery and Reinvestment Act of 2009 (Recovery Act), which was signed into law on February 17, 2009, contains a number of SBA provisions intended to help unlock credit markets and promote economic recovery for the nation's small business sector. These include reduced loan fees, higher guaranties, new SBA credit programs, secondary market incentives, and enhancements to current SBA programs. In order to provide enhanced levels of transparency and accountability, the Recovery Act and related implementation guidance require increased reporting and oversight to deter and detect fraud, waste, and abuse and ensure that program goals are met.

The OIG has developed oversight plans for deploying additional resources to monitor, evaluate, and report on the performance and oversight of SBA's programs under the Act. New programs and program changes increase risk, requiring the Agency to establish effective controls and adequate oversight.

...the OIG has worked proactively with the Agency to identify risks and recommend cost effective controls to help prevent fraud, waste, and abuse, and ensure that program goals are achieved and stimulus funds are accurately tracked and reported.

Therefore, the OIG has worked proactively with the Agency to identify risks and recommend cost effective controls to help prevent fraud, waste, and abuse, and ensure that program goals are achieved and stimulus funds are accurately tracked and reported. In particular, the OIG spent considerable time reviewing and providing comments on various program management documents that the

Agency developed in connection with the Recovery Act. In response to the mandates in the Act that SBA implement program changes and establish several entirely new programs to promote financial assistance to small businesses, SBA issued a number of new and revised regulations, policy and procedural notices, and other program management documents. The OIG provided comments on a large number of these documents, recommending revisions to (1) ensure greater accountability by program participants and Agency employees and (2) establish more robust controls to prevent waste, fraud, abuse, and inefficiencies. Many of these recommendations were adopted, and OIG would like to recognize the Agency's efforts to seek OIG review of these program management documents and its responsiveness in addressing the concerns identified by the OIG. The OIG also worked with the Agency to implement risk mitigation processes on programs revised or implemented by the Act.

The OIG has also conducted outreach efforts to raise fraud awareness, such as providing SBA lenders with information on detecting fraud patterns, presenting a fraud awareness briefing at a trade group event, and notifying the public of a phishing scam.

The OIG had a number of audits and reviews of Recovery Act programs that were nearing completion at the end of the reporting period, and plans to initiate a number of new projects during FY 2010, to include conducting periodic reviews of loan quality. The OIG will also assess whether the Agency has taken adequate steps to conduct oversight of programs funded by the Recovery Act. As risks are identified, the OIG has and will continue to provide Agency managers with comments and recommendations for ways to mitigate these risks. The OIG also plans to review Agency regulations and procedures for the new secondary market programs under the Recovery Act.

The OIG's oversight plans and additional information regarding recovery oversight activities can be found on the OIG's website at www.sba.gov/ig/recovery.

Recovery Oversight

Unresolved Audit Recommendations Impacting the Recovery Act

To reduce risks associated with the funding under the Recovery Act, the Office of Management and Budget (OMB) has directed agencies to address deficiencies disclosed by prior audits and investigations in program areas under which Recovery Act funds are authorized. Where recommended final actions had not been completed, agencies were required to either expedite implementation of the recommendations or explain in their risk mitigation plans why such actions cannot or should not be taken.

To assist SBA in this effort, the OIG issued a report that identified 29 unresolved audit recommendations related to programs directly impacted by the Recovery Act or operational support processes that will impact the disbursement and financial reporting of Recovery Act funds. Final actions were overdue for

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10 of the 29 recommendations, and other recommendations either did not have a management decision or had identified final actions that should be expedited due to the associated risks. The OIG's recommendations address actions that are needed to: (1) strengthen oversight of 7(a) lenders; (2) identify and recover improper payments; (3) develop procedures and

performance measures for the Microloan program; (4) enhance IT systems used to monitor and manage loan activity; and (5) improve contract award and administration.

Qualifications and Warrant Authority of SBA Contracting Personnel

An OIG review of the qualifications of SBA contracting personnel found that, while contracting officers had contracting certifications, the Agency issued new warrants to them without documentation of the specific training and education needed to support their certification levels. Therefore, the Agency was not in full compliance with OMB requirements to assure that contracting officers are qualified to properly administer contract actions, including \$20 million in contracts planned under the Recovery Act. This review is discussed in more detail beginning on page 14.

Small Business Access to Capital

As of September 30, 2009, SBA had a financial assistance portfolio of guaranteed and direct loans of more than \$90 billion. SBA's largest lending program, and the principal vehicle for providing small businesses with access to credit that cannot be obtained elsewhere, is the Section 7(a) Loan Guaranty program. This program is vulnerable to fraud and unnecessary losses because it relies on numerous third parties (e.g., borrowers, loan agents, and lenders) to complete loan transactions. Approximately 80 percent of loans guaranteed annually by SBA are made by lenders to whom SBA has delegated loan-making authority. Additionally, SBA has centralized many loan functions and reduced the number of staff performing these functions. As SBA has placed more responsibility and independence on its lenders, the need for OIG oversight has increased significantly. OIG reviews have continued to identify weaknesses in SBA's lender oversight efforts.

SBA's 504 Loan program provides small businesses with long-term, fixed-rate financing, in the form of government-guaranteed loans, for the purchase of land, buildings, machinery, and other fixed assets. These loans are issued through a partnership with Certified Development Companies (CDCs) and private sector third-party lenders and are funded through the issuance of government-guaranteed debentures. The CDCs are non-profit corporations that are certified and regulated by SBA to package, process, close, and service loans under the 504 program.

Another financial assistance program, the Small Business Investment Company (SBIC) program, was established in 1958 to stimulate and supplement the flow of private equity capital and long-term debt financing to small business concerns using private venture capital firms and SBA-guaranteed funding. In addition, small and emerging contractors who cannot obtain surety bonds through regular commercial channels can apply for SBA bonding assistance under the Surety Bond Guarantee program.

Fiscal Year 2008 Improper Payment Rate for the 7(a) Loan Guaranty Program

The Improper Payments Information Act of 2002 requires that Federal agencies review annually all programs and activities they administer and identify those which may be susceptible to significant erroneous payments. For all programs and activities where the risk of erroneous payments is significant, agencies must estimate and report the annual amount of erroneous payments and actions to reduce them.

An OIG review found that SBA's estimate of improper payments for FY 2008 significantly understated the level of erroneous payments in the 7(a) loan guaranty program. SBA reported that improper payments were 0.53 percent of FY 2008 program outlays, while the OIG estimated the improper payment rate to be 29 percent (approximately \$248 million) of the \$869 million in loan guaranties purchased between April 1, 2007 and March 31, 2008.

An OIG review found that SBA's estimate of improper payments for FY 2008 significantly understated the level of erroneous payments in the 7(a) loan guaranty program.

The OIG's review of a sample of 30 loans found that 14 of the loans lacked evidence to support lender compliance with SBA origination, servicing, and/or liquidation requirements, resulting in improper payments totaling \$723,293. In contrast, SBA reported improper payments of \$4,468 on only 2 of the sampled loans. Additionally, for all 30 loans, outstanding ongoing guaranty fees due to SBA were not offset against purchase amounts paid to lenders. The OIG also found that improper payments on three other loans reported by SBA's National Guaranty Purchase Center (NGPC), totaling \$1.6 million, were inappropriately overturned by SBA's Office of Financial Assistance (OFA). Had this not occurred, the improper payment rate reported to the OMB would have been 10.75 percent rather than the 0.53 percent

Small Business Access to Capital

reported. Finally, the OIG found that OFA did not timely recover improper payments identified during its FY 2007 and FY 2008 improper payments reviews, and had only recovered about 1 percent of the improper payments identified in these 2 years.

The OIG made a number of recommendations to the Agency, including that it seek recovery of \$2.3 million in identified improper payments and report to OMB the revised improper payment rate calculated by the OIG for FY 2008.

SBA's Management of a Backlog of Post-Purchase Reviews

The NGPC is responsible for reviewing SBA-guaranteed loans that have gone into default to identify lender compliance issues. As of the end of FY 2007, the NGPC had accumulated a backlog of approximately 3,500 loans, valued at over \$1 billion, which had been purchased from the secondary market. The NGPC was required to perform a post-purchase review on each loan to evaluate whether the lender materially complied with SBA's rules and regulations in originating, servicing, and liquidating the loans and to recover improper payments for any losses incurred as a result of lender noncompliance. As part of an initiative to eliminate the backlog, SBA contracted with an outside company to conduct post-purchase and charge-off reviews of the loans to identify lender compliance issues. In addition, SBA charged off 313 loans that were purchased prior to 2002 without evaluating lender compliance with origination and closing requirements because it believed the statute of limitations had been exceeded, which would prevent recovery from lenders.

An OIG review of a sample of the loans reviewed by the contractor identified \$1,250,088 of improper payments, consisting of \$1,055,455 that was missed in the post-purchase reviews, \$37,624 that was inappropriately charged off, and \$157,009 of liquidation proceeds that were inappropriately applied.

...the OIG estimated that the contractor did not identify at least \$7.6 million of improper payments resulting from lender noncompliance with loan origination and closing requirements.

Based on these sample results, the OIG estimated that the contractor did not identify at least \$7.6 million of improper payments resulting from lender noncompliance with loan origination and closing requirements. The OIG also identified

\$744,481 of improper payments on 5 loans that were charged off without post-purchase reviews. While the Center performed charge-off reviews on these loans, it did not identify the deficiencies nor recover the improper payments.

The OIG recommended that SBA recover \$2,250,088 of improper payments identified by the audit, and made other recommendations to improve purchase and charge-off reviews at the NGPC. SBA agreed to seek recovery of, or request additional documentation from lenders for, about \$1.1 million of the \$1.25 million in improper payments identified for recovery. It did not agree that recovery should be pursued on the remaining balance due to either the age of the loans or because it had previously settled a claim with the lender.

Lengthy Investigation Continues to Produce Prosecutorial Actions

In 2007, OIG and U.S. Secret Service (USSS) agents arrested 18 individuals for a scheme in which a lender's former executive vice president and others conspired to fraudulently qualify loan applicants for SBA-guaranteed loans, primarily for the purchase of gas stations, across several Midwestern states. The scheme involved at least 89 fraudulent loans issued before the fraud was discovered. The dollar value of

Small Business Access to Capital

the loans was approximately \$85 million. Thus far, 37 individuals have been indicted or otherwise charged and 27 have been convicted. Four of those individuals are international fugitives. To date, court-ordered restitution, SBA recoveries of loan guaranties from the lender, and potential cost savings from the withdrawal of loan guaranties total approximately \$61 million. The investigation continues, and more indictments are expected. The following cases illustrate the extent of the scheme.

- A Michigan businessman was sentenced to 9 months incarceration and ordered to pay restitution of \$880,000 jointly with other co-conspirators for making false statements to the SBA. The crime related to an \$880,000 SBA-guaranteed loan made by a preferred lender to a Michigan man for the purchase of a gas station/mini mart. The seller of a gas station/mini mart falsely represented that he received \$40,000 “earnest money” and a \$260,000 deposit from the buyer. The seller knowingly signed a false Department of Housing and Urban Development (HUD) settlement statement in order to assist the buyer in securing the loan for the purchase. The buyer was previously sentenced to joint restitution, probation, and home confinement. The OIG conducted this investigation jointly with the USSS.

The seller of a gas station/mini mart falsely represented that he received \$40,000 “earnest money” and a \$260,000 deposit from the buyer.
- A Philadelphia man was sentenced to 21 months imprisonment, immediate restitution of nearly \$954,000 and a \$100 special assessment fee in connection with schemes to defraud SBA and a preferred lender. In addition, he was ordered to be transferred to the Department of Homeland Security (DHS), Immigration and Customs Enforcement (ICE) for deportation immediately following his imprisonment. One of his schemes involved a \$1,240,000 SBA loan to an Illinois corporation (of which he was corporate secretary and 50% owner) for purchase of an Indiana gasoline station property. The scheme was facilitated by a loan agent who brokered sales of gas stations and hotels in the Midwest and obtained financing for the new owners. The investigation found that the loan agent created counterfeit statements for his clients. The statements falsely showed that the clients had adequate cash funds for their required equity injections.
- An Illinois man was sentenced to 27 months imprisonment and immediate restitution of nearly \$1,038,000 plus a \$100 special assessment fee for wire fraud. He and three other businessmen had previously been indicted in connection with schemes to defraud SBA and a preferred lender.

The schemes included obtaining \$2,540,000 in loans for an Illinois shell corporation for its purchase of a Tennessee hotel property. The man was the president of the shell corporation, which had been formed by him and a former business partner to secretly consolidate and refinance delinquent debts owed by their previous corporation. He improperly used loan proceeds to bring old debts current and to evade the imminent foreclosure of his business properties and personal residence.

Criminals Defraud Loan Guaranty Programs with a Variety of Tactics

Criminals utilize a variety of tactics to fraudulently obtain—or induce others to obtain—SBA-guaranteed loans. These tactics include submitting fraudulent documents; making fictitious asset claims; manipulating property values; using loan proceeds contrary to the terms of the loans; and failing to

Small Business Access to Capital

disclose debts or prior criminal records. Such methods make financial loss to SBA and its lenders more likely. The following examples demonstrate the different approaches criminals use.

- A Maryland man was indicted for conspiracy, making false statements, and aiding and abetting in connection with obtaining a \$417,000 SBA-guaranteed loan to perform construction and renovation work for leased space and to purchase equipment and inventory for his new restaurant business. On his SBA loan application, he certified the cost of the construction work to be \$295,000 even though he had already entered into an agreement with a construction company for the work to be performed for \$145,000. To advance this scheme, he conspired with the construction company to falsely represent that the total cost for the project was \$295,000 in order to receive additional funds for his personal use. The owner of the construction company involved in the scheme was charged with conspiracy for her role in submitting a false and backdated contract to the lender.
- An individual and his wife owned or controlled approximately 60 convenience stores throughout northern California and used “straw” borrowers to apply for and obtain SBA-guaranteed loans from various financial institutions. The couple and their associates failed to disclose the true ownership interests in the purchase of each store, submitted fraudulent documentation about the source of the cash injections, and laundered SBA loan proceeds. In addition, the couple and their associates hired and employed illegal aliens at their businesses. The husband was sentenced to 13 months in prison, three years supervised release, and \$1.2 million in restitution. His wife was sentenced to three years probation and a \$100,000 fine. All others were sentenced to probation and monetary penalties totaling nearly \$219,000. The OIG conducted this investigation jointly with the Federal Bureau of Investigation (FBI), Internal Revenue Service (IRS), DHS/ICE, U.S. Department of Agriculture OIG, and California Alcohol and Beverage Control.

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Owner Destroys His Own SBA-Financed Business in Fraud Scheme

The former owner of a Missouri pizza business and two associates allegedly aided and abetted one another and destroyed the business’ building by fire as part of a scheme to obtain money from an insurance company. The building belonged to the business owner and was financed by a \$424,400 SBA-guaranteed loan that is now in liquidation. The three individuals originally were indicted for arson, with the two associates having since pled guilty. The owner was also charged in a superseding indictment with wire fraud, in addition to arson. The OIG assisted the Bureau of Alcohol, Tobacco, Firearms and Explosives in this investigation at the request of the U.S. Attorney’s Office.

Disaster Loan Program

The Disaster Loan program plays a vital role in the aftermath of disasters by providing long-term, low-interest loans to affected homeowners, renters, and businesses of all sizes. There are two types of disaster loans: (1) physical disaster loans for permanent rebuilding and replacement of uninsured disaster-damaged privately-owned real and/or personal property, and (2) economic injury disaster loans to provide necessary working capital to small businesses until normal operations resume after a disaster. Physical disaster loans are available to homeowners, renters, businesses of all sizes, and nonprofit organizations. The Disaster Loan program is particularly vulnerable to fraud and unnecessary losses because loan transactions are expedited in order to provide quick relief to disaster victims.

In 2005, Gulf Coast Hurricanes Katrina, Rita, and Wilma caused more than \$118 billion in estimated property damage; as of September 30, 2009, SBA had disbursed nearly \$6.6 billion in loans to assist victims of these disasters. More recently, as of September 30, 2009, SBA had approved nearly 24,000 disaster loans, totaling \$1.2 billion as a result of Hurricanes Gustav and Ike and flooding in the Midwest during 2008. The OIG's audits and reviews continue to focus on loan origination, disbursement, repayment, servicing, and liquidation activities related to these loans, including whether loan applications were processed in accordance with SBA procedures; uses of loan proceeds were verified before loans were fully disbursed; duplicate benefits were appropriately identified and recovered; and loan servicing and liquidation activities were effectively staffed and managed. The OIG also continues to investigate allegations of unauthorized use of loan proceeds, overstatement of financial losses, material false statements in the application process, false/counterfeit supporting documentation, and false assertions regarding primary residency in affected areas at the times of the disasters.

Application of Insurance Offsets on Disaster Loans for the Midwest Floods of 2008

Under the Stafford Act, Federal agencies administering disaster benefits must ensure that individuals receiving assistance have not already been compensated for their losses by another program, or from insurance or another source. An OIG review found that SBA did not correctly identify or offset insurance

...loan officers did not check with insurance companies to determine the amount of insurance that had been paid prior to each disbursement...

payments on 9 of 99 sampled loans, resulting in \$126,876 in duplicate benefits. When the OIG informed Agency officials of this, or when they otherwise became aware of the duplicate benefits, SBA took action to offset \$94,319 of the

payments on 5 of the loans, but had not taken steps to recover the duplicate benefits on the remaining 4 loans. The majority of the errors occurred because loan officers did not check with insurance companies to determine the amount of insurance that had been paid prior to each disbursement, as required.

The OIG recommended that SBA revise its procedures to require confirmation of insurance payments both prior to loan approval and before the final disbursement. The OIG also recommended that SBA reduce the loan balances for the remaining 4 loans by the additional offset amounts identified in the report to prevent \$32,557 in duplicate benefits.

Multi-Agency Effort Continues to Combat Gulf Coast Hurricane Fraud

The OIG's partnership with other law enforcement organizations on the National Center for Disaster Fraud (NCDF) (formerly the Hurricane Katrina Fraud Task Force) thus far has resulted in 56 arrests, 74 indictments, and 67 convictions related to fraud and other wrongdoing in the Disaster Loan program. OIG disaster loan investigations have yielded over \$2.4 million in court-ordered restitution and related

Disaster Loan Program

recoveries, while also assisting the Agency in proactively denying almost \$4.5 million in loans to potentially fraudulent borrowers. The following are examples of OIG cases related to the Gulf Coast hurricanes.

- A maintenance supervisor at a Mississippi community college was sentenced to 36 months probation, 100 hours community service, \$179,400 in restitution to SBA, \$14,006 in restitution to the Federal Emergency Management Agency (FEMA), and a \$300 special assessment fee in connection with making false statements on his applications for disaster benefits after Hurricane Katrina. Specifically, he had indicated that his primary residence was in an area affected by the storm, when in fact he resided in an area that was not affected. The man fraudulently received \$179,400 from SBA and \$14,006 from FEMA. He also applied for a Mississippi Development Authority Homeowner Assistance Program Grant, but that application process was suspended pending the results of this investigation. The OIG is conducting this investigation jointly with the DHS OIG, the U.S. Department of Housing and Urban Development (HUD) OIG, the Mississippi State Auditor's Office, and the FBI.
- A Louisiana man was indicted for theft of government funds and wire fraud. He allegedly falsified the address of his primary residence at the time of Hurricane Katrina when applying for an SBA disaster loan of nearly \$111,000. He also applied for a \$150,000 Louisiana Road Home Program (LRHP) grant by using the same falsified address. He received both the SBA loan and the LRHP grant. The OIG is conducting this investigation jointly with the FBI and HUD OIG.
- A Louisiana man pled guilty to theft of government funds after he misrepresented to SBA that he had contracted for repairs to his residence for Hurricane Katrina-related damages when, in fact, he had only received an estimate for the repairs. Based on the misleading documentation he allegedly submitted, SBA approved a disaster loan for nearly \$64,000. That amount was later increased to over \$106,000. He also allegedly submitted copies of fraudulent checks in order to receive loan disbursements. The OIG is conducting this investigation jointly with members of the NCDF.

9/11 Disaster Loan Fraud Results in Additional Legal Actions

SBA disbursed over \$1.1 billion in disaster assistance loans in response to the September 11, 2001, terrorist attacks on the United States. As with other disasters, the need to disburse funds quickly created opportunities for dishonest applicants to commit fraud. The resulting OIG investigations have led to the prosecution of numerous individuals who took advantage of this tragedy.

For example, in New York, the president and sole shareholder of a fabric company, his wife (the president of a clothing company), and her clothing company agreed to a judgment of nearly \$1,075,000 to settle allegations that the couple made false statements in order to secure a \$537,400 SBA disaster loan and converted the proceeds for their personal use. The investigation revealed that the president of the fabric company submitted false statements, namely that there were no lawsuits pending against him or his company. In reality, court documents indicated two lawsuits with judgments prior to the filing of the SBA disaster loan application. Further investigation revealed that he transferred loan proceeds to his wife's company in order to disburse thousands of dollars to himself and his wife.

Small Business Development, Contracting, Education and Training

Through its government contracting programs, SBA works to maximize opportunities for small, woman and minority-owned, and other disadvantaged businesses to obtain Federal contract awards. These programs include, among others, the Historically Underutilized Business Zone (HUBZone) Empowerment Contracting program and the Small Disadvantaged Business (SDB) Certification program. SBA also negotiates with other Federal agencies to establish procurement goals for contracting with small, disadvantaged, women-owned, service-disabled-veteran-owned, and HUBZone businesses. The current government-wide goal is for small businesses to receive 23 percent of the total value of prime contracts awarded each fiscal year.

To help small disadvantaged businesses gain access to Federal and private procurement markets, SBA's Section 8(a) Business Development program offers a broad range of business development support, such as mentoring, procurement assistance, business counseling, training, financial assistance, surety bonding, and other management and technical assistance. SBA also provides assistance to existing and prospective small businesses through a variety of counseling and training services offered by partner organizations. Among these are Small Business Development Centers (SBDCs), the Service Corps of Retired Executives (SCORE), and Women's Business Centers (WBCs). Most of these are grant programs that require effective and efficient management, outreach, and service delivery.

Participation in the 8(a) Program by Firms Owned by Alaska Native Corporations

An OIG review found that the growth in awards to Alaska Native Corporation (ANC) firms under the Section 8(a) program may have hurt other program participants and challenged SBA's oversight capability. Long-term 8(a) contracting trends show a continued and significant increase in obligations to

...growth in awards to Alaska Native Corporation (ANC) firms under the Section 8(a) program may have hurt other program participants and challenged SBA's oversight capability.

ANC-owned participants, many of which were made through sole-source contracts. This growth suggests that the special advantages afforded ANC participants may be limiting the number of non-ANC disadvantaged firms that secure 8(a)

contracts. In addition, while the 8(a) program is undeniably benefiting Alaska Natives, the OIG's review showed that a few ANC participants received a disproportionate share of the 8(a) obligations. Further, because studies have shown that sole-source contracts do not always provide the Government with the best value, it is questionable whether providing ANCs with contracting advantages under the 8(a) program is the most cost-effective way of assisting Alaska Natives.

Many ANC firms have clear advantages over other 8(a) program participants when competing for contracts due to their association with their large parent corporations and affiliates, which often provide them access to capital and credit as well as management expertise. Requiring non-ANC small businesses to compete against these ANC participants appears to be inconsistent with the primary purpose of the 8(a) program of helping small disadvantaged firms develop the skills needed to compete in the American economy. However, SBA has not undertaken a program review to determine whether ANC participation is adversely impacting other 8(a) participants. The Agency has also been slow to expand and fully staff its oversight capabilities to address the complex nature of ANC business relationships and ANC growth in the program.

Many ANC firms have clear advantages over other 8(a) program participants when competing for contracts due to their association with their large parent corporations and affiliates...

Small Business Development, Contracting, Education and Training

The OIG's report raised several issues for congressional consideration. Specifically, Congress may want to consider whether the statutory advantages given to companies owned by ANCs and other Indian tribes are consistent with the overall mission and intent of the program to benefit economically disadvantaged

...Congress may want to consider whether the statutory advantages given to companies owned by ANCs and other Indian tribes are consistent with the overall mission and intent of the program to benefit economically disadvantaged small businesses.

small businesses. Congress may also want to consider legislatively requiring that SBA determine whether ANC-owned firms have a substantial unfair competitive advantage before exempting them from the size affiliation rules and that ANCs report to SBA on how 8(a) revenues are benefiting Alaska Natives.

The report recommended that SBA conduct a program review to evaluate: (1) the extent to which growth in the ANC 8(a) participation has or will adversely impact other 8(a) firms and the overall effectiveness of the 8(a) program, and (2) whether firms owned by ANCs and Indian tribes should continue to be exempt from the cap on total sole-source awards. The report also made recommendations to improve the Agency's oversight of ANCs.

On July 16, 2009, the Assistant Inspector General for Auditing testified before the Ad Hoc Subcommittee on Contracting Oversight, Committee of Homeland Security and Government Affairs, United States Senate, regarding the results of the OIG's audit of ANCs.

Investigations Reveal False 8(a) Certifications

Small businesses operated by socially and economically disadvantaged individuals receive preferences in obtaining Federal contracts through the Section 8(a) Business Development program. Unfortunately, such preferences can be an incentive for a non-qualifying firm to falsely claim 8(a) status. Although the program requires that a disadvantaged individual have control and ownership of the 8(a) company, OIG investigations have uncovered schemes where 8(a) companies are owned or controlled by non-disadvantaged persons. The following cases illustrate the problem.

- A Georgia woman and her company were charged with making false statements to SBA so that her company could qualify for 8(a) certification. The company supplied temporary staffing services to various Federal agencies, including the Department of Veterans Affairs (VA) Consolidated Mail Outpatient Pharmacy (CMOP) in Leavenworth, Kansas. The woman allegedly concealed the involvement of her former employer, who was not a socially and economically disadvantaged person, in the management and operations of her company. Consequently, SBA certified the company as an 8(a) company, which allowed it to obtain about \$5.4 million in 8(a) set-aside contracts with the CMOP. The OIG is conducting this investigation jointly with the Department of Justice Antitrust Division, the VA OIG, the Defense Criminal Investigative Service (DCIS), and the USSS.
- A multi-agency investigation found that the principals of a subsidiary of an ANC and its numerous affiliated business entities conspired to defraud SBA and the Department of Defense by failing to divulge their secret business and ownership agreements in order to gain the preferential treatment received under the 8(a) program. The investigation also found that the subsidiary and its business affiliates may be involved in a scheme to defraud the Department of the Treasury by under-reporting their collective income from U.S. Government contracts by tens of millions of

Small Business Development, Contracting, Education and Training

dollars. Consequently, the U.S. Air Force issued indefinite suspensions to 19 companies and four individuals affiliated with the subsidiary. The OIG is conducting this investigation jointly with DCIS, the U.S. Army Criminal Investigation Command, the U.S. Air Force Office of Special Investigations, the U.S. Naval Criminal Investigative Service, and the IRS.

Legislation Requires Approval of SBDC Surveys

In December 2004, Congress amended section 21(a)(7) of the Small Business Act to restrict the disclosure of information regarding individuals or small businesses that have received assistance from an SBDC, and further restricts the Agency's use of such information. The provision also requires the Agency to issue regulations regarding disclosures of such information for use in conducting financial audits or SBDC client surveys. To date, however, SBA has not issued these regulations. In addition, paragraph 21(a)(7)(C)(iii) states that, until the issuance of such regulations, any client survey and the use of such information shall be approved by the Inspector General, who shall include such approval in the OIG's Semiannual Report to Congress. During this reporting period, the Agency identified that it was conducting surveys of small businesses that had received assistance from SBDCs. The OIG advised that it had no objection to these surveys based upon the Agency's ability to demonstrate that it was taking steps to ensure that acquisition and use of information derived from these surveys met the requirements of section 21(a)(7). The Agency has also represented that it would issue regulations in the near future as required by the statute.

Other Significant OIG Activities

SBA's Management the Loan Management and Accounting System Modernization Project

In November 2005, SBA initiated a project to integrate its loan monitoring and financial management systems and move them to a new operating platform. The project also included the modernization of all Loan Management and Accounting System (LMAS) components—from the core loan functions to the 19 subsystems associated with loan processing and servicing operations. LMAS is integral to SBA's strategy for improving, streamlining and automating information technology systems related to lender processes and lender oversight.

LMAS is integral to SBA's strategy for improving, streamlining and automating information technology systems related to lender processes and lender oversight.

A review of the LMAS Modernization Project was initiated based on a complaint received by the OIG. The review confirmed allegations in the complaint that: (1) the project-level Quality Assurance (QA) process was not independent from project management staff; (2) a process had not been established for accepting contract deliverables until January 2009; (3) several deliverables were behind schedule; (4) contractors participated in meetings and were assigned tasks without being cleared or trained on SBA security procedures; and (5) the risk management process established for the project was not sufficiently developed.

The OIG recommended that SBA: (1) take steps to modify the LMAS contract to require that the QA/Independent Verification and Validation contractor report all findings and recommendations to the Program Manager and an independent QA Manager designated by the Chief Information Officer; (2) establish a well-defined process for reviewing and accepting LMAS deliverables; (3) ensure that contractor employees are not allowed to work on LMAS until they have been properly vetted in accordance with SBA policies and procedures; (4) revise the LMAS risk register to include all fields identified in the LMAS Risk Management Plan and key information that is currently missing in the risk register; and (5) establish an enterprise-wide QA function to ensure that all IT projects comply with Agency quality standards.

Qualifications and Warrant Authority of SBA Contracting Personnel

In 2005, OMB established a Federal Acquisition Certification Program for contracting professionals in civilian agencies to improve Federal acquisition workforce competencies. Under this directive, individuals issued new contracting officer warrants on or after January 1, 2007, must be certified at an appropriate level to support their warrant obligations.

An OIG review of the qualifications and authority of SBA contracting personnel found that, while six contracting officers had contracting certifications, the Agency issued new warrants to them without documentation on specific courses showing that they had the education, training, and experience to support their certification levels. Also, the acquisition analyst administering the certification program for SBA had not been granted administrative rights to the Acquisition Career Management Information System (ACMIS), which limited her ability to manage certification program compliance. As a result, the Agency was not in compliance with OMB requirements to assure that contracting officers are qualified to properly administer contract actions, including \$20 million in contracts planned under the Recovery Act, and could not readily identify future training needs. In addition, SBA did not have established processes

Other Significant OIG Activities

or sufficient records for (1) linking warrant authority to certification levels, and (2) controlling the issuance and termination of contracting officer warrants.

To address these issues, the OIG recommended that SBA: (1) hold contracting personnel accountable for entering training data in ACMIS to support their certification levels; (2) monitor compliance with OMB's certification program requirements; (3) update the official designation of an Acquisition Career Manager and seek administrative rights to ACMIS for that individual; (4) revise its procedures to link Federal acquisition certification levels to contracting officer warrant authority; and (5) establish procedures to better control the issuance and termination of warrants.

Agency Management Decisions

The Inspector General Act requires Federal agencies to make decisions on all audit findings and recommendations within 6 months of report issuance. Agency officials may agree, disagree, or propose alternative actions to the recommendations. In an attempt to reduce the number of overdue management decisions, the OIG revised its reporting process by requesting that the Agency transmit decisions on audit recommendations at the same time that it provides management comments to the draft report. During this reporting period, management decisions were made for 31, or 89 percent, of the 35 recommendations that were issued. At the end of the semi-annual reporting period, SBA had not made decisions on 5 recommendations that were made in prior reporting periods.

SBA Gift Authority

Section 4(g)(2) of the Small Business Act, as amended, provides that any gift, devise, or bequest of cash accepted by the Administrator under Section 4(g) shall be held in a separate account and shall be subject to semiannual audits by the Inspector General, who shall report his findings to Congress. According to the information provided by SBA's Office of Strategic Alliances, SBA did not accept any cash gifts during this semiannual reporting period.

Cosponsorships and Fee-Based Administration Sponsored Events

Section 4(h) of the Small Business Act, as amended, requires the OIG to report to Congress on a semi-annual basis regarding the Agency's use of its authority in connection with cosponsorships and fee-based Administration-sponsored events. SBA's Office of Strategic Alliances provided information to the OIG related to cosponsorships, including the names, dates, and locations of the cosponsored events and the names of the cosponsors. This information was not verified by the OIG. As shown in Appendix IX, between April 1, 2009 and September 30, 2009, there were 45 cosponsored events.

Potential Program Fraud Reduced by Character Screening

Participants in SBA programs involving business loans, disaster assistance loans, Section 8(a) certifications, surety bond guarantees, SBICs, and Certified Development Companies must meet Agency character standards. The OIG's Office of Security Operations helps ensure that this occurs by using name checks and, where appropriate, fingerprint checks to determine criminal background information. During this reporting period, the OIG processed 1,811 external name check requests for these programs.

Other Significant OIG Activities

As a result of OIG referrals during this reporting period, SBA business loan program managers declined 38 applications totaling nearly \$15.6 million and disaster loan program officials declined 28 applications totaling over \$1.5 million.

Based on data from the OIG's on-line connection with the FBI, the OIG also refers applicants who appear ineligible because of character issues to program officials for adjudication. As a result of OIG referrals during this reporting period, SBA business loan program managers declined 38

applications totaling nearly \$15.6 million and disaster loan program officials declined 28 applications totaling over \$1.5 million. In addition, the Section 8(a) program declined 6 applications for admission.

During this reporting period, the OIG also initiated 212 background investigations and issued 29 security clearances for Agency employees and contractors. Moreover, the OIG adjudicated 74 background investigative reports and coordinated with SBA's Office of Disaster Assistance (ODA) to adjudicate 21 derogatory background investigation reports. Finally, the OIG processed 1,095 internal name check requests for Agency activities such as success stories, "Small Business Person of the Year" nominees, and disaster assistance new hires.

OIG Promotes Debarment and Administrative Enforcement Actions

The OIG continues to promote debarment as a vehicle to protect Federal agencies from program participants that have engaged in fraud or otherwise exhibited a lack of business integrity. The OIG regularly identifies candidates for debarment and submits detailed recommendations with supporting documents to facilitate the efforts of SBA debarment officials. During this reporting period, the OIG streamlined its referral process and provided training for investigations and audit staff, focusing on issue spotting and coordination of remedies.

Recently, the OIG has recommended, and SBA has issued, a number of debarments based upon fraudulent conduct in SBA's business and disaster loan programs. As part of several OIG investigations, numerous individuals have been identified as submitting falsified proof of equity injections, making false

...the OIG has recommended, and SBA has issued, a large number of debarments based upon fraudulent conduct in SBA's business and disaster loan programs.

claims of U.S. citizenship, submitting falsified financial information, and submitting falsified work orders, building permits, or leases in order to obtain SBA-guaranteed loans. The OIG also recommended debarment of an individual who was found to have submitted falsified personal financial statements in order to maintain his company's eligibility in the 8(a) program. Finally, the OIG recommended debarment of an individual who made false statements and diverted contract trust funds for personal use in relation to SBA's Surety Bond Guarantee program. As of the close of this reporting period, SBA had issued 29 debarments based upon OIG recommendations, and continues to consider 7 others for possible debarment. During this reporting period, the OIG has also provided assistance to the SBA debarment officials on several HUBZone related debarments that SBA issued. Additional debarment statistics for the reporting period are in the Statistical Highlights section later in this report.

The OIG has also been working with SBA to develop a comprehensive set of procedures for taking administrative enforcement actions against loan agents and packagers who commit fraud or other wrongdoing. Past OIG investigations have identified loan agent fraud on hundreds of millions of dollars of SBA loans. Although SBA's regulations at 13 C.F.R. Part 103 authorize the Agency to suspend or

Other Significant OIG Activities

revoke a loan agent's privilege to conduct business with SBA, the regulations are silent on the procedures that must be followed in order to undertake such an action. As a result, during the reporting period, the OIG developed proposed procedures, which the Agency is currently considering.

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

One way that governmental agencies prevent and detect waste, fraud, abuse, and inefficiencies in their programs and operations is through the documents they use to manage those functions, such as regulations and internal procedures. Having adequate program management documents often go a long way towards improving accountability and integrity by program participants and agency employees. As

During the reporting period, the OIG reviewed 67 proposed revisions of program management documents and submitted comments on 38 of these initiatives.

part of its efforts to provide SBA with proactive recommendations, the OIG regularly reviews and provides comments on proposed revisions of various program management documents, such as SBA regulations, forms

used by the public, standard operating procedures, policy notices, and plans for agency reorganizations. Frequently, the OIG identifies material weaknesses in proposed revisions and, to promote more effective controls, provides the Agency with recommendations and proposed language revisions through comment memoranda. During the reporting period, the OIG reviewed 67 proposed revisions of program management documents and submitted comments on 38 of these initiatives.

In addition to Recovery Act-related activities discussed earlier in the Recovery Oversight section of this report, the OIG provided comments on wide variety of other SBA directives and, through Agency adoption of OIG recommendations, prompted more robust controls in and enhancements to these documents. For example, the OIG reviewed and commented on material weaknesses in various proposed revisions of regulations and internal controls for the 8(a) Business Development program, for which the Agency has historically experienced weaknesses in its oversight capabilities. The OIG comments focused on improving processes in this program so that greater business development assistance can be provided to program participants. In another example, the OIG provided comments on program documents relating to small business set-aside contracts in order to improve accountability and help ensure that only eligible small businesses obtain these contracting preferences.

...the OIG provided comments on wide variety of other SBA directives and, through Agency adoption of OIG recommendations, prompted more robust controls in and enhancements to these documents.

Fraud Awareness Briefings

During this reporting period, the OIG conducted 7 fraud awareness presentations for approximately 265 representative of Federal agencies and lending institutions. Topics included fraud associated with government contracting as well as with other SBA programs.

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Statistical Highlights

6-Month Productivity Statistics April 1, 2009 through September 30, 2009

Summary of Office-Wide Dollar Accomplishments

Totals

A. Potential Investigative Recoveries and Fines	\$11,862,823*
B. Loans/Contracts Not Approved or Canceled as Result of Investigations.....	\$509,400*
C. Loans Not Made as a Result of Name Checks	\$17,062,603
D. Disallowed Costs Agreed to by Management	\$3,322,236
E. Recommendations that Funds Be Put to Better Use Agreed to by Management	\$683,200
Total	\$33,440,262

Efficiency and Effectiveness Activities Related to Audit and Other Reports

A. Reports Issued	7
B. Recommendations Issued.....	35
C. Dollar Value of Costs Questioned.....	\$3,676,964
D. Dollar Value of Recommendations that Funds Be Put to Better Use	\$0
E. Collections as a Result of Questioned Costs	\$41,173

Audit and Report Follow-up Activities

A. Recommendations for which Management Decisions were made During the Reporting Period	50
B. Disallowed Costs Agreed to by Management	\$3,322,236
C. Dollar Value of Recommendations that Funds Be Put to Better Use Agreed to by Management	\$683,200
D. Recommendations without a Management Decision at End of Reporting Period	9

Legislation/Regulations/Standard Operating Procedures (SOPs)/Other Reviews

A. Legislation, Regulations, Standard Operating Procedures, and Other Issuances ** Reviewed	67
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* May include actions from earlier reporting periods.

** This category includes policy notices, procedural notices, Administrator's action memoranda, and other Agency initiatives, which frequently involve the implementation of new programs and policies.

Statistical Highlights

6-Month Productivity Statistics April 1, 2009 through September 30, 2009

Indictments, Convictions, and Case Activity

A. Indictments from OIG Cases	18*
B. Convictions from OIG Cases.....	44*
C. Cases Opened	45
D. Cases Closed.....	39

Recoveries and Management Avoidances

A. Potential Recoveries and Fines as a Result of OIG Investigations	\$11,862,823*
B. Loans/Contracts Not Approved or Canceled as Result of Investigations.....	\$509,400*
C. Loans Not Approved as a Result of the Name Check Program	\$17,062,603
Total	\$29,434,826

SBA Personnel Actions Taken as a Result of Investigations

A. Dismissals.....	0
B. Resignations/Retirements.....	0
C. Suspensions	1
D. Reprimands.....	1
E. Other.....	0

Debarment and Suspension Actions

A. Debarments Recommended to the Agency	10
B. Debarments Pending at the Agency	7
C. Proposed Debarments Issued by the Agency	5
D. Final Debarments Issued by the Agency	29*
E. Proposed Debarments Declined by the Agency	0

OIG Hotline Operation Activities

A. Total Fraud Line Complaints.....	374
B. Total Complaints Referred to Investigations Division	91
C. Total Complaints Referred to SBA or Other Federal Investigative Agencies.....	12
D. Total Complaints Referred to Other Entities.....	9
E. Total Complaints Needing No Action.....	262

* May include actions from earlier reporting periods.

Statistical Highlights

Full Year Productivity Statistics October 1, 2008 through September 30, 2009

Summary of Office-Wide Dollar Accomplishments

Totals

A. Potential Investigative Recoveries and Fines	\$53,516,212*
B. Loans/Contracts Not Approved or Canceled as Result of Investigations.....	\$2,666,400*
C. Loans Not Made as a Result of Name Checks	\$26,758,256
D. Disallowed Costs Agreed to by Management	\$6,251,693
E. Recommendations that Funds Be Put to Better Use Agreed to by Management	\$683,200
Total	\$89,875,761

Efficiency and Effectiveness Activities Related to Audits and Other Reports

A. Reports Issued	19
B. Recommendations Issued.....	120
C. Dollar Value of Costs Questioned.....	\$7,950,997
D. Dollar Value of Recommendations that Funds Be Put to Better Use	\$46,367,586
E. Collections as a Result of Questioned Costs	\$41,173

Audit and Report Follow-up Activities

A. Recommendations for which Management Decisions were made During the Reporting Period	112
B. Disallowed Costs Agreed to by Management	\$6,251,693
C. Dollar Value of Recommendations that Funds Be Put to Better Use Agreed to by Management	\$683,200
D. Recommendations without a Management Decision at End of Reporting Period	36

Legislation/Regulations/Standard Operating Procedures (SOPs)/Other Reviews

A. Legislation, Regulations, Standard Operating Procedures, and Other Issuances ** Reviewed	122
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* May include actions from earlier reporting periods.

** This category includes policy notices, procedural notices, Administrator's action memoranda, and other Agency initiatives, which frequently involve the implementation of new programs and policies.

Statistical Highlights

Full Year Productivity Statistics October 1, 2008 through September 30, 2009

Indictments, Convictions, and Case Activity

A. Indictments from OIG Cases	50*
B. Convictions from OIG Cases.....	71*
C. Cases Opened	82
D. Cases Closed.....	100

Recoveries and Management Avoidances

A. Potential Recoveries and Fines as a Result of OIG Investigations	\$53,516,212*
B. Loans/Contracts Not Approved or Canceled as Result of Investigations.....	\$2,666,400*
C. Loans Not Approved as a Result of the Name Check Program	\$26,758,256
Total.....	\$82,940,868

SBA Personnel Actions Taken as a Result of Investigations

A. Dismissals.....	0
B. Resignations/Retirements.....	0
C. Suspensions	1
D. Reprimands.....	1
E. Other.....	0

Debarment and Suspension Actions

A. Debarments Recommended to the Agency	26
B. Debarments Pending at the Agency	7
C. Proposed Debarments Issued by the Agency	31
D. Final Debarments Issued by the Agency	29*
E. Proposed Debarments Declined by the Agency	2

OIG Hotline Operation Activities

A. Total Fraud Line Complaints.....	605
B. Total Complaints Referred to Investigations Division.....	132
C. Total Complaints Referred to SBA or Other Federal Investigative Agencies.....	14
D. Total Complaints Referred to Other Entities.....	13
E. Total Complaints Needing No Action	446

* May include actions from earlier reporting periods.

Appendices

Appendix I OIG Reports Issued April 1, 2009 through September 30, 2009

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
<i>Recovery Act</i>				
Key Unresolved OIG Audit Recommendations in Program Areas Funded by the American Recovery and Reinvestment Act and Related Activities Needed to Safeguard Funds	ROM-09-01	4/30/09	\$0	\$0
Program Subtotal	1		\$0	\$0
<i>Small Business Access to Capital</i>				
SBA's FY 2008 Improper Payment Rate for the 7(A) Guaranty Loan Program	9-16	7/10/09	\$2,300,000	\$0
SBA's Management of the Backlog of Post-Purchase Reviews at the National Guaranty Purchase Center	9-18	8/25/09	\$1,250,088	\$0
Program Subtotal	2		\$3,550,088	\$0
<i>Disaster Loans</i>				
Application of Insurance Offsets on Disaster Loans for the Midwest Floods of 2008	9-13	07/06/09	\$126,876	\$0
Program Subtotal	1		\$126,876	\$0
<i>Small Business Development, Contracting, Education, and Training</i>				
Participation in the 8(a) Program by Firms Owned by Alaska Native Corporations	9-15	7/10/09	\$0	\$0
Program Subtotal	1		\$0	\$0
<i>Agency Management</i>				
Office of Business Operations Contracting Personnel Qualifications and Warrant Authority	9-14	7/06/09	\$0	\$0
Review of Allegations Concerning How the Loan Management and Accounting System Modernization Project is Being Managed	9-17	7/30/09	\$0	\$0
Program Subtotal	2		\$0	\$0
TOTALS (all programs)	7		\$3,676,964	\$0

Appendices

Appendix II OIG Reports with Questioned Costs

		Reports	Recommendations*	Questioned Costs**	Unsupported Costs**
A.	No management decision made by March 31, 2009	2	7	\$1,235,003	\$0
B.	Issued during this reporting period	3	3	\$726,876	\$2,950,088
	Universe from which management decisions could be made in this reporting period – Subtotals	5	10	\$1,961,879	\$2,950,088
C.	Management decision(s) made during this reporting period	4	8	\$1,622,236	\$1,700,000
	(i) Disallowed costs	4	8	\$1,622,236	\$1,700,000
	(ii) Costs not disallowed	0	0	\$0	\$0
D.	No management decision made by September 30, 2009	2	2	\$339,643	\$1,250,088

* Reports may have more than one recommendation.

** Questioned costs are those which are found to be improper, whereas unsupported costs may be proper, but lack documentation.

Appendix III OIG Reports with Recommendations that Funds Be Put to Better Use

		Reports	Recommendations*	Recommended Funds For Better Use
A.	No management decision made by March 31, 2009**	1	1	\$683,200
B.	Issued during this reporting period	0	0	\$0
	Universe from which management decisions could be made in this reporting period – Subtotals	1	1	\$683,200
C.	Management decision(s) made during this reporting period	1	1	\$683,200
	(i) Recommendations agreed to by SBA management	1	1	\$683,200
	(ii) Recommendations not agreed to by SBA management	0	0	\$0
D.	No management decision made by September 30, 2009	0	0	\$0

* Reports may have more than one recommendation.

** Information is different from what was previously reported due to database corrections.

Appendices

Appendix IV OIG Reports with Non-Monetary Recommendations

		Reports	Recommendations
A.	No management decision made by March 31, 2009**	8	16
B.	Issued during this reporting period	6	32
	Universe from which management decisions could be made in this reporting period – Subtotals	14	48
C.	Management decision(s) made (for at least one recommendation in the report) during this reporting period	11	41
D.	No management decision made by September 30, 2009*	4	7

* 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.

** Information is different from what was previously reported due to database corrections.

Appendix V OIG Reports From Prior Semiannual Periods with Overdue* Management Decisions as of March 31, 2009

Title	Report Number	Date Issued	Status
Audit of Fiscal Year 2005 Financial Statements – Management Letter	6-10	1/18/06	The Agency has not responded to one recommendation in the report.
Audit of Six SBA Guaranteed Loans	8-18	9/08/08	The Agency has not responded to one recommendation in the report.
Audit of SBA’s Fiscal Year 2008 Financial Statements	9-03	11/14/08	The Agency has not responded to two recommendations in the report.
Audit of SBA’s Fiscal Year 2008 Financial Statements – Management Letter	9-05	12/17/08	The Agency has not responded to one recommendation in the report.

* “Overdue” is defined as more than 180 days from the date of issuance.

Appendices

Appendix VI

OIG Reports Without Final Action as of September 30, 2009

Report Number	Title	Date Issued	Date of Management Decision	Final Action Target Date
0-14	7(a) Service Fee Collections	3/30/00	8/22/00	3/31/09
3-08	SBA's Oversight of the Fiscal Transfer Agent for the 7(a) Loan Program	1/30/03	4/15/07	3/31/10
4-34	Audit of SBA's Process for Complying with the Federal Managers' Financial Integrity Act Reporting Requirements	7/29/04	9/9/04	9/30/08
4-40	Audit of a SBA-guaranteed Loan to Elatec Technology Corporation and HK Equipment, Inc.	9/13/04	4/5/06	6/30/07
4-41	Audit of Selected SBA General Support Systems	9/10/04	11/9/04	9/30/05
5-12	Audit of SBA's Information Systems Controls – FY 2004	2/24/05	4/18/05	4/15/06
5-23	SBA's Administration of its Special Appropriation Grants	9/24/04	*	12/31/09
7-03	Audit of SBA's Fiscal Year 2006 Financial Statements	11/15/06	12/20/06	10/30/09
7-21	SBA's Use of the Loan and Lender Monitoring System	5/2/07	9/5/08	12/31/09
7-26	Audit of Liquidation of Disaster Loans	10/23/07	10/23/07	9/30/09
7-29	Quality Assurance Reviews of Loss Verification	07/23/07	*	**
8-06	Audit of SBA's FY 2007 Financial Statements - Management Letter	12/14/07	*	**
8-09	Loan Classification and Overpayments of Secondary Loans	3/26/08	*	**
8-12	Oversight of SBA Supervised Lenders	5/9/08	*	**
8-13	Planning for the Loan Management and Accounting System Modernization and Development Effort	5/14/08	*	**
8-14	Non-Native Managers Secured Millions of Dollars from 8(a) Firms Owned by Alaska	8/7/08	8/18/08	11/1/09
9-01	SBA's Implementation of an HSPD-12 Card Issuance System	10/06/08	11/6/08	6/30/09
9-03	Audit of SBA's Fiscal Year 2008 Financial Statements	11/14/08	*	**
9-05	Audit of SBA's Fiscal Year 2008 Financial Statements – Management Letter	12/17/08	*	**

Appendices

Appendix VI OIG Reports Without Final Action as of September 30, 2009

Report Number	Title	Date Issued	Date of Management Decision	Final Action Target Date
9-07	System Access By Contractors Without Security Clearances	1/26/09	*	**
9-08	Audit of Liquidation Process at the National Guaranty Process Center	1/30/09	3/31/09	**
9-15	Participation in the 8(A) Program by Firms Owned by Alaska Native Corporations	7/10/09	8/02/09	9/30/10
9-16	SBA's Fiscal Year 2008 Improper Payment Rate for the 7(A) Guaranty Loan Program	7/10/09	*	**
9-17	Review of Allegations Concerning How the Loan Management and Accounting System Modernization Project is Being Managed	7/30/09	*	**
9-18	SBA's Management of the Backlog of Post-Purchase Reviews at the National Guaranty Purchase Center	8/25/09	*	**

* Management decision dates vary with different recommendations.
 ** Target dates vary with different recommendations.

Appendices

Appendix VII
Summary of Significant Recommendations
From Prior Semiannual Reporting Periods
Without Final Action as of September 30, 2009*

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
5-12	2/24/05	For all SBA internal and contractor supported general support systems and major applications, e.g., Egan Mainframe, SBA and Corio UNIX, Network and Windows 2000; Loan Accounting System (LAS), Sybase, Mainframe, Joint Accounting and Administration Management System (JAAMS) Oracle, and related application functions: (1) develop and document policies and procedures clearly outlining what activities should be logged, who should be responsible for reviewing logs, what the logs should be reviewed for, how often logs should be reviewed, and how long logs should be retained; (2) assign responsibility within the Office of the Chief Information Officer for the review of application and general support system security logs; and (3) retain audit logs for a sufficient period of time (at least 90 days).	4/18/05	4/15/06
8-09	3/23/08	Revise current procedures for classifying loans in the Loan Accounting System to ensure that loan currency is not solely based on the next installment due date.	9/3/08	9/30/09
8-09	3/23/08	Ensure that SBA is in compliance with the 1086 agreement by actively monitoring the Fiscal and Transfer Agent's monthly default reports, adhering to all requirements, and taking appropriate action on the reported loans.	9/3/08	3/31/09

* These are a subset of the universe of recommendations without final action.

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Appendix VII
Summary of Significant Recommendations
From Prior Semiannual Reporting Periods
Without Final Action as of September 30, 2009*

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
8-09	3/23/08	Modify the 1086 agreement to require lenders to request guaranty purchase when interest is 120 days or more past due and seek reimbursement from lenders for interest accrued in excess of 120 days on loans SBA purchases directly from the secondary market.	9/3/08	3/31/09
8-09	3/23/08	Discontinue the practice of including the amount of SBA's ongoing guaranty fees in the purchase payment to the Fiscal and Transfer Agent.	9/3/08	9/30/09
8-13	5/14/08	Design and implement an Enterprise-wide QA function that fully addresses the risk and scope of the LMAS project and ensures the OCIO can fulfill responsibilities under the Clinger-Cohen Act to provide independent quality assurance and oversight of Information Technology investments.	8/26/08	4/30/09
8-13	5/14/08	Make cost-effective remediation of mainframe vulnerabilities a priority and ensure that migration of LAS occurs before the current mainframe contract expires in 2012 to reduce SBA's mainframe costs and timely mitigate associated security risks.	8/27/08	3/31/09
9-08	1/30/09	Recover approximately \$2.8 million of improper payments and liquidation proceeds from lenders on the 24 loans identified in Appendices IV and V.	3/31/09	7/31/09
9-08	1/30/09	Direct the Center to ensure that charge-off reviews are properly supervised and all required documentation is obtained from lenders.	3/31/09	3/31/09
9-08	1/30/09	Revise liquidation recovery rates in SOP 50 51 (2) to reflect the forced sale liquidation values related to the various types of collateral used to secure SBA loans.	3/31/09	6/15/09

* These are a subset of the universe of recommendations without final action.

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Appendix VII
Summary of Significant Recommendations
From Prior Semiannual Reporting Periods
Without Final Action as of September 30, 2009*

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
9-08	1/30/09	Further enhance the Center's newly designed portfolio management system to include the appropriate controls and ensure the appropriate resources are assigned to address loans needing action.	3/31/09	8/31/09
9-09	3/31/09	Revise current procedures for verifying an applicant's primary residence to ensure that a more reliable method is used than that provided in the SOP.	5/14/09	12/31/09
9-10	3-26-09	Revise the sampling design methodology for estimating improper payments to ensure that the sample is based on disbursements versus loan approvals in accordance with OMB guidance, and employs variable sampling procedures.	5/14/09	10/30/09
9-10	3-26-09	Require that a statistician be consulted when developing the sample error rate and projection methodology to ensure that the estimate derived is statistically valid, as required by OMB guidance.	5/14/09	10/30/09
9-10	3-26-09	Implement a corrective action plan to reduce improper payments in the Disaster Assistance Loan Program.	9/30/09	12/31/09
9-10	3-26-09	Recalculate the FY 2008 estimate of improper payments and if different from the original estimate of improper payments, provide the revised estimate to the Acting Chief Financial Officer.	5/14/09	10/30/09
9-10	3-26-09	Report the improper rate calculated by the OIG for FY 2007 to OMB.	5/20/09	11/30/09
9-10	3-26-09	Ensure the correct FY 2008 improper payment estimate is reported to OMB.	5/20/09	11/30/09

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Appendix VII
Summary of Significant Recommendations
From Prior Semiannual Reporting Periods
Without Final Action as of September 30, 2009*

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
9-12	3/31/09	Establish internal controls that ensure that OBO and DPGM are unable to modify contracts without the appropriate supporting documentation, including a statement of work.	3/31/09	10/15/09
9-12	3/31/09	Revise SOP 00 11 1 to require that COTRs submit supporting documentation with their payment requests, such as a receiving report, to show that the contractor has delivered the goods or services that are being submitted for payment.	3/31/09	10/15/09
9-12	3/31/09	Determine whether the \$78,856 in invoices for Task Order #1 – Nashville, TN was paid under the proper contract or purchase order, and if a duplicate payment was made, recover any funds from the contractor as necessary.	3/31/09	10/15/09
9-12	3/31/09	Determine whether the contractor performed the work supporting SBA’s \$160,174 offset and whether the invoices were already paid. Seek reimbursement where work was not performed or duplicate payments were made.	3/31/09	10/15/09
9-12	3/31/09	Terminate SBA’s contractual relationship with the company involved.	3/31/09	10/15/09
9-12	3/31/09	Initiate proceedings to debar the company involved from receiving future Government contracts.	8/20/09	10/15/09
9-12	3/31/09	Determine whether actions taken by the contracting officers warranted unsatisfactory performance, and require disciplinary actions, including terminating their contract authority, if appropriate.	3/31/09	10/15/09

* These are a subset of the universe of recommendations without final action.

Appendices

Appendix VIII

Summary of Significant Recommendations April 1, 2009 through September 30, 2009

Report Number	Title	Date Issued	Recommendation
9-13	Application of Insurance Offsets on Midwest Floods Disaster Loans	7/6/09	Revise SOP 50 30 to require confirmation of insurance payments only prior to loan approval and before final disbursement.
9-13	Application of Insurance Offsets on Midwest Floods Disaster Loans	7/6/09	Reduce each of the four loan balances by the additional offset amounts listed in Appendix I of the report to prevent \$32,557 in duplicate benefits.
9-14	Office of Business Operations Contracting Personnel Qualifications and Warrant Authority	7/6/09	Hold contracting personnel accountable for entering data in the Acquisition Career Management Information System (ACMIS) needed to support their certification levels.
9-14	Office of Business Operations Contracting Personnel Qualifications and Warrant Authority	7/6/09	Monitor Office of Business Operations (OBO's) compliance with Office of Management and Budget (OMB) requirements governing the certification program.
9-14	Office of Business Operations Contracting Personnel Qualifications and Warrant Authority	7/6/09	Update official designation of the Acquisition Career Manager and seek administrative rights to ACMIS for the position from the Federal Acquisition Institute.
9-14	Office of Business Operations Contracting Personnel Qualifications and Warrant Authority	7/6/09	Revise SOP 39 15 2 to link Federal Acquisition certification levels to contracting officer warrant authority limits as required by OMB Policy Letter 05 01.
9-14	Office of Business Operations Contracting Personnel Qualifications and Warrant Authority	7/6/09	Establish procedures to better control the issuance and termination of warrant authority, as required by FAR 1.603, which includes: issuing authority through Certificates of Appointment; terminating warrant authority by letter or through expiration dates on certificates; maintaining records of such actions; and establishing a control log, which accounts for each warrant issued through sequential numbering.
9-15	Participation in the 8(a) Program by Firms Owned by Alaska Native Corporations	7/10/09	Conduct a program review to evaluate whether the growth in Alaska Native Corporation (ANC) 8(a) obligations has adversely impacted, or will adversely impact, other 8(a) firms and the overall effectiveness of the 8(a) program and, if so, make programmatic revisions to minimize the adverse impact.

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Appendix VIII

Summary of Significant Recommendations April 1, 2009 through September 30, 2009

Report Number	Title	Date Issued	Recommendation
9-15	Participation in the 8(a) Program by Firms Owned by Alaska Native Corporations	7/10/09	Determine whether 8(a) firms owned by ANCs and tribes should continue to be exempt from the cap on total sole source awards in CFR 124.519 and, if not; remove the exemption from this regulation.
9-15	Participation in the 8(a) Program by Firms Owned by Alaska Native Corporations	7/10/09	Fully staff the Alaska District Office to ensure that adequate oversight of ANC participants is provided.
9-16	SBA's FY 2008 Improper Payment Rate for the 7(a) Guaranty Loan Program	7/10/09	Seek recovery of \$2.3 million from lenders on the loans listed in Appendices III and IV of the report.
9-16	SBA's FY 2008 Improper Payment Rate for the 7(a) Guaranty Loan Program	7/10/09	Revise checklists used by the Fresno and Little Rock Loan Servicing Centers and the National Guaranty Purchase Center to conduct improper payment reviews to include a review of all loan program requirements and lender ongoing guaranty fees to ensure that complete and consistent reviews are performed.
9-16	SBA's FY 2008 Improper Payment Rate for the 7(a) Guaranty Loan Program	7/10/09	Instruct the Loan Servicing Centers to offset ongoing guaranty fees due SBA at the time of guaranty purchase against purchase amounts or servicing fees paid to lenders.
9-16	SBA's FY 2008 Improper Payment Rate for the 7(a) Guaranty Loan Program	7/10/09	Require that a statistician be consulted when developing the sampling design and projection methodology to ensure that variable sampling procedures are employed, precision requirements are met, and projections are statistically valid as required by OMB guidance.
9-16	SBA's FY 2008 Improper Payment Rate for the 7(a) Guaranty Loan Program	7/10/09	Fully implement the corrective action plan reported in SBA's FY 2008 <i>Performance and Accountability Report</i> to reduce improper payments in the 7(a) Guaranty Loan Programs.
9-16	SBA's FY 2008 Improper Payment Rate for the 7(a) Guaranty Loan Program	7/10/09	Report the revised improper payment rate calculated by the OIG for FY 2008 to OMB.

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Appendix VIII

Summary of Significant Recommendations April 1, 2009 through September 30, 2009

Report Number	Title	Date Issued	Recommendation
9-16	SBA's FY 2008 Improper Payment Rate for the 7(a) Guaranty Loan Program	7/10/09	Delegate final approval of all disputed denial, repair, and improper payment decisions to the Office of Risk Management, rather than OFA, to enhance independence of the purchase review process and accuracy of the improper payment estimate.
9-17	Review of Allegations Concerning How the Loan Management and Accounting System Modernization Project is Being Managed	7/30/09	Take steps to modify the contract to require the Quality Assurance/Independent Verification and Validation (QA/IV&V) contractor to report all findings and recommendations to the Program Manager and an independent Quality Assurance manager designated by the Chief Information Officer (CIO).
9-17	Review of Allegations Concerning How the Loan Management and Accounting System Modernization (LMAS) Project is Being Managed	7/30/09	Establish a process for reviewing and accepting LMAS deliverables that complies with Systems Development Methodology (SDM) requirements.
9-17	Review of Allegations Concerning How the Loan Management and Accounting System Modernization Project is Being Managed	7/30/09	Immediately establish an enterprise-wide QA function that is compliant with SBA's SDM QA policy.
9-17	Review of Allegations Concerning How the Loan Management and Accounting System Modernization Project is Being Managed	7/30/09	Take steps to ensure that a well-defined deliverable acceptance process is established for the LMAS project in accordance with SBA's <i>Enterprise Quality Assurance Plan</i> .
9-18	SBA's Management of the Backlog of Post-Purchase Reviews at the National Guaranty Purchase Center	8/25/09	Seek recovery of \$1,250,088 on the guaranties paid on the 6 loans listed in Appendix IV of the report.
9-18	SBA's Management of the Backlog of Post-Purchase Reviews at the National Guaranty Purchase Center	8/25/09	Develop a purchase review manual for contractors that explains the different types of documentation that could be submitted and methods to analyze the data to identify lender deficiencies and potential indications of fraud during the purchase review.

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Appendix VIII
Summary of Significant Recommendations
April 1, 2009 through September 30, 2009

Report Number	Title	Date Issued	Recommendation
9-18	SBA's Management of the Backlog of Post-Purchase Reviews at the National Guaranty Purchase Center	8/25/09	Include detailed scopes of work, measurable performance metrics, deliverables, and adequate acceptance criteria in service contracts to assist the contractor staff in performing the reviews and the Center in supervising them.
9-18	SBA's Management of the Backlog of Post-Purchase Reviews at the National Guaranty Purchase Center	8/25/09	Devote adequate resources to contractor oversight to allow for thorough reviews of contractor purchase and charge-off decisions, along with supporting statements and documentation.
9-18	SBA's Management of the Backlog of Post-Purchase Reviews at the National Guaranty Purchase Center	8/25/09	Take timely action to perform adequate post-purchase and charge-off reviews to ensure the recovery of improper payments.

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Appendix IX

Events/Activities Where SBA Used its Cosponsorship Authority* Small Business Act, Section 4(h) April 1, 2009 through September 30, 2009

Name/Subject of Event	Event Start Date	Event End Date	Location of Event	Name(s) of Cosponsor(s)
Growing Your Business with Government Contracts	November 3, 2009	November TBD, 2009	Honolulu and Kapolei, HI	Central Pacific Bank
Immigrant Entrepreneurs Summit	November 14, 2009	November 14, 2009	Des Moines, IA	Iowa Department of Economic Development, Drake University, Community CPA & Associates, Inc./Community Tax Clinic, Iowa Women's Enterprise Center, Immigrant Rights Network of Iowa, Iowans for Social and Economic Development
From Planning to Funding: Learn All The Options to Fund	October 1, 2009	October 1, 2009	Columbus, OH	Ohio Department of Development - Entrepreneurship and Small Business Center, Columbus SCORE Chapter #27
Strive & Thrive	October 21, 2009	March 24, 2010	Amherst, NY	SCORE Buffalo Niagara – Chapter #45, Amherst Industrial Development Agency, Business First, Inc.
2009 Inner City Capital Connections Program	November 18, 2009	November 19, 2009	New York, NY	Initiative for a Competitive Inner City, Banc of America Management LLC
Straight Talk 2010 & Straight Talk Series	January 23, February 2, February 9, February 23, March 2, March 9, March 16, March 23, March 30, 2010	January 23, February 2, February 9, February 23, March 2, March 9, March 16, March 23, March 30, 2010	Buffalo, NY	SCORE Buffalo Niagara Chapter # 45
Small Business Strategies Pavilion at Commerce Arkansas 2009	November 3, 2009	November 3, 2009	Little Rock, NY	Arkansas Business Publishing Group

* The Agency provided this information based on approved cosponsorship agreements. Some events have not yet been held. This information has not been verified by the OIG.

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Appendix IX

Events/Activities Where SBA Used its Cosponsorship Authority* Small Business Act, Section 4(h) April 1, 2009 through September 30, 2009

Name/Subject of Event	Event Start Date	Event End Date	Location of Event	Name(s) of Cosponsor(s)
Stimulus Jobs & Entrepreneurship Fair 2009	September 16, 2009	September 16, 2009	Flushing, NY	F&T Group
Women's Business Roundtable	September 1, 2009	May 4, 2010	Buffalo, WY	First National Bank
WNET Roundtables	December 2, 2009	November 30, 2011	Casper, WY	First Interstate Bank
WNET Roundtables	September 1, 2009	May 30, 2010	Worland, WY	Big West Auto Plex, Pascalite, Northwest College
Green Initiative Symposium	October 1, 2009	October 1, 2009	TBD	Women's Employment Opportunity Project, US Department of Labor, Women's Bureau
RI Minority Enterprise Development Week 2009	October 5, 2009	October 9, 2009	Warwick, RI	Hispanic American Chamber of Commerce
Americas East SBA Lenders Conference	August 30, 2009	September 1, 2009	Newport, RI	BankNewport, Bank of America, Bank RI, Bay Colony Capital, BDC Capital Corporation of New England, CIT Small business Lending Corporation, Coastal Community Capital, Coastway Community Bank, Granite State Development Corporation, Home Loan Investment Bank, Independence Bank, Laconia Savings Bank, Middlesex Savings Bank, New England Certified, New Jersey Business Finance Corporation, Ocean State Business Development Authority, Peoples United Bank, RBS Citizens Bank, Rockland Trust Company, South Eastern Economic Development Corporation, Sovereign Bank, The Washington Trust Company, UPS Capital Business Credit and Webster Bank

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Appendix IX
Events/Activities Where SBA Used its Cosponsorship Authority*
Small Business Act, Section 4(h)
April 1, 2009 through September 30, 2009

Name/Subject of Event	Event Start Date	Event End Date	Location of Event	Name(s) of Cosponsor(s)
Export 101 Seminar Series	September 8, 2009	August 31, 2010	North Columbia, MD	SunTrust Bank, Maryland Department of Business and Economic Development, Maryland Small Business Development Center - Central Region, Greater Baltimore SCORE Chapter #3, Ex-Im Bank, Department of Commerce/ITA John S. Connor, Inc
FBCI Small Business Workshops	August 2009	August 2010	Oklahoma State	Oklahoma Office of Faith-Based & Community Initiatives
Vermont's 13th and 14th Annual Women's Economic Opportunity Conference	October 17, 2009 and May 2010	October 17, 2009 and May 2010	Randolph, VT	The Office of U.S. Senator Patrick Leahy, Vermont SBDC, U.S. Department of Labor Women's Bureau, Vermont Agency of Transportation, Vermont Commission on Women, Vermont Commission on Women Education and Research Foundation, Women's Agricultural Network, Vermont Department of Economic Development, Vermont Women's Business Center, Vermont Department of Labor, Vermont Manufacturing Extension Center, Vermont Works for Women, Vermont Agency of Human Services, Office of Economic Opportunity, Vermont Interactive Television, Vermont Economic Development Authority, SCORE and Central Vermont Community Action Council
Veterans Small Business Conference	September 21, 2009	September 21, 2009	Fayetteville, NC	NC Small Business & Technology Development Center, NC Military Business Center
Automotive-Robotics Cluster Initiative Partnership Workshop	July 28, 2009	July 29, 2009	Rochester, MI	Association for Unmanned Vehicle Systems International - Great Lakes Chapter

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Events/Activities Where SBA Used its Cosponsorship Authority* Small Business Act, Section 4(h) April 1, 2009 through September 30, 2009

Name/Subject of Event	Event Start Date	Event End Date	Location of Event	Name(s) of Cosponsor(s)
Model Contractor Development Program for Small Business Contractors	July 2009	December 31, 2010	Providence, RI	The Surety & Fidelity Association of America, Rhode Island SBDC, Joseph GE Knight SCORE Chapter 13, Center for Women & Enterprise
Spirit of Small Business 2009 Awards Luncheon	August 6, 2009	August 6, 2009	Santa Barbara, CA	Pacific Coast Business Times
Lender Recognition Awards Breakfast & Training	September 2009; September 2010	September 2009; September 2010	Salt Lake City, UT	Mountain West Small Business Finance CDC, Utah Certified Development Company
Small Business Awards Luncheon	May 2010; May 2011	May 2010; May 2011	Salt Lake City, UT	Mountain West Small Business Finance CDC, Utah Certified Development Company
Survival Tactics for the Cypress Business Community	July 9, 2009	July 9, 2009	Cypress, CA	The City of Cypress
Business Financing Workshop	June 30, 2009	June 30, 2009	Los Angeles, CA	U.S. Department of Commerce, MBDA, Whittier Blvd Association Inc., Office of Rep Grace F. Napolitano, California SBDC–Long Beach Community College
Business Matchmaking Event for Women	September 9, 2009	September 9, 2009	Albany, GA	Albany Technical College
Small Business Week Awards Luncheon	June 17, 2009	June 17, 2009	Los Angeles, CA	Los Angeles Chamber of Commerce
Business Track - 11th Annual American Indian Tourism Conference	September 20, 2009	September 23, 2009	Santa Fe, NM	American Indian Alaska Native Tourism Association

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Appendix IX

Events/Activities Where SBA Used its Cosponsorship Authority* Small Business Act, Section 4(h) April 1, 2009 through September 30, 2009

Name/Subject of Event	Event Start Date	Event End Date	Location of Event	Name(s) of Cosponsor(s)
Success A Group Effort/Women Procurement Conference	June 25, 2009	June 25, 2009	Sturtevant, WI	University of Wisconsin – Park Side SBDC, Gateway Technical College’s Center for Advanced Technology & Innovation Center, Reinhart, Boerner, Van Deuren SC
Training Event - Doing Business with the Defense Supply Centers	June 1, 2009	June 1, 2009	Burlington, VT	Vermont Procurement Technical Assistance Center
Small Business Week Awards Dinner	June 16, 2009	June 16, 2009	Claymont, DC	Delaware Community Development Corporation, DelVal Business Finance Corporation, MidAtlantic Business Finance Corporation
2009 Awards Breakfast	June 5, 2009	June 5, 2009	Milwaukee, WI	SCORE, Southeast WI, Reinhart Boerner Van Deuren S.C., The Business Journal of Greater Milwaukee, Associated Bank, N.A.
SBA Presentation on Small Business Initiatives from the American Recovery Act - Stimulus Plan	TBA 2009		Mountain View, CA	Asian Business Association of Silicon Valley
SBA Lenders Conference	June 3, 2009	June 3, 2009	Wilmington, NC	Greater Wilmington Chamber of Commerce
Community Business Connections	April 28, May 6, June 11, 2009	April 28, May 6, June 11, 2009	Fairlee, Rutland, Barre, VT	Office of the Vermont Secretary of State, Vermont SBDC
We Care About the Success of Your Business Conference Series	May 6, 13, 20, 27, 2009	May 6, 13, 20, 27, 2009	Norfolk, VA	City of Norfolk Department of Economic Development
Production of video-on-demand for growing businesses	April 2009	April 2012	World Wide Web	Dell, Inc.

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Events/Activities Where SBA Used its Cosponsorship Authority* Small Business Act, Section 4(h) April 1, 2009 through September 30, 2009

Name/Subject of Event	Event Start Date	Event End Date	Location of Event	Name(s) of Cosponsor(s)
Small Business Week Celebration	May 28, 2009	May 28, 2009	Portland, OR	Portland SCORE Chapter 11, U.S. Bank, Wells Fargo, Umpqua Bank, Columbia Credit Union, United Western Bank, Northwest Small Business Finance Corp, Evergreen Business Capital, Port of Portland, Comcast, Constant Contact, Genentech, Oregon Small Business Development Center Network, KBNP Radio 1410, Oregon Business Magazine, Colliers International, KeyBank
10th Annual Small Business Resource Fair	August 20, 2009	August 20, 2009	Denver, CO	Denver Public Library, Minority/Women Chambers' Coalition, Denver SCORE Chapter, The State of CO, Office of Economic Dev. And International Trade thru the CO SBDC, CO Office of Economic Dev. And International Trade thru the Colorado Minority Business Office and the Denver Office of Economic Dev./Div of Small Business Opportunity
American Recovery Act Small Business Workshop	April 29, 2009	April 29, 2009	Glen Allen, VA	Office of Congressman Eric Cantor
Small Business Expo of the Eastern Panhandle	August 21, 2009	August 21, 2009	Shepherdstown, WV	Business Finance Group, Inc.
Small Business Administration Roundtable with Senator Mark Warner	April 16, 2009	April 16, 2009	Charlottesville, VA	Office of Senator Mark Warner
Harlem HOPE Center Training and Counseling Workshops	March 2009	February 28, 2010	New York, NY	Operation HOPE, Inc., The New York State SBDC through the State University of New York, New York SCORE Chapter #1000

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Events/Activities Where SBA Used its Cosponsorship Authority* Small Business Act, Section 4(h) April 1, 2009 through September 30, 2009

Name/Subject of Event	Event Start Date	Event End Date	Location of Event	Name(s) of Cosponsor(s)
Celebrating Success in Small Business 2009	April 22, 2009	April 22, 2009	Grove City, OH	Business Development Finance Corporation, (ODOD) through Small Business Development Centers, Minority Business Enterprise Division and the PTAC, Borrego Springs Bank Commerce National Bank, Economic & Community Development Institute, Huntington National Bank, U.S. Bank, Riverhills Bank, Columbus SCORE Chapter, Ohio Statewide Development Corporation, Ohio Business Connection, KeyBank, National City Bank now part of PNC
SBA Lenders Conference	April 14, 2009	April 14, 2009	Greensboro, NC	Greensboro Chamber of Commerce, NC Cooperative Extension Services

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Appendix X Legal Actions Summary April 1, 2009 through September 30, 2009

State	Program	Alleged Violation(s) Prosecuted	Legal Action	Investigated Jointly With
CA	BL	An individual and his wife owned or controlled about 60 convenience stores throughout northern California. The couple used straw borrowers to apply for and obtain SBA-guaranteed loans from various financial institutions. The couple and their associates failed to disclose the true ownership interests in the purchase of each convenience store, submitted fraudulent documentation about the source of the cash injections, and laundered the proceeds of the SBA loans. In addition, the couple and their associates hired and continued to employ illegal aliens at their businesses.	The couple and twelve other individuals pled guilty. The husband was sentenced to 13 months in prison, 3 years supervised release, and \$1.2 million in restitution. The wife was sentenced to 3 years probation and a \$100,000 fine. All others were sentenced to probation and monetary penalties totaling another \$218,955.	FBI, IRS, DHS/ICE, USDA/OIG, CABC
CA	BL	Three individuals were involved in a sophisticated organized fraud ring that utilized false Canadian passports and false Social Security numbers to fraudulently obtain SBA Express loans, home equity lines of credit, and other types of credit. In one instance, an SBA Express loan was obtained for a non-existent business.	One individual charged in state court via a felony complaint. One individual pled guilty. One individual sentenced to 12 months and 1 day in prison, 3 years supervised release, and \$50,000 in restitution.	FBI, DHS/ICE, USISP, SSA/OIG
FL	DL	An individual allegedly used her sister's Social Security account number without her authorization to secure a \$41,700 SBA disaster business loan, a \$25,000 SBAExpress loan, and a \$30,000 business line of credit. The SBA disaster business loan was obtained to alleviate economic injury caused by Hurricane Wilma to a women's apparel store that she owned.	Individual indicted.	SSA/OIG, NPD

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Appendix X

Legal Actions Summary April 1, 2009 through September 30, 2009

State	Program	Alleged Violation(s) Prosecuted	Legal Action	Investigated Jointly With
IL	BL	An individual concealed a felony arrest and pending theft/fraud charges in order to qualify for two SBA-guaranteed loans totaling \$860,000 for the purchase of two construction-related businesses. He also falsified the required equity injections for both loans.	Individual sentenced to 18 months in prison, 2 years supervised release, and restitution of \$708,674.	None
IL	BL	An individual conspired with others to defraud SBA and a lender by forming a “shell” corporation. The scheme involved \$2,540,000 in loans to a “shell” corporation for the purchase of a hotel property. The individual was the president of the “shell” corporation, which he formed to secretly consolidate and refinance delinquent debts. The individual used grossly-inflated loan proceeds to bring old debts current and evade the imminent foreclosure of his business properties and personal residence.	Individual sentenced to 27 months in prison and immediate restitution of \$1,037,979.	None
IL	BL	A businessman and other co-conspirators certified and presented counterfeit documents to SBA and a lender in order to obtain an SBA guaranteed loan of \$1,240,000 for purchase of a gasoline station. The documents were created by a loan agent to falsely show that the borrowers possessed adequate cash funds for their required equity injections. Upon being notified of the charges against him, the businessman, who was residing in the U.S. illegally, fled to avoid prosecution. He was later apprehended and arrested.	Businessman pled guilty and was sentenced to 21 months in prison and restitution of \$953,736. He was also ordered to be transferred to DHS-ICE for deportation immediately following his term of imprisonment. Loan agent indicted but has fled country to avoid prosecution.	None

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Appendix X Legal Actions Summary April 1, 2009 through September 30, 2009

State	Program	Alleged Violation(s) Prosecuted	Legal Action	Investigated Jointly With
KS	GC	The owner of a temporary staffing company concealed the involvement of a non-disadvantaged person in the management and operations of her business. Her false statements resulted in SBA certifying the company as an 8(a) company and allowing it to obtain government 8(a) set-aside contracts valued at about \$5.4 million.	The owner and her company were charged by information and pled guilty.	DOJ/AT, VA/OIG, DCIS, USSS
LA	DL	An individual and his wife submitted fraudulent receipts in support of an SBA disaster home loan and an SBA disaster business loan totaling approximately \$220,000. The couple claimed damages from Hurricane Katrina to their residence and to the wife's day care business, which was located at the same address.	Husband sentenced to 36 months probation and a \$1,500 fine. He also paid full restitution of \$119,728 to SBA prior to his sentencing. Wife is awaiting sentencing.	DHS/OIG, HUD/OIG
LA	DL	An individual allegedly provided false information regarding the address of his primary residence at the time of Hurricane Katrina. He received a \$110,900 SBA disaster loan, as well as a grant from the Louisiana Road Home Program.	Individual indicted.	HUD/OIG, FBI
LA	DL	An individual allegedly submitted misleading documentation which caused SBA to believe that he had contracted for repairs to his residence; in reality, he had only received an estimate for these repairs. Based on the misleading information, SBA approved a loan of \$106,300 for damages caused by Hurricane Katrina.	Individual charged via criminal information and pled guilty.	USDA/OIG
LA	DL	An individual applied for and received a physical disaster loan of \$105,000 for property that she did not own at the time Hurricane Katrina hit New Orleans.	Individual convicted in jury trail.	HUD/OIG

Appendices

Appendix X Legal Actions Summary April 1, 2009 through September 30, 2009

State	Program	Alleged Violation(s) Prosecuted	Legal Action	Investigated Jointly With
LA	DL	An individual submitted false construction contracts, fraudulent purchase receipts, and altered quotes in order to obtain an SBA disaster home loan of \$77,200.	Individual pled guilty.	None
MA	DL	An individual is alleged to have falsely claimed his residence was in New Orleans during Hurricane Katrina in order to receive a \$40,000 SBA disaster loan. He was also charged for his involvement in fraud schemes relating to several other government agencies.	Individual indicted.	DHS/ICE, DHS/OIG, SSA/ OIG
MD	BL	The vice president of a restaurant conspired with the owner of a restaurant equipment outlet to obtain a \$417,000 SBA-guaranteed loan and use some of the proceeds for personal use. The vice president falsely represented that \$295,000 of the loan amount was to be used for renovating leased space; even though, he had already entered into an agreement with the contractor for the work to be performed for \$145,000. The contractor returned \$97,000 of the loan proceeds back to the borrower.	Vice president of restaurant indicted. Owner of equipment outlet charged via criminal information.	None
MD	BL	The owner of a custom cycle shop submitted false documentation regarding the source of the \$30,000 cash injection required to support his application for a \$120,000 SBA-guaranteed loan.	Owner sentenced to 5 years probation and \$145,114 in restitution.	None
MI	BL	When applying for an \$85,000 SBA Express line of credit, an individual falsely represented that he had not been charged, arrested, or convicted of a criminal offense and was not on parole or probation. The individual would not have been eligible for SBA financial assistance if his prior criminal history had been revealed to the SBA.	Individual indicted.	USSS

Appendices

Appendix X Legal Actions Summary April 1, 2009 through September 30, 2009

State	Program	Alleged Violation(s) Prosecuted	Legal Action	Investigated Jointly With
MI	BL	The seller of a gas station/mini mart falsely represented that he received \$40,000 “earnest money” and a \$260,000 deposit from the buyer. The seller knowingly signed a false HUD 1 settlement statement in order to assist the buyer in securing an \$880,000 SBA-guaranteed loan for the purchase.	Seller sentenced to 9 months in prison and ordered to pay restitution of \$880,000. Buyer was previously convicted and sentenced.	USSS
MI	BL	A businessman signed a false HUD-1 Settlement Statement representing that he paid a \$510,000 deposit for the purchase of two gasoline stations. The businessman was fully aware that he did not pay and never intended to pay any monies for the purchase of the gas stations.	Businessman sentenced to 24 months probation, 200 hours community service, and restitution of \$739,012.	USSS
MS	DL	When applying for an SBA home disaster loan, a husband and wife allegedly claimed a property in Mississippi as their primary residence when, in reality, they were living in California. They were approved for a loan of \$240,000, of which \$50,000 was disbursed.	Couple indicted.	HUD/OIG, DHS/OIG, MSAO
MS	DL	An individual falsely claimed that his primary residence was in an area affected by Hurricane Katrina and received disaster benefits of \$179,400 from SBA and \$14,006 from FEMA.	Individual pled guilty. He was sentenced to 36 months probation, 100 hours community service, \$179,400 in restitution to SBA, and \$14,006 in restitution to FEMA	DHS/OIG, HUD/OIG, MSAO, FBI
NY	DL	The branch manager of a bank conspired with others to produce false identification documents and create fraudulent identities and sham businesses. He then conspired to use these false identities to obtain loans and other types of credit. Many of the loans were guaranteed by the SBA, resulting in over \$2 million in losses.	The branch manager was sentence to 63 months in prison, 60 months supervised release, and \$2,272,594 in restitution.	FBI, NYS/AG

Appendices

Appendix X

Legal Actions Summary April 1, 2009 through September 30, 2009

State	Program	Alleged Violation(s) Prosecuted	Legal Action	Investigated Jointly With
NY	DL	The president of a fabric company falsely represented that there were no lawsuits pending against him or his company, in order to secure a \$537,400 SBA-guaranteed disaster loan for business losses incurred as a result of the September 11, 2001, terrorist attacks. Further, he transferred loan proceeds to his wife's company, in order to disburse thousands of dollars to himself and his wife.	The defendants agreed to a civil settlement of \$1,074,800.	None
TX	DL	The operator of a seafood restaurant submitted fraudulent documentation claiming that his restaurant occupied real property in a location that had incurred damage from Hurricane Rita. At no time did the individual own or operate a business in the location identified on the loan application.	Restaurant operator sentenced to 48 months in prison, 36 months supervised release, a \$10,000 fine, and \$1,042,389 in restitution.	ATF, DHS/OIG
TX	BL	A bank officer, his wife, and a business associate conspired with a loan broker to fraudulently procure an SBA-guaranteed loan for \$980,000 for the purchase of three convenience stores.	Three defendants signed pre-trial diversion agreements. Loan broker previously indicted.	FBI

Program Codes: BL=Business Loans; DL=Disaster Loans; GC=Government Contracting and Section 8(a) Business Development;

Joint-investigation Federal Agency Acronyms: CABC=California Alcohol and Beverage Control; DCIS=Defense Criminal Investigative Service; DHS/ATF=Department of Homeland Security/Alcohol, Tobacco, Firearms, and Explosives; DHS/ICE=Department of Homeland Security/Immigration and Customs Enforcement; DHS/OIG=Department of Homeland Security/Office of Inspector General; DOJ/AT = Department of Justice/Antitrust Division; FBI=Federal Bureau of Investigation; HUD/OIG=Housing and Urban Development/OIG; IRS/CID=Internal Revenue Service/CID; MSAO=Mississippi State Auditor's Office; NFPD=Naples Florida Police Department; NYS/AG=New York State/Attorney General's Office; SSA/OIG=Social Security Administration/OIG; USDA/OIG=U.S. Department of Agriculture/OIG; USPIS=United States Postal Inspection Service; USPS/OIG=United States Postal Service/OIG; USSS=United States Secret Service; VA/OIG=Department of Veterans Affairs/OIG

Appendices

Appendix XI Small Business Administration Office of Inspector General

The OIG has four divisions that perform the key functions described.

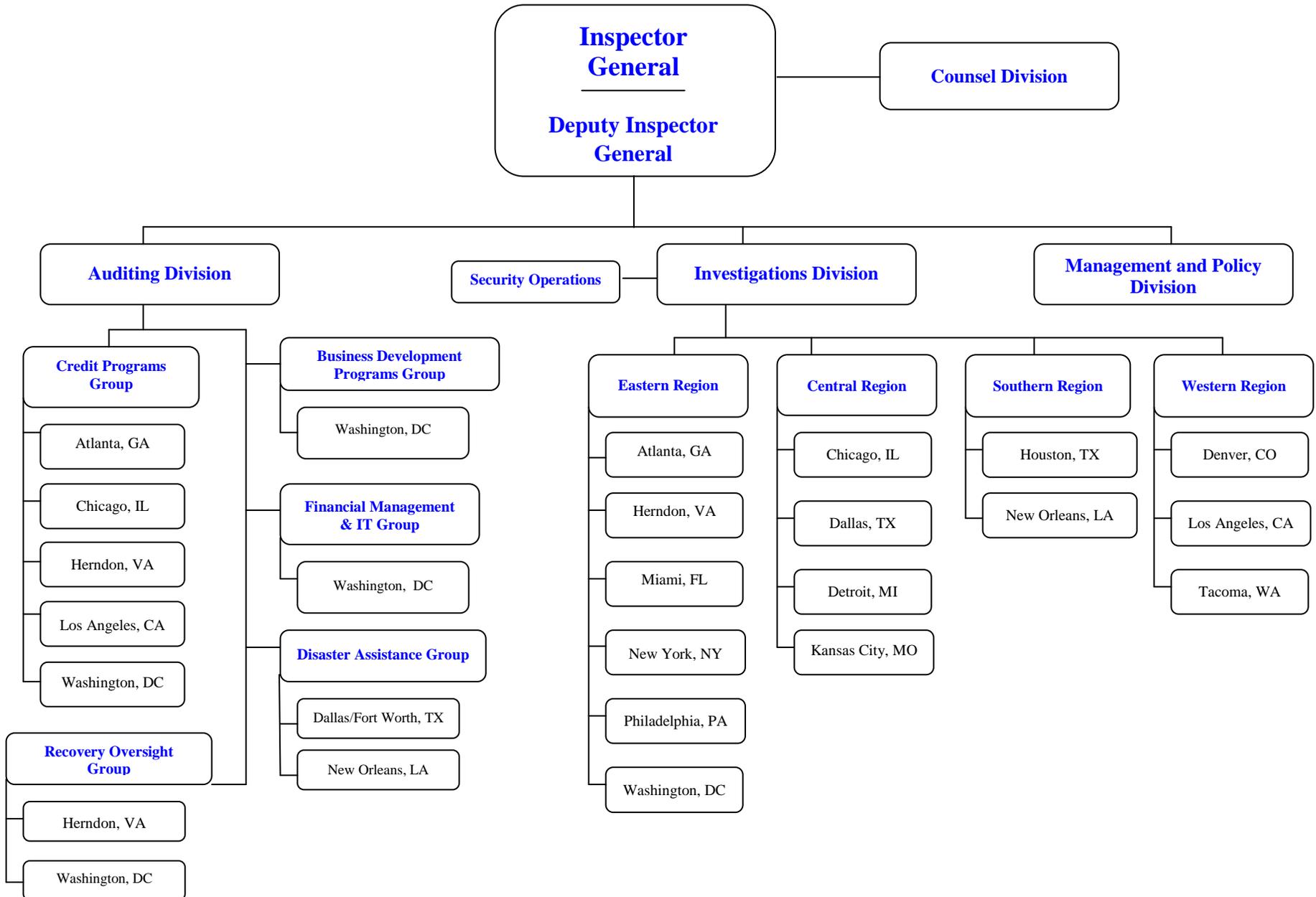
- **The Auditing Division** performs financial, information technology and other mandated audits, program performance reviews, and internal control assessments, and oversees audits by contractors to promote the economical, efficient, and effective operation of SBA programs.
- **The Investigations Division** manages a program to detect and deter illegal and/or improper activities involving SBA programs, operations, and personnel. The criminal investigations staff carries out a full range of traditional law enforcement functions. The security operations staff ensures that all Agency employees have the appropriate background investigations and security clearances for their duties. They also conduct the name check program, which provides SBA officials with character-eligibility information on loan applicants and other potential program participants.
- **The Counsel Division** provides legal and ethics advice to all OIG components, represents the OIG in litigation arising out of or affecting OIG operations, assists with the prosecution of civil enforcement matters, processes subpoenas, responds to Freedom of Information and Privacy Act requests, and reviews and comments on proposed Agency policies, regulations, legislation, and procedures.
- **The Management and Policy Division** provides business support (e.g., budget/financial management, human resources, information technology, and procurement) for the various OIG functions, coordinates the preparation of the Semiannual Report to Congress and the Report on SBA's Management Challenges, and develops OIG strategic and performance plans.

The OIG is headquartered in Washington, DC, and has field staff 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 Orleans, LA; New York, NY; Philadelphia, PA; Tacoma, WA; and Washington, DC.

An organization chart for the OIG can be found on the next page.

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Appendix XI
Small Business Administration
Office of Inspector General



Make A Difference!

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

Online:

<http://www.sba.gov/ig/>

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

*Upon request, your name will be held in confidence.