



# *News Release*

## **PRESS OFFICE**

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**Release Date:** July 17, 2008

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**Release Number:** 08-71

**Internet Address:** <http://www.sba.gov/news>

## **HUBZone Fact Sheet**

The SBA had concerns about the HUBZone program, based on a performance review of its operations and has examined the program more closely. This examination uncovered several problems and challenges; as soon as the agency discovered the problems, it moved swiftly to take corrective action. The SBA initiated a wide-ranging review of the program. In the meantime, the Government Accountability Office and SBA's Office of Advocacy also began reviewing the program. The agency welcomed those inquiries and their recommendations.

In response to HUBZone's challenges, the agency has taken several steps to improve the program's management and minimize fraud.

- Most importantly, SBA recently put new leadership in charge of the HUBZone office. The new team is dedicated to implementing reforms recommended by the GAO, Office of Advocacy, and SBA senior management. The SBA is currently recruiting additional staff with the needed skill sets to address these challenges and implement the changes to be undertaken.
- SBA is issuing guidance to HUBZone firms notifying them that the agency may ask any HUBZone firm to document its eligibility at any time as part of a program examination. The agency will immediately move to decertify any company upon a finding of ineligibility.
- The agency is instituting program examinations and performing site visits of HUBZone companies that have received HUBZone contracts to verify facts relating to their eligibility.
- The Department of Justice recently secured the first-ever conviction for fraud committed by an applicant to the HUBZone program. This prosecution serves as a warning to anyone falsifying documents relating to the program. The SBA will work aggressively with law enforcement to pursue anyone believed to have committed fraud in connection with the HUBZone program.
- SBA will immediately move to decertify and begin suspension and debarment proceedings against any HUBZone firm that is found to have intentionally misrepresented its eligibility status to the SBA in order to obtain a government contract. The agency has appointed a new suspension and debarment official who will work with other agencies to propose government-wide debarment, if appropriate.

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- SBA will work with its Office of the Inspector General to investigate certain HUBZone firms and prosecute abuses.
- This month, a contract was executed to update and recertify the HUBZone map to ensure it remains accurate and continually up-to-date.
- SBA will soon release new guidelines for the HUBZone application process. The guidelines will provide explicit guidance about supporting documents and verification required in the application process to certify a firm's HUBZone status.
- SBA is working through the backlog of recertification applications, and is now more than 80 percent through that process. The remaining backlog will be completed by the end of the fiscal year. The process is being re-engineered to enable the agency to complete future recertifications faster.
- To manage the program properly, the agency will revamp how it assesses the program's overall effectiveness. We are developing a methodology for these evaluations and will release it for public comment in August. After receiving public comments on the methodology, and making necessary changes, the agency will publish a final methodology and begin the evaluating the program's effectiveness and management.
- SBA is contracting with an independent auditor to perform an in-depth analysis of the entire program. This audit will focus on additional program improvements: more stringent internal controls, make necessary policy changes, establish training, re-engineer processes, modernize IT to handle the additional controls and processes, implement quality controls to ensure data integrity, and identify weaknesses in the program on an ongoing basis. SBA will contract with an additional auditor to implement the improvements.

These reforms have begun, and will result in a HUBZone program that is managed more efficiently and effectively. They will also ensure the agency maintains the proper oversight, and internal controls, over the entire program.

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