

Office of Inspector General

Small Business Administration

Semiannual Report to Congress

Spring 2014



October 1, 2013-March 31, 2014



Small Business Administration
Office of Inspector General
Washington, DC 20416



I am pleased to present the U.S. Small Business Administration (SBA or Agency) Office of Inspector General's (OIG) Spring 2014 Semiannual Report to Congress. The report provides a summary of the OIG's activities from October 1, 2013—March 31, 2014. The OIG continues to focus on the most critical risks facing the SBA. Our resources are directed at key SBA programs and operations, to include financial assistance, government contracting and business development, financial management and information technology, disaster assistance, Agency management challenges, and security operations.

During this reporting period, the OIG issued 9 reports containing 60 recommendations for improving SBA operations and reducing fraud and unnecessary losses in the Agency's programs. In addition, OIG investigations resulted in 52 indictments and 40 convictions, and 20 recommendations for suspension and/or debarment. Overall, the OIG achieved monetary recoveries and savings of \$124,190,903 from recommendations that funds be put to better use agreed to by management; disallowed costs agreed to by management; court-ordered and other investigative recoveries, fines, and forfeitures; and loans or contracts not made as a result of investigations and name checks.

In accordance with the Reports Consolidation Act of 2000, the OIG released its Report on the Most Serious Management and Performance Challenges Facing the Small Business Administration in FY 2014 in October 2013. This report represents our current assessment of Agency programs and/or activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement, or inefficiencies. Our report is based on specific OIG, Government Accountability Office, and other official reports, as well as our general knowledge of SBA's programs and operations.

We found the Agency made improvements across six of the challenges in FY 2013. For one recommended action under management challenge #2—Weaknesses in Information Systems Security Controls Pose Significant Risks to the Agency, the lack of corrective action resulted in a reduction in status—from Orange (i.e., Limited Progress) to Red (i.e., No Progress). Overall, the effort made by Agency staff and leadership throughout FY 2013 on most of the recommended actions demonstrated commitment to improving programs and operations.

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

/s/
Peggy E. Gustafson
Inspector General

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Overview

The Small Business Administration

The mission of the Small Business Administration (SBA or the Agency) under the Small Business Act, as amended, is to maintain and strengthen the Nation's economy by enabling the establishment and vitality of small businesses and assisting in the economic recovery of communities after disasters. To meet its mission, the SBA is organized around four key functional areas. These areas include financial assistance, contracting assistance, technical assistance (e.g., entrepreneurial development), and disaster assistance. The Agency also represents small businesses through an independent advocate and an ombudsman.

Through the four functional areas, the SBA provides small businesses the tools they need to strengthen our economy, drive American innovation and increase our global competitiveness. In order to accomplish these goals, the SBA has developed a five-year strategic plan. The Agency's Fiscal Years 2014-2018 Strategic Plan has three overarching goals:

- ◆ Grow businesses and create jobs
- ◆ Serve as the voice for small business
- ◆ Build an SBA that meets the needs of today's and tomorrow's small businesses

The SBA has also identified its Priority Goals for Fiscal Years 2014-2015, which include: expanding access to capital, maximizing small business participation in federal government contracting and reduce participation by ineligible firms, expanding access to export financing, and increasing the return rate for disaster survivor loan applications by 10 percent points.

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

The Office of Inspector General

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

The OIG plays a critical role in addressing these and other challenges by conducting audits, evaluations, and investigations related to SBA programs and operations. These activities help to identify wasteful expenditures, weaknesses in program management, and potential fraud and other wrongdoing. Lastly, through these reviews, the OIG recommends actions to the Agency to better deter and detect waste, fraud, abuse, and inefficiencies in SBA programs and operations to improve overall service to small businesses and taxpayers.

The OIG's activities also help to ensure that SBA employees, loan applicants, and program participants possess a high level of integrity. This is critical to the proper administration of the SBA's programs because it helps ensure that SBA resources are used by those who deserve and need them the most.

Appendix I contains information regarding audit and other reports issued by the OIG during this reporting period. Appendix X contains summaries of investigative actions. Copies of OIG reports and other work products are available on the OIG's website at <http://www.sba.gov/office-of-inspector-general>.

Management Challenges

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

For each management challenge, the OIG provides the Agency with recommended remedial actions together with an assessment of Agency progress on each recommended action during the preceding fiscal year. If sufficient progress occurs during the previous fiscal year, the OIG awards a higher color score and the arrow indicator shows upward movement.

On October 31, 2013, the OIG issued its [Report on the Most Serious Management and Performance Challenges Facing the SBA in FY 2014](#). The following table provides a summary of those challenges:

Number	Challenge	Green	Yellow	Orange	Red	Up #	Down#
1	Small Business Contracting		2			2	
2	IT Security	1	2	1	1	1	1
3	Human Capital	1	3			3	
4	Loan Guaranty Purchase		1				
5	Lender Oversight	4		2		2	
6	8(a) Business Development Program		1	1	1		
7	Loan Agent Fraud		1				
8	Loan Management and Accounting System		1	3		3	
9	Improper Payments– 7(a) Program	1	5			4	
10	Improper Payments-Disaster Loan Program		1				
11	Acquisition Management			5			
	TOTAL	7	17	12	2	15	1

Small Business Access to Capital

The SBA has a financial assistance portfolio of guaranteed and direct loans over \$95 billion. The Agency's largest lending program, the [Section 7\(a\) Loan Guaranty Program](#), is the SBA's principal vehicle for providing small businesses with access to credit that cannot be obtained elsewhere. Proceeds from a 7(a) loan may be used to establish a new business or to assist in the acquisition, operation, or expansion of an existing business. This program relies on numerous outside parties (e.g., borrowers, loan agents, and lenders) to complete loan transactions, with the majority of loans being made by lenders to whom the SBA has delegated loan-making authority. Additionally, the SBA has centralized many loan functions and reduced the number of staff performing these functions, placing more responsibility on, and giving greater independence to, its lenders. The OIG continues to identify weaknesses in the SBA's lender oversight processes.

The SBA's [Section 504 Loan Program](#) provides small businesses with long-term, fixed-rate financing for the purchase of land, buildings, machinery, and other fixed assets. Local economic development organizations approved by the SBA are known as Certified Development Companies (CDCs). The CDCs package, close, and service these loans, which are funded through a mix of funds from private sector lenders, proceeds from the sale of SBA-guaranteed debentures, and borrower equity investment.

The [Microloan Program](#) provides small (\$50,000 or less), short-term loans and technical assistance to small business concerns, as well as non-profit child-care centers, through SBA-funded intermediary lenders. These lenders are non-profit, community-based organizations with experience in lending and providing management and technical assistance to businesses.

Through the [Small Business Investment Company \(SBIC\) Program](#), the SBA licenses and makes funds available to venture capitalists known as SBICs. The SBICs lend or otherwise invest in small businesses using participating securities made up of contributions from SBA and private investors or funds generated through the sale of SBA-guaranteed debentures.

Various Techniques Used to Defraud Loan Programs

Criminals use a wide variety of methods to fraudulently obtain—or induce others to obtain—SBA-guaranteed loans. These include submitting fraudulent documents, making fictitious asset claims, manipulating property values, using loan proceeds contrary to the terms of the loans, and failing to disclose debts or prior criminal records. Consequently, there is a greater chance of financial loss to the Agency and its lenders. Some of these methods are described below.

- ◆ A former bank executive in Illinois was indicted for bank fraud, and a seller of multiple gas stations was indicted for bank fraud, bribing a bank official, and filing a false tax return. The seller's business partner and a former accountant were each charged with bank fraud. The indictment also seeks forfeitures of over \$10 million in proceeds from the scheme. The bank executive and the seller allegedly worked to get unqualified SBA borrowers approved to purchase gas stations that seller would "flip" with his business partner. The bank executive and seller also allegedly utilized the accountant to create false tax returns needed for the loan files. The seller and his partner allegedly provided the bank executive "kickbacks," with a cash value exceeding \$150,000 in return for his help in getting the loans approved. Moreover, the business partner's brother was charged with failing to file a tax return. The bank paid loan commissions to the brother because the executive listed him as a loan broker on multiple loans, even though the brother performed no work. After receiving \$340,000 for doing nothing, the brother then failed to claim that income on his taxes. This is a joint investigation with the Federal Bureau of Investigation (FBI), Internal Revenue Service Criminal Investigation (IRS CI), and the Federal Deposit Insurance Corporation (FDIC) OIG.
- ◆ A Chicago-area real estate attorney was indicted for wire fraud in connection with two residential mortgage-fraud schemes having a combined value of \$492,303. The investigation revealed that

the attorney conspired with the seller and a buyer to falsify the buyer's down payment. He prepared a bogus will for a man already deceased, which purported to leave a \$200,000 inheritance to the man's son, the buyer. He also signed the will as the father's attorney and as the executor of the father's estate. The attorney, who represented the buyer in these real estate transactions, then forwarded these documents to the lender as evidence of the source of the buyer's down payments. This case was referred by the OIG's Early Fraud Detection Working Group. It is part of an ongoing investigation of loan agent fraud in connection with multiple residential and commercial loan fraud schemes, including a \$1.76 million SBA loan for the purchase of a gasoline station and convenience store. This is a joint investigation with the U.S. Postal Inspection Service (USPIS).

- ◆ A California man was indicted for making false statements in connection with loan and credit applications. The man allegedly made false statements and submitted false documents to obtain two SBA loans totaling \$400,000 from two different banks. He also allegedly committed fraud to obtain a \$150,000 line of credit and a \$100,000 term loan from a third bank. The investigation revealed that the man allegedly used one Social Security number to apply for SBA loans, bank credit cards, and other financial assistance. However, prior to applying for the SBA loans, he had allegedly filed bankruptcy by using a different Social Security number. He also allegedly failed to respond truthfully on his SBA loan applications about his criminal history. The investigation also uncovered evidence of misuse of an Internal Revenue Stamp, bankruptcy fraud, and Social Security fraud. This is a joint investigation with the Treasury Inspector General for Tax Administration and the FBI.
- ◆ A Wisconsin man pleaded guilty to making false statements on a loan and credit application. The investigation determined that from December 2006 until July 2010, this owner and chief executive officer of a business provided financial statements that falsely represented the business's profitability. He did so by showing increased

cash reserves, fixed assets, accounts receivable, and inventory, while also showing reduced existing liabilities. The man submitted the false statements to a bank on a regular basis. The bank relied upon the false documents in assessing the extension of credit and other services to the business, including the approval of a \$750,000 SBA-guaranteed loan. This is a joint investigation with the FBI.

- ◆ A California man pleaded guilty to making false statements to a bank and the government. The investigation revealed that the man had previously obtained three loans from a bank and was in default for approximately \$700,000 when he obtained two SBA Section 7(a) loans and one SBA Section 504 loan. All of his SBA loans defaulted early and left losses to the banks and the SBA of nearly \$1,839,360. This joint investigation with the FBI was initiated on a referral from the OIG's Early Fraud Detection Working Group.

False Equity Injection Increases Business Loan Risk

In many circumstances, lenders require borrowers to infuse personal funds into the business, commonly referred to as an equity injection. If he or she personally has something at risk in the business, that person is less likely to default on a loan. When lenders require an injection of such money into projects financed by guaranteed loans, some borrowers try to avoid this obligation by falsifying the amount or source of this capital, as shown by the following examples.

- ◆ A Texas husband and wife were each sentenced to 12 months and one day in prison followed by three years supervised release after having pled guilty to conspiracy. They were also ordered to pay \$281,672 in joint restitution, which was the full outstanding balance of the SBA loan. The couple paid an additional \$150,000 in restitution prior to sentencing. The investigation revealed that the couple applied for and received a \$420,000 SBA-guaranteed loan to purchase a convenience store. The husband purported to the lender that most of the cash injection was coming from the sale of a previously owned convenience

store. In reality, the couple had depleted the majority of those funds prior to closing on the loan. The wife secured lines of credit from two banks by using different company names, from which at least \$91,269 of the \$146,359 cash injection was derived. When dealing with the SBA lender, the couple did not disclose these additional debts, and they certified the accuracy of false personal and business financial statements. They later filed for bankruptcy and listed the above referenced lines of credit as part of their \$456,806 in unsecured debts.

- ◆ A former Washington State bank loan officer pled guilty to bank fraud. This investigation was based upon a referral from a bank, which reported potential fraud on a \$1,853,000 SBA-guaranteed loan made by the loan officer to a business. The investigation revealed that the man, who was also an owner of the business, submitted false information in order for the bank to approve and disburse the SBA loan. He used false personal information to hide his ownership in the business, used a real estate agent to amend the business's appraisal from \$1.7 million to \$2.1 million in order to gain additional funding, and falsified the required \$385,000 equity injection. This is a joint investigation with the FDIC OIG.
- ◆ An Alabama man pled guilty to wire fraud and bank fraud. He had obtained a Section 504 loan for \$1,760,000 for his grocery store on the condition that he pay at least \$736,920 in cash injection. After making only one payment, he defaulted on the loan. To help prove that he had paid his cash injection, he submitted copies of six cancelled checks totaling \$564,745. When these copies were compared with copies of the checks obtained from his financial institution, the investigation discovered that checks with the same check numbers had a combined face value of approximately \$16,700. This amount was far less than the \$564,745 reported to the SBA, and the checks were payable to different entities than those identified on the checks supplied to the SBA. Not only was the evidence of cash injection fraudulent, but the man inflated

construction bids prior to their submission to the SBA. Finally, one contractor alleged that the man forged his signature on draws submitted to the lender. This claim was later supported by a notarized affidavit from the contractor. This joint investigation with the FBI is based on a referral from SBA's Little Rock Commercial Loan Servicing Center.

Legal Actions Continue in \$100 Million Scheme

Over \$100 million in losses have resulted thus far from a scheme to obtain, fraudulently, SBA-guaranteed loans. The scheme includes a loan brokerage company, two brothers who owned the company, a former owner of a Maryland title company, and an attorney who owns a Virginia title company. The conspirators encouraged prospective borrowers to apply for Section 7(a) business loans. Once borrowers applied, the conspirators submitted loan applications and supporting documentation containing fraudulent personal financial information to loan originators and underwriters on behalf of their clients, thereby falsely enhancing the creditworthiness of the borrowers and their businesses. This is a joint investigation with the FBI and the USPIS. The following related actions occurred during this reporting period.

- ◆ A Maryland man who was an SBA borrower was indicted for conspiracy to commit bank fraud, bank fraud, aiding and abetting, and criminal forfeiture. He and others allegedly encouraged prospective borrowers to use the services of the loan brokerage firm to apply for 7(a) business loans. He and others are alleged to have falsely represented the ownership of the small businesses and the amounts of the equity injections.
- ◆ A deferred prosecution agreement (DPA) was signed for the owner of the Maryland title company. The DPA requires that the owner pay a \$75,000 monetary penalty to the United States and agree to refrain from conducting any residential or commercial loan closings during the agreement's pendency.

Missouri Bank Fraud Pleas and Sentencings

All 18 individuals involved in a complex conspiracy to defraud a Missouri bank and the SBA have pled guilty to various charges, with some having been sentenced. This is a joint investigation with the FBI. The following actions occurred during the reporting period.

- ◆ The president of a construction company was sentenced to one year of probation after having pled guilty to aiding and abetting the misapplication of bank funds. He had signed a \$300,105 promissory note for a line of credit from the bank stating that the purpose of the credit was to provide business funds for his firm. On that same day, he aided and abetted a former bank executive vice-president and others by obtaining a \$262,647 draw on the line of credit and causing a wire transfer of the same amount to a second bank to benefit parties connected to the first bank.
- ◆ The former owner of a saloon pled guilty to aiding and abetting the misapplication of bank funds. He aided and abetted the former executive vice president of the bank in connection with four SBA loans that the banker made to the owner and his daughter. Although the loans' stated purpose was for working capital, the funds were used to pay the owner's delinquent debt at the bank. The funds were also used to conceal the issuance of unfunded cashier's checks at the bank and to benefit unrelated businesses and persons who held accounts at the bank.
- ◆ The former executive vice president of the bank pled guilty to conspiracy to defraud the United States. He had submitted false information to the SBA in connection with a defaulted \$1.6 million SBA-guaranteed loan to a borrower doing business as a Missouri firm. The borrower was identified as the operator of the company when he had actually moved to North Carolina to work for a restaurant chain in October 2005 and no longer participated in the day-to-day management of the business. Moreover, income figures for 2005 stated that the firm's gross sales were approximately \$628,000 when the actual figure was approximately \$310,000. After receiving the SBA loan, the company continued to struggle and was 85 days past due within a few months. To inject cash into the firm, the bank's executive vice president and others originated a fraudulent loan to another person. The proceeds were disbursed to other defendants in this investigation, including the alleged operator of the company.
- ◆ The owner of a consulting business pled guilty to conspiracy to defraud the United States. He conspired with the previously mentioned bank executive vice president to originate nominee loans to provide funding for struggling firms. In November 2006, and prior to the execution of a promissory note, the executive vice president initiated a \$125,000 deposit into the consulting business owner's account at the bank, which cured an overdraft of \$21,508. The remaining portion was disbursed to make delinquent loan payments for the consulting firm and another business, and was distributed to other defendants. Approximately two weeks later, the bank official originated and executed the paperwork for the \$125,000 loan. The consulting business owner signed a third person's name to the promissory note. That person had consented to the use of his name and credit to obtain the loan. Although the stated purpose of the loan was to pay business expenses and a real estate deposit, the loan was made to benefit others.
- ◆ The former owner of an appliance business was sentenced to 24 months of probation. He had aided and abetted the above executive vice president of a bank by diverting loan proceeds from his business to a restaurant owned by his daughter.
- ◆ The former president of a wireless firm pled guilty to using a false document in connection with a defaulted \$695,000 SBA loan to his business. He had applied for an SBA guaranteed loan by stating that seven individuals owned shares of his firm, in the aggregate of 20 percent of the company's total value, when in reality,

none of these individuals owned any interest in or portion of his business. The SBA loan defaulted within a few months after approval.

- ◆ A former SBA branch manager pled guilty by entering a nolo contendere plea for submitting a false document to the SBA. He had falsely reported on his confidential financial disclosure report that he had no reportable liabilities and no reportable outside positions when, in fact, he was the managing member of a Texas custard stand. He had also obtained an \$80,000 SBA loan for this business. The manager had been previously indicted for bank fraud, making false statements, money laundering, and conspiracy.
- ◆ The owner of a business was sentenced to three years of probation and was ordered to pay \$2,000 in restitution after having been charged with aiding and abetting the misapplication of bank funds. He had allowed a former official at a Missouri bank to use him and his business bank account as a conduit to transfer funds from one fraudulent loan to pay off the remaining balance of a separate fraudulent loan. He kept \$2,000 of the funds for personal use.

Large Civil Settlement in Loan Fraud Case

A \$1,125,000 civil settlement agreement was reached with a Texas firm that submitted or caused to be submitted false information relating to SBA 7(a) loans. The firm routinely packaged loan applications and other materials for individuals seeking to purchase its lube centers and dry cleaning stores. It was asserted that the firm, acting through an employee, fraudulently induced the SBA to guarantee loans for purchasers by representing to lenders and the SBA that the purchasers had provided the required cash injection payment when they had not. For each loan closed, the employee received from one to three percent of the loan value. She pled guilty to conspiracy to commit bank fraud and was sentenced to 36 months in prison, 36 months of supervised release, and restitution of \$8,581,970. This is a joint investigation with the FBI.

President of Michigan Construction Firm Pleads Guilty

The president of a Michigan construction and management firm pled guilty to misprision of a felony. He had been aware that others made false statements on an application to obtain a \$1.1 million SBA loan for an auto service center from a now defunct lender. The loan defaulted and was charged off for \$789,186. He knew of the false statements on the loan application but remained in his native country, thus concealing the information from U.S. authorities. This is a joint investigation with the U.S. Secret Service and the Department of Homeland Security (DHS), Immigration and Customs Enforcement.

Microloan Fraud Results in Guilty Plea

A Florida firm's director pled guilty to committing wire fraud and aggravated identity theft. As a local intermediary in the SBA Microloan program, the firm received large loans from the Agency and in turn, made smaller loans to small businesses. The director provided escrow agreements with forged signatures and false bank statements to the SBA to secure a \$200,000 loan and a \$550,000 loan to the firm, of which only \$192,500 of the second loan was disbursed. To induce the SBA to disburse the approved loans further, the director submitted false information indicating that the firm had made 21 local small loans using the Agency's loan proceeds. In reality, the firm only provided a total of \$25,000 to two businesses, one of which the director owned, while her boyfriend controlled the other. She also submitted false reconciliation statements and bank statements to the SBA. The investigation determined that the SBA disbursed \$392,500 to the firm, of which about \$362,000 was transferred to the bank account of another company controlled by the director. She and the second firm used the SBA loan proceeds to purchase an apartment building. This is a joint investigation with the IRS CI and the Department of Justice (DOJ).

Multiple Parties Involved in California Loan Schemes

The president of a California gas station and car wash pled guilty to bank fraud. Her daughter pled guilty to wire fraud. The president previously had been indicted for mail fraud, bank fraud, false statements, making false statements in a loan application, making false statements to obtain an SBA loan, and aiding and abetting. The indictment alleged that the president, her daughter, her husband, and another man executed a scheme to defraud the SBA, a bank, and a financing corporation by making false statements to obtain loans for the business.

The investigation found that the president and her daughter made false statements on an application for an SBA guaranteed loan from the bank. They falsely reported that neither they nor their businesses were involved in any bankruptcies or pending lawsuits and did not have a controlling interest in other businesses. The four individuals also made material false statements to obtain another business loan for the gas station from the financing corporation. The loss to the financing corporation was approximately \$1.65 million and the loss to the bank and the SBA was approximately \$1.45 million. Of the \$1.45 million, the SBA-guaranteed portion was approximately \$931,368.

A subsequent superseding indictment charged that, while the original case was pending trial, the husband, the daughter, and others engaged in a new scheme to defraud yet another bank and the SBA. They allegedly paid a former attorney with a good credit history \$100,000 plus \$3,000 per month to pose as the owner of a petroleum business and apply for \$4.5 million in SBA loans to purchase two Southern California gas stations.

The real owners of the petroleum business would be two men, one of whom would later plead guilty to wire fraud. The second man allegedly did not want the lender to discover his poor credit standing and a previous indictment. The parties allegedly agreed that, after the loans to purchase the gas stations were completed, ownership of the firm would be transferred to the man with the poor credit. In addition,

the bank allegedly was misled into believing that the phony owner made a \$2.1 million down payment to purchase the two gas stations, even though there was no down payment. After the loans were funded, the first man received \$250,000. Finally, the father and daughter allegedly skimmed large portions of cash from the business for personal expenses, including payments to criminal defense attorneys who were representing them in the first case. This is a joint investigation with the FBI.

Louisiana Man Illegally Sells Collateral

A Louisiana man pled guilty to wire fraud and making a false statement to the SBA. According to a referral from the SBA National Guaranty Purchase Center, the man's business made an offer in compromise of a \$10,000 lump sum payment to satisfy a \$511,400 balance on an SBA loan. He allegedly sold the collateral business personal property without the lender's knowledge. Moreover, the sale of the business and property may not have been arms-length transactions, and he allegedly falsified personal financial statements. The investigation determined that he misrepresented the value of the collateral for this loan and then sold it to another furniture store he owned. The man also falsely represented that he sold the second store and provided false financial information to the lender and the SBA when submitting the offer in compromise.

Improvement is Needed to Ensure Effective Quality Control at Loan Operation Centers

This report presented the results of the OIG's review of quality control at the SBA's Loan Operations Centers. The evaluation was designed to determine the status of the Quality Control Program and whether all elements of the program were being completed.

The OIG determined that while the SBA had made significant progress in implementing a quality control program for its loan centers, quality control activities were not being performed as required. The OIG determined that Centers omitted required quality control reviews of significant functions. Additionally, the OIG determined that the SBA discontinued regularly scheduled quality reviews at the National

Guaranty Purchase Center during FY 2012 to focus on reviews required by the Improper Payments Elimination and Recovery Act (IPERA) of 2010. Further, the OIG determined that corrective actions on deficiencies identified by the Center quality control teams were not appropriately tracked until resolution, as required. Finally, the OIG determined that the SBA's quality assurance program, responsible for ensuring that quality control activities at loan operation centers are working as intended, had not been established.

The OIG recommended three actions that will help strengthen the SBA's quality control and assurance activities at its loan operation centers. The Agency generally agreed with the OIG's findings and recommendations, and has recently taken steps to address long-standing deficiencies within the existing quality control program.

Purchase Reviews Allowed \$3.1 Million in Improper Payments on 7(a) Recovery Act Loans

This report presented the results of the OIG's review of the SBA's purchase review process for 7(a) Recovery Act Loans. This report is the second in a series resulting from the OIG's audit of purchased 7(a) Recovery Act loans and presents the results of an audit of the SBA purchase reviews on nine additional 7(a) Recovery Act Loans. The OIG found that three 7(a) Recovery Act loans purchased by the SBA were not originated and closed in accordance with SBA rules and regulations. The deficiencies included loans approved and disbursed by lenders with questionable eligibility, inadequate assurance of repayment ability, and equity injection issues. The three loans had inappropriate or unsupported disbursements of approximately \$3.1 million. The OIG recommended that the SBA seek recovery of \$3.1 million from the three lenders associated with these loans on the guaranties paid by the SBA for the loans (less any amounts received from liquidation). The SBA agreed with the OIG's recommendations and each case is progressing through the Office of Capital Access' (OCA) Denial Review Process, with appropriate action to be taken upon final resolution.

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, businesses of all sizes, and non-profit organizations. The SBA's current disaster financial assistance portfolio is over \$7 billion.

There are two primary 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. As part of a massive aid effort from Federal agencies, the SBA approves billions of dollars in disaster assistance loans. Unfortunately, the need to disburse such loans quickly may create opportunities for dishonest applicants to commit fraud.

Fraud Related to Natural Disasters Continues

Over the past decade, various natural disasters have resulted in a major loss of life and property in the U.S. As part of massive aid efforts from Federal agencies, the SBA approved billions of dollars in disaster assistance loans. Unfortunately, the need to disburse such loans quickly may have created opportunities for dishonest applicants to commit fraud.

- ◆ A Texas man was sentenced to three years' probation and ordered to pay restitution of \$34,964 after he pled guilty to forgery of contracts, deeds, or powers of attorney. He had forged signatures of his estranged wife and others on SBA loan documents in order to obtain two SBA disaster loans related to Hurricane Katrina. The SBA approved a \$95,600 home loan to repair his alleged residence and a \$71,800 business loan to repair the other half of the same duplex, which he purported as rental property. He used the loan proceeds for personal living expenses, and none went to repair the real property, which actually belonged to his estranged wife. The SBA suffered a loss of approximately \$54,000. This case originated from an SBA Disaster Processing and Disbursement Center (PDC) referral.
- ◆ The president and owner of an Arkansas bottled water firm was indicted in connection with a scheme to fraudulently obtain a \$703,300 SBA disaster assistance loan. Specifically, he was indicted for false statements, wire fraud, money laundering, and false and fraudulent claims. The man allegedly made false statements and representations concerning his financial condition and the location of integral business equipment during a 2008 tornado. The investigation found that the company's equipment was not present at certain locations and not subsequently scrapped, as specified by the president during his application for disaster relief. He also portrayed a successful and profitable global business operation and a positive cash flow when cash flows were actually negative. The president inflated 2008 income, reported a bogus contract with a major U.S. retailer, and inflated income projections. He also reported that all business debts were current and concealed over \$4.5 million of additional business debt at three financial institutions. These false representations and claims induced the SBA to approve the disaster loan to his firm. The investigation showed that significant portions of loan proceeds were used for purposes unrelated to the bottled water company and were transferred to other businesses under the president's control. Moreover, the indictment specifies three large transfers in March and April 2009 as money laundering transactions. This is a joint investigation with the IRS CI.
- ◆ A Louisiana woman was charged with theft of government funds. She had been approved for a \$98,700 home disaster assistance loan to repair her residence, which had incurred damages from Hurricane Isaac. However, she and her contractor allegedly submitted false repair invoices. The investigation found that she submitted false documents to the SBA to obtain loan proceeds and that her contractor provided false repair verifications to the SBA Disaster PDC. The contractor subsequently admitted to falsifying \$84,121 in bids, invoices, and repairs at the woman's request. She received \$50,000 in SBA loan proceeds before the fraud was detect-

ed. The investigation originated from a referral by the PDC.

- ◆ The former owner of a Texas bowling center pleaded guilty to conspiracy to commit offenses against and to defraud the United States. The investigation revealed that he had been approved for a \$998,500 disaster loan for damages allegedly caused by Hurricane Humberto and a \$885,600 loan for damages allegedly caused by Hurricane Ike. Both loans were disbursed in full, despite the absence of actual damage. This is a joint investigation with the FBI.

Agency Avoids Superstorm Sandy Cost

During this reporting period, the SBA Disaster PDC notified the OIG that the owner of a New York distribution firm repaid a \$19,000 disaster claim to the SBA. The SBA originally approved the owner of the firm for a \$734,700 disaster loan, of which \$19,000 was disbursed. During this investigative review, the OIG determined that the borrower was not eligible for the full loan amount, resulting in a cost avoidance of \$715,700.

Initially the owner claimed that he had personally paid for the renovation of his leased business space, but could not provide supporting documentation to the OIG or the PDC. He had provided the PDC with a list of Superstorm Sandy-related lost inventory with what the OIG later determined were corresponding retail values, not wholesale values. The OIG also learned that the man was disputing his insurance company's findings with regard to his losses. Because the owner did not provide sufficient documentary proof of his losses and because of the related OIG investigation, the PDC did not make any additional disbursements on this loan.

Four Charged in Superstorm Sandy Fraud

Four individuals have been charged with theft by deception and unsworn falsification in connection with claims for assistance in the aftermath of Superstorm Sandy. These charges resulted from joint investigations with the New Jersey State Department

of Community Affairs (DCA), the DHS OIG, the Department of Housing and Urban Development (HUD) OIG, and the New Jersey Office of the Attorney General.

- ◆ A New Jersey man allegedly claimed that his storm-damaged home on the Jersey Shore was his primary residence when it was not. He received \$2,820 in Federal Emergency Management Agency (FEMA) rental assistance, and a \$10,000 grant under the HUD Homeowner Resettlement Program administered by the New Jersey State DCA. The investigation disclosed that about one month after Superstorm Sandy, but before he filed the applications for storm aid, he changed the address on his driver's license to the damaged property address. He also applied for a \$94,400 SBA home disaster assistance loan that was cancelled because he provided the SBA with false information concerning his primary residence.
- ◆ A Colorado man received \$20,358 in FEMA grants, including a \$16,685 home repair grant and smaller rental assistance and personal property grants. He had filed applications claiming that a storm-damaged property in New Jersey was his primary residence when the home had actually been damaged by a fire in May 2009 and had since been uninhabited with no utility service. He was also charged with third-degree attempted theft by deception in connection with applications for HUD funds that were denied by the DCA. The SBA had declined his home disaster loan application.
- ◆ A New York woman received \$22,410 in FEMA grants, including a \$16,230 home repair grant and \$6,180 in rental assistance. She claimed a storm-damaged house in New Jersey as her primary residence when it was really a vacation rental property. The SBA declined her SBA home disaster loan application because she had provided the Agency with false information concerning her primary residence.

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- ◆ A New Jersey woman received \$21,128 in FEMA grants, including \$18,858 for repairs and \$2,270 for rental assistance. She claimed a storm-damaged house on the Jersey Shore was her primary residence, when the vacant home was actually owned by the family of her deceased husband, from whom she had been separated. As administrator of his estate, she deeded herself a 50 percent interest in the home after receiving the FEMA grants. The SBA had declined her home disaster loan application.

Two Economic Injury Disaster Loans Defaulted After the SBA Made Approval Decisions Totaling \$1.4 Million without Mitigating the Reasons for Prior Denials

This report is the first of two reports resulting from the OIG's audit of the Economic Injury Disaster Loan (EIDL) Program. The overall audit objective was to determine whether the SBA had sufficient controls to ensure working capital loans under the EIDL Program were approved to eligible borrowers for the correct amount. During the audit, the OIG identified three large defaulted EIDLs that involved inquiries by elected officials and loan reconsiderations. As a result, the OIG reviewed these loans to determine if SBA Processing and Disbursement Center (PDC) staff adequately addressed or mitigated prior loan denial factors when it approved the loans. This report addresses SBA's approval decisions on two of the large defaulted EIDLs.

The OIG determined that the PDC made two EIDL approval decisions that, in effect, reversed previous denial decisions. Further, the OIG found that the PDC did not adequately address or mitigate the prior denial factors or obtain supporting documentation to overcome deficiencies. The decisions involved a \$736,300 working capital disaster loan and a \$671,900 loan increase to separate businesses, totaling approximately \$1.4 million. One of the businesses appeared to be ineligible for working capital disaster funds because it lacked repayment ability and the applicant intended to use the funds to relocate, not for working capital. The other business also appeared to

be ineligible for a loan increase because it had already recovered from the losses it incurred due to the disaster.

While reviewing the loan files, the OIG observed that the SBA had received multiple inquiries from elected officials on behalf of the two applicants. The OIG found no evidence that the loan decisions were the result of the external contacts, but auditors could not confirm this because the loan files were incomplete and did not explain how the prior denial factors were addressed or mitigated. The SBA's management disagreed with the OIG's findings, but concurred with the recommendation to implement new procedures that require justification and supporting documentation to address all prior denial factors when a previous denial decision on a loan is overturned.

Procurement Assistance

Small Business Development & Contracting Programs

The SBA works to maximize opportunities for small, woman or minority-owned, and other disadvantaged businesses to obtain federal contract awards through its government contracting programs. These programs include, among others, the Historically Underutilized Business Zone (HUBZone) Empowerment Contracting Program and the Section 8(a) Business Development Program.

The SBA also negotiates with other federal agencies to establish agency-specific goals for small business 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, the 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.

The SBA also provides assistance to existing and prospective small businesses through a variety of counseling and training services offered by partner organizations. Among these partners are Small Business Development Centers (SBDCs), the Service Corps of Retired Executives (SCORE), and Women's Business Centers (WBCs). Most of these are grant programs that require effective and efficient management, outreach, and service delivery.

More Legal Actions Stem from \$2 Billion Contract Bribery Case

Ten individuals have been sentenced and 16 individuals and 1 company either have been charged or have pled guilty in a scheme involving more than \$30 million in bribes and kickback payments. A multi-agency investigation uncovered a conspiracy that included the use of a \$1.3 billion Alaska Native Corporation (ANC) sole source contract to pay for the bribes and the planned steering of a \$780 million government contract to a favored Section 8(a) program participant. The individuals involved have thus far pled guilty to

bribery, conspiracy, money laundering, and other charges. They include government officials, executives of 8(a) contractors, and employees of the ANC contractor. This is a joint investigation with the FBI, the IRS CI, the U.S. Army Criminal Investigation Command, and the Defense Criminal Investigative Service (DCIS).

During the reporting period, the chief financial officer (CFO) of a Virginia technology firm was sentenced to 46 months in prison and ordered to pay \$1,188,500 in restitution and a forfeiture of the same amount. He had previously pled guilty to bribery, conspiracy to commit bank fraud, and willful failure to file a tax return. The investigation revealed that, from roughly February 2009 through October 2011, the CFO engaged in bribery of government officials. He gave, offered, and promised over \$200,000 for a U.S. Army public official's benefit. In return, the CFO would receive the official's assistance in directing subcontracts to his firm and providing preferential treatment on potential U.S. Army contracts. In addition, he engaged in a scheme to defraud and obtain money and property from financial institutions through false and fraudulent pretenses, representations, and promises. Finally, he willfully failed to file an income tax return related to over \$100,000 in income earned in calendar year 2010.

Firms Gain Contracting Preferences by Falsifying Eligibility

Investigations by the OIG and other federal agencies have identified schemes in which companies owned or controlled by non-disadvantaged persons falsely claim to be firms eligible for the Service-Disabled Veteran-Owned Small Business (SDVOSB) Concern, Historically Underutilized Business Zone (HUBZone), Section 8(a) Business Development, and ANC programs. The following cases illustrate the extent of this problem.

- ◆ The SBA, and a graduated 8(a) firm, and its owner entered into a \$300,211 settlement agreement. The government alleged that the owner of a Pennsylvania firm had participated in the 8(a) program as the qualifying disadvantaged indi-

vidual in the 1980s, but had failed to disclose this fact in 2001 when applying as the disadvantaged individual seeking 8(a) status for her company. The government alleged this violated the rule that would have rendered the firm ineligible for the program because the owner had previously exhausted her eligibility. This is a joint investigation with the FBI.

- ◆ A Texas man pled guilty to wire fraud after having been indicted for wire fraud and aggravated identity theft. According to the U.S. Government Accountability Office (GAO) referral, the GAO received an anonymous letter alleging that the man's firm, an architectural and engineering company, was falsifying documents to establish its status as an SDVOSB. The firm reportedly falsified its engineers' credentials, their office locations, the number of employees, and past projects. The investigation determined that the man did not have a Department of Veterans Affairs (VA) disability rating or service-connected disability. Thus, his firm was not a legitimate SDVOSB. The firm submitted a qualifications form to the VA Contracting Office in San Antonio, TX, which included example projects on which the firm did not actually work. Moreover, at least three of the company's "key personnel" shown in the documentation had never worked with or even heard of the man or his firm. He confessed to these findings during an OIG interview. The VA awarded the firm an SDVOSB set-aside contract and ten related task orders worth \$1,587,952. This is a joint investigation with VA OIG.

Kickbacks Uncovered in Defense Contracting

A multi-agency investigation involving the 8(a) program and the U.S. Department of Defense (DoD) determined that 8(a) contractors in California were receiving kickbacks from subcontractors. Additional allegations of bribery of a public official have developed during the investigation, and the Department of the Navy has suspended seven individuals and six companies. This is a joint investigation with the FBI, Naval Criminal Investigative Service (NCIS), IRS CI, DCIS, and General Services Administration (GSA) OIG. The following are the legal actions that occurred during the reporting period.

- ◆ A man pled guilty to bribery of public officials and conspiracy to bribe public officials. He was ordered to forfeit property including money worth \$106,964. The man had been a DoD supervisor for construction and service contracts at a military base in California and used his position to extort bribes from companies seeking to do business there, including two firms associated with the 8(a) program. After allegedly referring to himself as the "Godfather" at the base and receiving thousands of dollars in cash payments and remodeling work on his condominium, the man was arrested by federal agents.
- ◆ The owner of a construction prime contractor in the 8(a) program pled guilty to violating the Anti-Kickback Act and making a false tax return. He also pled guilty for his business's role in violating the Anti-Kickback Act. The owner of a second construction prime contractor and former participant in the 8(a) program also pled guilty to conspiracy to bribe public officials and to violating the Anti-Kickback Act. He also pled guilty for his firm's role in the same crimes. The two men had conspired to pay bribes to the above DoD contracting supervisor. They made the bribe payments with the understanding that their respective business would be awarded 8(a) contracts at a military installation. One man made at least \$74,000 in cash bribes and directed the other man to pay at least an additional \$20,000 to the contracting supervisor. In addition, one firm painted the supervisor's residence at no cost and remodeled his personal property. The combined value of these free services was around \$8,000. Finally, one of the business owners accepted a kickback in the form of a subcontractor's \$15,000 cashier's check made payable to his son but for his benefit.
- ◆ Two brothers—the president and vice president of a subcontractor—pled guilty to violating the Anti-Kickback Act. From at least 2009 through 2010, the subcontractor worked on various 8(a) contracts for one of the previously mentioned prime contractors. During that

time, the two brothers paid over \$44,000 in kickbacks to the owner of the prime contractor. The kickbacks consisted of cash and checks drawn on subcontractor accounts issued to the son of the owner of the *other* previously mentioned prime contractor. The checks were for the benefit of that owner. Other kickbacks to the owner consisted of the subcontractor performing work at the personal residences of the owner's relatives for no profit. The subcontractor made the kickbacks to obtain favorable treatment in the awarding of current and future federal subcontracts.

- ◆ The owner of an architectural firm was charged with violating the Anti-Kickback Act. The charge relating to fraud involving two prime contractors associated with the 8(a) program. Specifically, the owner was charged with knowingly and willfully providing a \$5,000 kickback check to a prime contractor.

Contractor Employees Manipulate Bidding

A former employee of a Virginia-based government technology contractor that claimed status as an SDVOSB was sentenced to three months incarceration and two years of probation upon release. He also was ordered to forfeit \$80,000 and was assessed a \$5,000 fine. The sentencing followed a guilty plea in connection with his role in conspiring with other SDVOSBs to obtain federal government contracts through fraud and misrepresentation.

The man and employees of other SDVOSBs conspired to submit what appeared to be competing bids for government contracts, when in fact they knew the bids were not competitive. They identified government contracts to bid on and prepared bids for one another using the bid templates of the other. The man then directed another firm's employees to submit the completed bids to the government as their own. This practice restricted legitimate competition by creating the false impression that the government had already received multiple competing bids. The employee made at least \$80,900 from his participation in the conspiracy.

A different former employee of a Virginia-based contractor that claimed SDVOSB status was sentenced to sixteen months in prison, followed by two years of supervised release, for conspiracy to commit wire fraud and major fraud against the government. He was also ordered to forfeit \$1,065,104 in personal proceeds from the conspiracy. Not only did he perform the same actions as the previously mentioned person, but he also worked with co-conspirators within the government to gain access to internal documents in advance of bidding on contracts. These internal documents included the Independent Government Cost Estimates (IGCE). He also drafted portions of government procurement documents. Finally, he agreed to pay co-conspirators working within the government for his competitive advantage on contracts that totaled approximately \$33 million. He gained at least \$1,065,104 because of his participation in the conspiracy. This is a joint investigation with the DHS OIG, VA OIG, GSA OIG, and DOJ.

Texas Man Pleads Guilty

A Texas man pled guilty to making false statements to federal agencies. He had recruited a service-disabled veteran to be a partner in an SDVOSB. The veteran, believing he was to be a silent partner, agreed to be part of the SDVOSB. In reality, the veteran had no financial investment in the firm, performed no work for the company, and did not exercise a controlling interest in it. The man used the firm's fraudulently obtained SDVOSB status to secure nearly \$1,329,000 in funds through VA contracts.

Woman Indicted for Fraud

A North Carolina woman was indicted for major fraud against the government, making false statements, wire fraud, mail fraud, and aggravated identity theft. The woman, as the owner of a masonry firm, allegedly created a construction company in order to obtain two small business subcontracts on a Department of Navy contract. She created the construction company after a \$14 million subcontract was awarded to her masonry firm. She allegedly also offered the use of the construction company to replace the masonry firm in exchange for a two percent fee. In 2010, she mailed an apparently falsified North Carolina

HUBZone application, with fraudulently altered supporting documents, on behalf of the construction company. She also allegedly forged another person's signature on documents related to that company. This is a joint investigation with the DCIS and the NCIS.

President of Idaho Firm Sentenced

The former president and majority shareholder of an Idaho construction firm was sentenced to 84 months in prison followed by three years of supervised release for conspiracy, wire fraud, and mail fraud. She was also sentenced to 24 months in prison for tax fraud and obstruction of justice followed by three years of supervised release. The sentences will run concurrently. In addition, she was ordered to pay \$98,825 in restitution to the IRS, \$32,575 to the Idaho Disadvantaged Business Enterprises (DBE) Program, and \$22,859 in prosecution costs. She paid a \$3,084,038 forfeiture prior to sentencing. She had previously been convicted of filing false individual and corporate tax returns, conspiracy to defraud the United States, wire fraud, mail fraud, making a false statement, interstate transportation of property taken by fraud, conspiracy to obstruct justice, and obstruction of justice. Moreover, an Idaho man and minority shareholder in her business was sentenced to three months in prison followed by two years of supervised release. He was also ordered to pay a \$5,000 fine and perform 100 hours of community service after having been found guilty of obstruction of justice and conspiracy to obstruct justice.

The former president had taken steps to lower, artificially, her personal net worth, such as placing assets into the names of nominees in order to appear economically disadvantaged. This allowed her firm to qualify for the Department of Transportation's (DOT) DBE and the 8(a) programs. She also caused false and fraudulent tax returns to be filed for herself and the company, which did not report all income received. The false returns and financial statements were submitted to support the firm's applications to the 8(a) program and the DBE program for Idaho and Utah.

During a 26-day trial, the government presented evidence that she omitted, deleted, altered, and miscategorized entries in her firm's financial records. She also concealed her role or relationship in other business entities that dealt with her company. Consequently, the firm received more than \$2.5 million in federal government contracts based on the company's fraudulently obtained 8(a) status. The firm received more than \$15 million in state government contracts based on the company's fraudulently obtained DBE status in Idaho and Utah. The government also presented evidence that she and the minority shareholder conspired to obstruct justice by fabricating documents and making false statements to impede an IRS audit of the firm, and a criminal investigation of her. The woman and the shareholder intended for these fabricated documents to conceal the true nature, source, and extent of property belonging to her. This was a joint investigation with the IRS CI, DOT OIG, and the FBI.

Florida Man Sentenced for Fraud against NASA and Others

A Florida man was sentenced in Virginia to 60 months incarceration followed by 24 months of supervised release, and was ordered to pay a \$12,500 fine and a forfeiture of \$2,960,697. He had pled guilty to major fraud against the government. He admitted that, in 2005, he learned that an executive at a security service consulting firm illegally controlled another such company that participated in the 8(a) program. Although the executive at the first company controlled the second company, the second firm had obtained its 8(a) status based on a nominal owner's disadvantaged status. The Florida man admitted that he agreed to pay the executive and the second firm a fee in exchange for that firm allowing him to use its 8(a) status to obtain National Aeronautics and Space Administration (NASA) and other U.S. government contracts. Although the second firm was required to perform at least 50 percent of the work on the contracts and had represented that it would do so, no employees performed any work. Instead, the Florida man and others did all of the work as independent contractors but concealed that fact from the government. He also submitted fraudulent proposals and invoices

to hide the scheme, used a third-party company's Federal Employer Identification Number to prevent reporting of his contractor income to the IRS, and did not pay income taxes on the income he received from the second firm. This is a joint investigation with the NASA OIG, the DCIS, and the DHS OIG.

Utah Firm Agrees to Large Settlement

A Utah-based construction company entered into settlement agreements with the DOJ and the SBA. In the settlement agreement with the DOJ, the company agreed to pay \$928,000 to the United States. The DOJ alleged that the company improperly obtained and worked on contracts awarded to an 8(a) firm, thus violating the False Claims Act by knowingly submitting, or causing to be submitted, false claims to the United States. The construction company did not concur with DOJ's position but agreed, without admission, to the settlement agreement.

The firm also entered into an administrative agreement with the SBA as a result of the DOJ settlement. The firm agreed to refrain from participation in the SBA 8(a) program and any SBA mentor-protégé programs for five years. The SBA alleged that the firm knowingly submitted, or caused to be submitted, false, or fraudulent claims. The firm did not concur with SBA's position but agreed, without admission, to the administrative agreement.

Maryland Man Pleads Guilty to 8(a) Fraud

A Maryland man pleaded guilty to conspiracy to defraud the United States following an indictment for schemes to seek, fraudulently, federal contracts under the 8(a) program. He owned less than half of a roofing and construction company while it participated in the program. In March 2002, his firm graduated from the program, and he became the company's president and sole owner. Prior to that, in August 1999, he had caused a second roofing and construction company to be incorporated and arranged for a member of an underrepresented group—who was a former roofer and project manager at the first firm—to own 60 percent of the second company. He also arranged for his son to own the remaining 40 percent while he received the title of senior vice president. The two firms shared office

space and many of the same employees. The man conspired to defraud the SBA by concealing on the second firm's 8(a) application and on annual updates that:

- (1) he exercised control over the second firm's operations;
- (2) he had previously supervised the former roofer at the first firm;
- (3) he owned more than 10 percent of the first firm and was related to an owner of the second firm;
- (4) he and his wife had personally guaranteed bonding, bank loans, and lines of credit for the second firm; and
- (5) no non-disadvantaged individual member of the second firm's management received compensation in any form that exceeded the former roofer's compensation.

The second firm paid millions of dollars to the Maryland man, including salary and other payments to bank accounts in his and his wife's names. There were also payments to the first firm and to casinos on behalf of the couple, as well as personal charges to the second firm's credit cards. Because of the fraudulent application and updates, the second firm received more than \$50 million in 8(a) program contracts to which it was not entitled. Further, the first company recorded, falsely, more than \$1 million in transfers to bank accounts and casinos in company records as corporate expenses paid for subcontractors, which he concealed from his tax preparer. As a result, the tax preparer produced corporate tax returns for the first firm, which overstated the company's expenses. The preparer also produced personal income tax returns for the man that understated his taxable income, thereby falsely understating the taxes owed to the IRS. This is a joint investigation with the DCIS, GSA OIG, and IRS CI.

Civil Settlement Results from Contracting Scheme

Five masonry firms and the presidents of two of the firms paid \$698,250 as part of a civil settlement in connection with a contracting scheme. This payment

was based on the sale of a president's personal residence and is in addition to an earlier civil settlement of \$1,175,000. The total settlement now stands at \$1,873,250.

In early 2011, a military command in Virginia issued a "Solicitation, Offer and Award" for a series of construction projects at a military base. In August 2011, the contract for over \$67 million was awarded to a large construction company. One masonry firm submitted a \$9.4 million bid to do masonry work as a subcontractor. An employee of the construction company subsequently told the president of that masonry firm that his firm would receive the subcontract if it used a minority-owned company. The president agreed to use an affiliated company that he controlled as a front to receive the subcontract. All of the work on the subcontract was subsequently passed through to the original masonry firm. This is a joint investigation with the NCIS and DCIS.

The SBA's FY 2012 Reported Improper Payment Rate for Disbursements and Contracting was Inaccurate and Incomplete

This report presented the results of the OIG's review of the SBA's FY 2012 invoice payments for contracting activities. The OIG found that the SBA made significant progress in reducing the improper payment rate for disbursements and contracting from 89 percent in FY 2011 to 9.6 percent in FY 2012. However, the OIG determined that the information presented in the SBA's FY 2012 Agency Financial Report was inaccurate and the reported improper payment rate for FY 2012 disbursements and contracting was incomplete. Specifically, the 9.6 percent improper payment rate included only a portion of the errors identified as the SBA did not report errors that it determined to be the result of inadequate or missing documentation. Further, the OIG found that SBA personnel did not consistently apply the FY 2012 Improper Payment Test Plan for disbursements and contracting. Consequently, they classified a number of payments as having met the test plan criteria. In addition, they tested payments not related to contracting disbursements. The OIG

recommended four actions directed to the Chief Financial Officer to improve financial and contract management at the SBA and significantly decrease the total number of future improper payments.

Opportunities Exist to Further Improve Quality and Timeliness of HUBZone Certifications

This report presented the results of the OIG's audit to determine whether the SBA's HUBZone Program certification process provided assurance to limit program certification to eligible firms.

The OIG found that in recent years, the HUBZone certification process had been reengineered from self-certification to a full document review and that the SBA properly certified 9 of 12 firms reviewed. However, the OIG identified three firms the SBA certified even when the firms did not meet all of the eligibility criteria. Ineligible firms that obtained certification distorted the small business HUBZone goaling numbers by at least \$1.3 million and possibly took contracting opportunities away from eligible firms. Additionally, certifying ineligible firms detracted from the economic benefits the program intends to promote in the disadvantaged HUBZone areas. The SBA also did not meet the required 30-calendar day timeline for any of the 12 firms we reviewed, nor did it meet the proposed deadline of 90 days for five firms. For firms who are certified, the amount of time the SBA takes to review the application directly inhibits their opportunities to obtain federal contracts. The OIG made three recommendations to improve the HUBZone certification process and decrease the likelihood of ineligible firms receiving HUBZone certification.

The SBA Did Not Follow Regulations and Guidance in the Acquisition of the OneTrack System

This report presented the results of the OIG's review of the SBA's acquisition of the OneTrack System. The objective of the audit was to assess the SBA's compliance with Federal contracting regulations and guidance over Information Technology systems acquisition and project oversight. The OIG determined that the SBA did not follow federal regulations and guidance in its acquisition of the OneTrack system for use by the Business Development (BD), Historically Un-

derutilized Business Zone (HUBZone), and three new Mentor-Protégé Programs. As a result, the SBA did not receive a system with full capabilities as originally designed. The original OneTrack system should have been completed in a 12-month period at a total cost of around \$1.17 million. Instead, the SBA modified the task order to receive a system with the same, limited functions as the existing system in use, the Business Development Management Information System (BDMIS). However, the SBA still did not have a tested and approved system—that included existing BDMIS capabilities—to put into production when the task order expired. To date, the SBA has increased the total cost of the system by approximately \$734,000 and extended the performance of the acquisition by 14 months. The OIG made four recommendations.

Legislation Requires SBA Regulations and Approval of SBDC Surveys

In December 2004, Congress amended section 21(a)(7) of the Small Business Act (15 U.S.C. 648(a)(7)) to restrict the disclosure of information regarding individuals or small businesses that have received assistance from a Small Business Development Center (SBDC) and to limit the Agency’s use of such information. The provision also required the SBA to issue regulations regarding disclosures of such information for use in conducting financial audits or SBDC client surveys. In 2009, the Agency represented to the OIG that it would issue regulations as required by the statute. During the reporting period, the SBA prepared a revised draft, and sent the proposed regulations to the Federal Register so they could be published for public comment.

In addition, section 21(a)(7) of the Small Business Act states that, until the issuance of these SBDC information disclosure regulations, any SBDC 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. According to a report from the Agency, the SBA did not conduct any surveys of SBDC clients during the first half of FY 2014.

Agency Management

Agency management includes activities of the Offices of the Chief Financial Officer (CFO), the Chief Information Officer (CIO), and Management and Administration. These activities encompass financial reporting and performance management, human resources, procurements and grants, space and facilities, and maintenance of the SBA's information systems and related security controls.

Independent Auditors' Report on the SBA's FY 2013 Financial Statements

This report presented the results of the independent auditors' report on the SBA's FY 2013 Financial Statements. The OIG contracted with an independent public accounting firm to audit the SBA's consolidated financial statements as of September 30, 2013, and 2012, and for the years then ended. The contract required that the audits be conducted in accordance with Generally Accepted Government Auditing Standards; the Office of Management and Budget Bulletin No.14-02, *Audit Requirements for Federal Financial Statements*; and the U.S. Government Accountability Office's *Financial Audit Manual and Federal Information System Controls Audit Manual*. This audit is an annual requirement of the Chief Financial Officers Act of 1990.

The auditor's report includes an opinion on SBA's financial statements, internal control over financial reporting, and compliance and other matters that have a direct and material effect on the financial statements. The auditor issued an unmodified opinion on SBA's fiscal year 2013 consolidated financial statements. In summary, the auditor found that:

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

tion Improvement Act of 1996, which is also a repeat condition.

Details regarding the auditor's conclusions are included in the "Compliance and Other Matters" section, and Exhibit I of *the Independent Auditors' Report*.

Independent Auditors' Report on the SBA's FY 2013 Special-Purpose Financial Statements

This report presented the results of the independent auditors' report on the SBA's FY 2013 Special-Purpose Financial Statements. In accordance with the Office of Management and Budget Circular No. A-136, Financial Reporting Requirements and the Treasury Financial Manual, Part 2, Chapter 4700 (TFM 2-4700), the independent auditor issued its report on the Small Business Administration's (SBA) reclassified balance sheet as of September 2013 and 2012, and the reclassified statements of net costs and changes in net position and Federal trading partner note for the year then ended.

The auditor found that the statements, including the Federal trading partner note, presented fairly in all material respects, the financial position of the SBA as of September 30, 2013, and 2012. Also, the results of operations and the changes in net position for the period then ended are in accordance with U.S. generally accepted accounting principles, and the presentation is in conformance with the requirements of TFM 2-4700.

Management Letter-SBA's FY 2013 Financial Statement Audit

This report presented the results of the independent auditors' report on the Management Letter-FY 2013 Financial Statement Audit. The management letter includes information related to non-reportable findings discovered during the audit of SBA's FY 2013 financial statements.

In this letter, the auditor noted seven matters involving internal controls and other operational matters that included: (1) improvement needed in the documentation of the obligations review process; (2) missing loan file documentation; (3) untimely post-

purchase and charge-off reviews and untimely processing of charge-off transactions; (4) lack of required sign-offs on guaranty purchases and charge-offs; (5) incorrect amount paid at the time of purchase guaranty; (6) inadequate review of Star and Attendance Reports; and (7) improvement needed in the employee separation process. The auditor made 21 recommendations to which agency officials or designees agreed to implement or have already taken action to address the underlying conditions.

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 audit by the Inspector General, who shall report his findings to Congress.

During the October 1, 2013 and March 31, 2014, reporting period, the SBA's Office of Strategic Alliances did not report any cash gifts.

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. The SBA's Office of Strategic Alliances provided information to the OIG related to co-sponsorships, 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 October 1, 2013, and March 31, 2014, the Administrator—through her approved designees—fully executed 87 cosponsorship agreements.

Other Significant OIG Activities

Character Screening Reduces Potential Program Fraud

Participants in SBA programs involving business loans, disaster assistance loans, Section 8(a) certifications, surety bond guarantees, SBICs, and CDCs must meet Agency character standards. To help ensure that this occurs, the OIG's Office of Security Operations utilizes name checks and, where appropriate, fingerprint checks to determine criminal background information. During this reporting period, the OIG processed 1,705 external name check requests for these programs.

The OIG also refers applicants who appear ineligible because of character issues to program officials for adjudication. The referrals are based on data from the OIG's on-line connection with the FBI. As a result of OIG referrals during this reporting period, SBA business loan program managers declined 13 applications totaling \$7,067,405 and disaster loan program officials declined 19 applications totaling \$2,737,100. In addition, the Section 8(a) program declined 9 applications for admission and the Surety Bond Guaranty program declined 1 application for admission.

During this reporting period, the OIG also initiated 99 background investigations and issued 6 security clearances for Agency employees and contractors. The OIG also adjudicated 40 background investigative reports and coordinated with SBA's Office of Disaster Assistance to adjudicate 51 derogatory background investigation reports. Finally, the OIG processed 1,986 internal name check requests for Agency activities such as success stories, "Small Business Person of the Year" nominees, and disaster assistance new hires.

The OIG Promotes Debarment and Other Administrative Enforcement Actions

As a complement to the its criminal and civil fraud investigations, the OIG continually promotes the use of suspensions, debarments, and other administrative enforcement actions. These actions protect tax-

payer funds from parties who have engaged in fraud or otherwise exhibited a lack of business integrity. The OIG regularly identifies individuals and organizations for debarment and other enforcement actions, and submits detailed recommendations with supporting evidence to the responsible SBA officials. Most OIG administrative referrals involve the abuse of SBA's loan and preferential contracting programs. Where appropriate, the OIG recommends that the SBA suspend the subject of an ongoing OIG investigation given program risk presented by the continued participation of those individuals and entities.

During this reporting period, the OIG sent 22 suspension and debarment referrals to the SBA. Additionally, OIG investigations resulted in 35 suspension or debarment referrals that went to other agencies. The OIG also referred several other entities for program termination and other administrative enforcement actions. (See the *Statistical Highlights* section of this report for additional suspension and debarment results.)

The following provides examples of OIG referrals for administrative enforcement actions during this reporting period:

Government Contractor and its President Referred for Suspension Based on Alleged HUBZone Fraud

The OIG referred a Government contractor and the president of that contractor for suspension. The president and contractor appear to have made multiple false and misleading statements to the SBA regarding the location of their principal place of business in order to qualify for a HUBZone certification. Separately, the OIG is working with the Department of Justice on a civil False Claims Act case related to this matter.

Owner and Government Contractor Referred for Suspension Based on Alleged Disaster Loan Fraud

The OIG referred the indicted owner of a Government contractor, who also served as a bank president and CEO, for suspension. That individual is currently under indictment for wire fraud and other crimes related to an SBA disaster loan. The bank where the

indicted individual serves as president and CEO is a lender participating in SBA's guaranteed loan programs.

Loan Officer Referred for Suspension after Falsifying SBA Form

The OIG referred a loan officer for suspension based on allegations of falsifying an applicant's signature on an SBA form designed to elicit an applicant's criminal record. The loan officer falsely indicated the subject of the form did not have a criminal record when, in fact, that individual had a felony conviction. The loan officer claimed not to have known the applicant had a felony conviction when confronted with the apparent forgery.

The OIG Provides Training to Multiple Agencies to Promote Debarment and other Remedies

During the reporting period, OIG representatives continued to provide suspension and debarment training to auditors, inspectors, evaluators, and attorneys throughout Federal OIGs in coordination with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Training Institute. The CIGIE Training Institute held one training session with practical exercises teaching OIG employees how to prepare suspension and debarment referrals from audits.

Representatives of the OIG also moderated and served on two panels at a workshop sponsored by the CIGIE and the Interagency Suspension and Debarment Committee. This workshop, *Total Accountability: Suspension, Debarment and Beyond*, focused on advanced suspension, debarment, and remedies coordination issues.

The OIG Continues Leadership Role in CIGIE Project to Promote Use of the Program Fraud Civil Remedies Act

The OIG is heading a project that the CIGIE established in November 2012, to promote government-wide use of the Program Fraud Civil Remedies Act (PFCRA). The PFCRA provides an administrative remedy so that agencies may seek recovery for false

claims of up to \$150,000 administratively rather than initiating a case in Federal court. A report issued by the Government Accountability Office based upon a survey of OIGs found that many Federal agencies were making limited or no use of the PFCRA. As previously reported, the OIG established a PFCRA Working Group with representatives from multiple OIGs to examine the issue and develop solutions to expand use of the statute. During the reporting period, the Working Group completed a PFCRA Practitioner's Guide, which provides a "cradle to grave" overview of initiating and litigation a PFCRA case. The CIGIE approved this Guide in November 2013. The Working Group also began developing a training program and prepared a report summarizing the results of a survey the Working Group undertook on use of the PFCRA and offering suggested practices OIGs can take to promote use of that act to deter fraud. The SBA OIG appreciates the significant contributions from OIGs at the Department of Housing and Urban Development, the National Science Foundation, the Department of the Interior, the Department of Health and Human Services, the Nuclear Regulatory Commission, and the Environmental Protection Agency. The Working Group's efforts will continue into the next reporting period.

OIG Reviews Lead to Improved Program Controls to Reduce Fraud, Waste, Abuse and Inefficiencies

As part of the OIG's proactive efforts to promote accountability and integrity and reduce inefficiencies in SBA programs and operations, the OIG reviews changes that the SBA proposes to make to its program directives. Such proposals relate to regulations, internal operating procedures, agency policy notices, and SBA forms that the public can access and complete. Through the review process, the OIG often identifies material weaknesses in the proposals and works with the Agency to implement recommended revisions to promote more effective controls and deter waste, fraud or abuse. During the reporting period, the OIG reviewed 38 proposed revisions of these program directives and submitted comments to improve 20 of these initiatives.

Specifically, the OIG provided extensive comments on several internal procedures governing the 8(a) Business Development Program to promote better oversight of program participants. The OIG also recommended revisions to the application form for this program to promote more robust screening processes to prevent ineligible firms from being admitted to the program. With respect to SBA's small business financial assistance programs, the OIG provided comments on critical procedures and proposed regulations to enhance SBA's oversight of, and enforcement capabilities regarding loan agents in the 7(a) loan guaranty program. As set forth in the OIG's *Fiscal Year 2014 Report on the Most Serious Management and Performance Challenges Facing the Small Business Administration*, ongoing fraudulent schemes by loan agents represent one of the most significant challenges facing the Agency. The OIG also issued recommendations that led to improvements in proposed regulations governing the percentage of work performed by small business contractors. Finally, the OIG provided extensive comments on a large number of other SBA internal procedures and public use forms to promote greater accountability and effectiveness in SBA programs and operations.

* * *

The OIG Hotline

The OIG Hotline reviews allegations of waste, fraud, abuse, or serious mismanagement in the SBA or its programs from employees, contractors, and the public. A preliminary review of all complaints is conducted to determine the appropriate course of action. As part of the review process, Hotline staff may coordinate reviews of allegations with Investigations, OIG Counsel, Auditing, and SBA Program Offices. Outcomes of investigations initiated as a result of a Hotline complaint are monitored by Hotline staff. During the first half of FY 2014, the Hotline received 271 complaints requiring additional analysis or referral.

Of the 271 complaints requiring additional analysis or referral, 45 were addressed and closed by the Hotline, 32 were referred to SBA Program Offices, 30 were referred to OIG Investigations, 4 were referred to OIG Counsel, 3 were referred to OIG Audit Division, and 2 were referred to outside Agencies. There are 155 complaints currently under review by the Hotline Staff.

During the first half of FY 2014, Hotline staff continued to review and monitor complaints received during previous reporting periods. They also closed 303 such complaints. Specifically, 172 were referred to OIG investigations, 52 were addressed and closed by Hotline staff, 67 were referred to SBA Program Offices, 5 were referred to outside agencies, 6 were referred to OIG Audit, and 1 was referred to OIG Counsel.

Statistical Highlights:

October 1, 2013-March 31, 2014

Summary of Office-Wide Dollar Accomplishments

As a Result of Investigations & Related Activities	
-Potential Investigative Recoveries & Fines	\$8,377,751
-Asset Forfeitures Attributed to OIG Investigations	\$7,590,739
-Loans/Contracts Not Approved or Canceled as a Result of Investigations	\$715,700
-Loans Not Made as a Result of Name Checks	\$9,804,505
Investigations Sub-Total	\$26,488,695
As a Result of Audit Activities*	
-Disallowed Costs Agreed to by Management	\$7,902,208
-Recommendations that Funds Be Put to Better Use Agreed to by Management	\$89,800,000
Audit Sub-Total	\$97,702,208
TOTAL	\$124,190,903

* The numbers in these cells represent reclassification of previously reported amounts from questioned/unsupported costs to recommended funds for better use. The dollars shown are the amounts reported to management. The actual amounts may change during final resolution.

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

Reports Issued	9
Recommendations Issued	60
Dollar Value of Costs Questioned	\$3,292,224
Dollar Value of Recommendations that Funds be Put to Better Use	\$0
Recommendations for which Management Decisions Were Made	58
Recommendations Without a Management Decision	57
Collections as a Result of Questioned Costs	0

Indictments, Informations, Convictions, and Other Case Actions

Indictments/Informations from OIG Cases	52
Convictions from OIG Cases**	40
Cases Opened	16
Cases Closed	21

SBA Personnel Actions Taken as a Result of Investigation

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

Hotline Complaints Received and Related Referral Actions

Investigations	172
Audit	6
Counsel	1
Program Offices	67
Other Agencies	5
Closed at Intake by Hotline Staff*	52
TOTAL	303

*These are complaints closed at intake by the Hotline staff when no action was taken or no referral was required.

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

Legislation, Regulations, Standard Operating Procedures, and Other Issuances Reviewed	38
Suspensions and/or Debarments Recommended to the Agency*	22*
—Pending at the Agency as of March 31, 2014**	58
Suspensions Issued by the Agency	8
Proposed Debarments Issued by the Agency	8
Final Debarments Issued by the Agency	9
Proposed Debarments Declined by the Agency	0
Administrative Agreements Entered by the Agency in Lieu of Debarment	3
Suspension and Debarment Actions by Other Agencies	35
Program Actions	
—Termination from SBA Programs	1
—Termination from Other Government Programs	0
—Size Determination	0

* The SBA agreed to allow another agency to take lead agency status on one matter before the SBA OIG officially referred the case to the SBA. Under Federal debarment procedures, when more than one agency has an interest in pursuing a debarment, those agencies confer and determine which agency will take the action.

**Some of these referrals have been pending for more than six months. As of March 31, 2014, the SBA had initiated action, or had some form of exclusion in place, on 33 of the 58 pending referrals from the OIG.

Appendix I: OIG Reports Issued

October 1, 2013-March 31, 2014

Small Business Access to Capital

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Improvement is Needed to Ensure Effective Quality Control at Loan Operation Centers	14-08	1/17/2014	\$0	\$0
Purchase Reviews Allowed \$3.1 Million in Improper Payments on 7(a) Recovery Act Loans	14-09	1/29/2014	\$3,056,552	\$0
Program Subtotal	2		\$3,056,552	\$0

Agency Management

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
The SBA's FY 2012 Reported Improper Payment Rate for Disbursements and Contracting was Inaccurate and Incomplete	14-02	10/24/2013	\$235,672	\$0
Audit of SBA's FY 2013 Financial Statements dated 11/16/13	14-04	12/16/2013	\$0	\$0
Audit of SBA's FY 2013 Special-Purpose Financial Statements dated 11/16/13	14-05	12/17/2013	\$0	\$0
Management Letter - SBA's FY 2013 Financial Statements Audit	14-07	1/15/2014	\$0	\$0
The SBA Did Not Follow Regulations and Guidance	14-10	2/12/2014	\$0	\$0
Program Subtotal	5		\$235,672	\$0

Small Business Development, Contracting, Education and Training

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Opportunities Exist to Further Improve Quality and Timeliness of HUBZone Certifications	14-03	11/19/2013	\$0	\$0
Program Subtotal	1		\$0	\$0

Disaster Loans

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Two Economic Injury Disaster Loans Defaulted After the SBA Made Approval Decisions Totaling \$1.4 Million without Mitigating the Reasons for Prior Denials	14-06	12/20/2013	\$0	\$0
Program Subtotal	1		\$0	\$0
TOTALS (All Programs)	9		\$3,292,224	\$0

Appendix II: Reports

With Questioned Costs

		Reports	Recommendations*	Questioned Costs**	Unsupported Costs***
A.	No management decision made by September 30, 2013	2	8	\$6,340,544 ^A	\$1,730,560 ^A
B.	Issued during this reporting period	2	5	\$3,292,224	\$362
	Universe from which management decisions could be made in this reporting period – Subtotals	4	13	\$9,632,768	\$1,730,922
C.	Management decision(s) made during this reporting period [^]	3	11	\$7,902,208	\$362
	(i) Disallowed costs	0	0	\$7,902,208	\$362
	(ii) Costs not disallowed	0	0	0	0
D.	No management decision made by March 31, 2014	1	2	\$1,730,560	\$1,730,560

* Reports may have more than one recommendation.

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

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

^A The numbers in these cells represent reclassification of previously reported amounts from questioned/unsupported costs to recommended funds for better use.

[^] The dollars shown are the amounts reported to management. The actual amounts may change during final resolution.

Appendix III: Reports

With Recommendations that Funds Be Put to Better Use

		Reports	Recommendations*	Recommended Funds For Better Use
A.	No management decision made by September 30, 2013**	3	7	\$89,800,000
B.	Issued during this reporting period	0	0	\$0
	Universe from which management decisions could be made in this reporting period – Subtotals	3	7	\$89,800,000
C.	Management decision(s) made during this reporting period	3	7	\$89,800,000
	(i) Recommendations agreed to by SBA management	3	7	\$89,800,000 [^]
	(ii) Recommendations not agreed to by SBA management	0	0	\$0
D.	No management decision made by March 31, 2014	0	0	\$0

* Reports may have more than one recommendation.

** The numbers in these cells represent reclassification of amounts previously reported as questioned/unsupported costs to recommended funds for better use.

[^] For one recommendation management has agreed to the recommendation but has not made a final decision on the full amount of funds for better use. The dollars shown are the amounts reported to management. The actual amounts may change during final resolution

Appendix IV: Reports

With Non-Monetary Recommendations

		Reports	Recommendations
A.	No management decision made by September 30, 2013*	14	42**
B.	Issued during this reporting period	7	55
	Universe from which management decisions could be made in this reporting period – Subtotals	21	97
C.	Management decision(s) made (for at least one recommendation in the report) during this reporting period	12	40
D.	No management decision made by March 31, 2014*	12	55

* 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: Reports

From Prior Periods with Overdue* Management Decisions**

Title	Report Number	Date Issued	Status
SBA's Funding of Information Technology Contracts Awarded to ISIKA Technologies, Inc.	11-14	6/2/2011	Management has not responded to one recommendation in the report.
Small Business Administration's Rationale for Excluding Certain Types of Contracts from the Annual Small Business Procurement Calculations Needs to be Documented	12-04	12/6/2011	Management has not responded to five recommendations in the report.
The Small Business Administration's Improper Payment Rate for 7(a) Guaranty Purchases Remains Significantly Underestimated	13-07	11/15/2012	Management has not responded to two recommendations in the report.
The SBA Mismanaged Certain 8(a) Information Technology Contracts	13-08	2/3/2012	Management has not responded to two recommendations in the report.
The SBA's Loan Management and Accounting System Incremental Improvement Projects	13-11	3/12/2013	Management has not responded to two recommendations in the report.
SBA's Inappropriate Contracting Practices to reconfigure Space for the Office of International Trade	13-12	3/26/2013	Management has not responded to one recommendation in the report.
The SBA's 417 Unauthorized Commitments Impacted Mission-Related Services and Increased Costs	13-14	3/28/13	Management has not responded to three recommendations in the report.
Evaluation of SBA's Implementation of the GPRA Modernization Act of 2010	13-19	9/27/2013	Management has not responded to one recommendation in the report.
Evaluation of SBA 2012 Cash Gifts	13-20	9/26/2013	Management has not responded to one recommendation in the report.
SBA's Enterprise-wide Controls Over Cosponsored Activities	13-21	9/26/2013	Management has not responded to two recommendations in the report.
Improved Examination Quality Can Strengthen SBA's Oversight of Small Business Investment Companies	13-22	9/30/2013	Management has not responded to three recommendations in the report.

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

**Overdue as of March 31, 2014.

Appendix VI: Reports

Without Final Action as of March 31, 2014

Report Number	Title	Date Issued	Date of Management Decision*	Final Action Target Date**	Explanation as Submitted in FY 2013 AFR
4-34	Audit of SBA's Process for Complying with the Federal Managers' Financial Integrity Act Reporting Requirements	7/29/04	9/9/04	6/30/13	The two recommendations remaining open are to the Office of the Chief Financial Officer (OCFO) to revise, clear and issue the draft SOP 00 02 3 and clearly define material weakness as it relates to SBA and at the different levels of management within the Agency. The current SOP was substantially rewritten in FY 2013; however, it was not completed due to the Office of Management and Budget's announcement that their guidance will be updated in FY 2014 to align with the GAO's new guidance in the Green Book. The anticipated completion date is 9/30/14, dependent on the issue date of OMB's new guidance.
6-10	FY 2005 Financial Statements - Management Letter	1/18/06	3/7/06	9/30/13	There is one open recommendation to the Office of the Chief Financial Officer to update the accounting SOP to include SBA's policies and procedures to reflect the GL accounts and data field updated for each transaction. The accounting Pro forma on LAS transactions is available in "table format" in the CGL, but data field updates are not shown. SBA will work with OCA to develop this documentation through an automated process. Work on this project will not start until FY 2014 after the OCA/OCIO completion of the Loan Management and Accounting System project. This audit recommendation is expected to have a final action by 09/30/2014.

* Management decision dates vary with different recommendations.

**Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision*	Final Action Target Date**	Explanation as Submitted in FY 2013 AFR
8-12	Oversight of SBA Supervised Lenders	5/9/08	6/20/08	12/31/14	One recommendation remains open to the Office of Capital Access (OCA) to establish risk mitigation goals applicable to each loan program and the entire lending portfolio. OCA will develop program level performance benchmarks and risk mitigation goals for each 7(a) loan program and the entire 7(a) portfolio based on OCRM's PARRiS framework. The PARRiS assessment system is designed to measure the level of risk at the lender, program and portfolio level. The program and portfolio risk mitigation goals will focus on Performance, Asset management and Regulatory performance – utilizing the current metrics framework. Expected completion of this final action is 12/31/2014.
9-05	Audit of SBA's Fiscal Year 2008 Financial Statements – Management Letter	12/17/08	2/18/09	12/31/13	The two open recommendations are to the Office of Financial Assistance to reinforce the importance of the collateral analysis in an updated SOP and ensure the revised Disaster Loan SOP identifies procedures related to the disposition of collateral. OFPO issued a collateral release memorandum to staff in June 2011 reinforcing this information. SOP 50 52 in final draft and is being prepared for Agency Clearance by the end of the calendar year. The final action due date for this recommendation is 12/31/13.

* Management decision dates vary with different recommendations.

**Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision*	Final Action Target Date**	Explanation as Submitted in FY 2013 AFR
10-14	Adequacy of Quality Assurance Oversight of the Loan Management and Accounting System Project	9/13/10	10/21/10	6/13/10	The remaining recommendation for this audit is to the Office of the Administrator to require the LMAS Quality Assurance plan to incorporate all the components required by the enterprise-wide QA plan. The ITQA SOP was updated and SBA has demonstrated significant progress in implementing a quality assurance process by conducting QA reviews. The expected final action is expected by September 2014.
ROM 10-19	Material Deficiencies Identified in Early-Defaulted and Early-Problem Recovery Act Loans	9/24/10	4/1/11	1/31/13	The remaining recommendation on this audit is to the Office of Capital Access to require the lenders have 25 purchased loans to bring the loans into compliance or recover the \$375,259 in paid guaranties. Twenty-four out of 25 loans have been resolved. The final loan is currently in the dispute resolution process and a decision is being reviewed by the Office of Financial Assistance to ensure policy compliance. Once the review is completed, a determination on the loan and potential repair will be instated.

* Management decision dates vary with different recommendations.

**Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision*	Final Action Target Date**	Explanation as Submitted in FY 2013 AFR
11-06	Weaknesses Identified During the FY 2010 FIS-MA Review	1/28/11	3/28/11	9/30/11	<p>The eight recommendations are to the Office of the Chief Information officer to (1) require an updated list of Major Systems and their interfaces; (2) manage, control, and monitor system interconnections throughout their lifecycle; (3) develop configuration management policies and procedures; (4) develop and maintain a centralized inventory of all Agency hardware and software; (5) develop and document baseline configuration for each information system; and (6) develop and test disaster recovery plans. Status for these recommendations include (1) A total count of all interconnections was completed and Interconnection Service Agreements (ISAs) for FISMA-reportable systems are being obtained. Estimated completion of the final action is 9/30/14. (2) SOP 90 47 3, published 10/10/12, requires system owners to manage system interconnections in accordance with NIST requirements. SBA personnel had one year to implement the requirements of the SOP. OCIO is working with the OIG to close this recommendation. The final action completion date is estimated to be 12/31/13. (3) Configuration Management policy is being developed to incorporate enterprise change control. The final action completion date is estimated to be 9/30/13. (4) An enterprise-wide asset management tool will be procured to centrally manage assets.</p>

* Management decision dates vary with different recommendations.

**Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision*	Final Action Target Date**	Explanation as Submitted in FY 2013 AFR
					(5) A gap analysis was conducted to determine which applications need to have a baseline established. A project is underway to establish baselines for all systems agency hardware and software. Final action completion is estimated to be 9/30/14. (6) For externally hosted moderate impact and high-impact systems, disaster recovery tests were performed. There currently is no disaster recovery solution for internally-hosted systems and therefore only table top tests were performed. A solution is being identified to meet the disaster recovery tests per NIST requirements. The final completion date is estimated to be 9/30/14.
11-07	Processing of Insurance Recovery Checks at the Disaster Loan Servicing Centers	2/10/11	4/7/11	6/30/14	The recommendation is to the Office of Capital Access to revise the SOP to provide detailed instructions for processing insurance recovery checks. OFPO developed and issued a duplication and benefits logic tree and narrative to assist in the processing of insurance recovery checks. Additionally, SOP 50 52 in final draft and is being prepared for Agency Clearance by the end of the calendar year. The final action due date for this recommendation is 12/31/13.

* Management decision dates vary with different recommendations.

**Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision*	Final Action Target Date**	Explanation as Submitted in FY 2013 AFR
ROM 11-04	Quality of SBA's Recovery Act Data on Public Websites	3/22/11	10/6/11	**	The six recommendations are to the Office of the Chief Financial Officer to determine if awards were made or funds should be de-obligated on 66 purchase requisitions; to perform routine reconciliation of executed awards to FPDS-NG.gov; to deploy an independent statistical verification and validation of all SBA transactions; to determine if Recovery Act funds were used to fund 13 contracts; to develop a data quality plan; and to monitor contractor reported information and prime contractor information for accuracy. The OCFO is researching data to resolve the contract funding issues and is developing procedures to ensure data accuracy in the future. The independent verification and validation of SBA transactions and the revision of the data quality plan have been implemented; follow-up with the OIG should close these issues. Final actions for all recommendations are estimated to be 9/30/14.

* Management decision dates vary with different recommendations.

**Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision*	Final Action Target Date**	Explanation as Submitted in FY 2013 AFR
11-10	Management Advisory Report on Records Management and Documentation Process at the Disaster Loan Servicing Centers	3/29/11	6/20/11	6/30/14	The two recommendations are to the Office of Financial Programs to (1) develop record designation requirements for all loan servicing documents and incorporate the guidance into SOP 50 52 and (2) to revise the SOP to preserve the analyses performed to conduct all servicing actions. (1) Electronic record-keeping guidelines internal desk document was developed and issued to center personnel in February 2012. Additionally, SOP 50 52 in final draft and is being prepared for Agency Clearance by the end of the calendar year. The final action due date for this recommendation is 12/31/13. (2) A memorandum was issued to staff and has been reinforced with training. Additionally, SOP 50 52 in final draft and is being prepared for Agency Clearance by the end of the calendar year. The final action due date for this recommendation is 12/31/13.
11-14	SBA's Funding of Information Technology Contracts Awarded to ISIKA Technologies, Inc.	6/2/11	8/1/11	12/31/11	The two remaining recommendations are to the Office of the Chief Financial Officer and require a review of funding to ensure SBA did not violate the Anti-Deficiency Act during a Continuing Resolution in 2011 and a review of SBA's funding procedures. The OCFO is researching the funding issue to ensure funds were not inappropriately obligated and will review written policies and procedures to ensure work is performed in compliance with the FAR. Final action completion date is estimated to be 9/30/14.

* Management decision dates vary with different recommendations.

**Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision*	Final Action Target Date**	Explanation as Submitted in FY 2013 AFR
12-02	Independent Auditors' Report on the SBA's FY 2011 Financial Statements	11/14/11	12/22/11	**	<p>Explanation: The six open recommendations are to the Office of the Chief Information Officer and require (1) coordination with SBA program offices to enhance security vulnerability management processes; (2) prevent users from connecting unauthorized devices by implementing mandatory domain authentication for Internet Protocol address issuance; (3) ensure that information systems hosted by third parties comply with SBA policy and NIST guidance; (4) Oversee the review and validation of financial system accounts quarterly; (5) monitor the audit logs of all financial applications regularly; and (6) create, implement, and test system specific and the HQ COOP. Resolution activities include (1) OCIO hired contractors to assist in the security management process; estimated completion date is 9/30/14; (2) (3) The 802.1x solution has been fully implemented and the OCIO is working with the OIG to close this recommendation. Estimated completion date is 12/31/13. (4) Remediation activities are in process. Estimated completion date is 9/30/14. (5) A project is underway to implement a centralized audit logging tool. Procedures will be developed to periodically review system audit logs. Estimated completion date is 9/15/15. (6) Remediation activities are in process. Estimated completion date is 9/30/14.</p>

* Management decision dates vary with different recommendations.

**Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision*	Final Action Target Date**	Explanation as Submitted in FY 2013 AFR
12-10	FY 2011 Review of SBA's Improper Payments	3/15/12	5/15/12	4/30/14	The two remaining recommendations are to the Office of Capital Access and require that (1) loan officers evaluate the creditworthiness of borrowers on early default loans during the purchase and improper payment review processes; and (2) OCA conduct a cost/benefit analysis for payment recapture audits of 7(a) purchases. For (1) OCA made improvements to the purchase checklist but OIG identified additional items.
12-11R	High-Dollar Early-Defaulted Loans Require an Increased Degree of Scrutiny and Improved Quality Control at the National Guaranty Purchase Center	3/23/12	9/4/13	12/31/13	The two remaining recommendations are to the Office of Capital Access and require that (1) a loan be reviewed for potential recovery of \$1,330,708 plus interest; and (2) trained loan specialists perform purchase reviews on early defaulted loans above the purchase amount of \$500,000. The loan in (1) is currently in review by portfolio management and undergoing the dispute resolution process. For (2) OFPO agreed to modify its process and will incorporate repayment ability guidance as indicated in the new issuance SOP 50-10 5F, effective January 1, 2014.

* Management decision dates vary with different recommendations.

**Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision*	Final Action Target Date**	Explanation as Submitted in FY 2013 AFR
12-13	Review of the SBA's Cash Gifts	3/30/12	6/19/12	6/30/13	The remaining recommendation is to the Office of General Counsel and recommends collaboration with the Offices of Strategic Alliances and the Chief Financial Officer to issue SOP 90.53. OIG recommends four specific inclusions to SBA's policies and procedures. The SOP was completed for review in November 2012; OGC is now evaluating the comments to ensure compliance with various laws and policies. Estimated completion date is 9/30/14.
12-14	The Small Business Administration did not Maximize Recovery for \$171.1 Million in Delinquent Disaster Loans In Liquidation	7/2/12	*	**	The four recommendations are to the Office of Capital Access and recommends that (1) specific actions be taken for loans over 180 days delinquent that are secured by collateral; (2) immediately charge-off loans over 180 days delinquent not secured by collateral; 3) Update SOP's to include Debt Collection Improvement Act and Treasury Managing Federal Receivables Guide requirements; and (4) provide training on DCIA and Treasury's guide. OCA is currently working with the Department of Treasury to develop a process for referring collateralized debt under a new Agency Profile that will allow SBA to maintain compromise authority. Training in DCIA has been provided and will be again, in addition to training provided by the Department of Treasury. Additionally, SOP 50 52, which provides DCIA guidance, is in its final draft form. Estimated completion is 12/31/13.

* Management decision dates vary with different recommendations.

**Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision*	Final Action Target Date**	Explanation as Submitted in FY 2013 AFR
12-15	Weaknesses Identified During the FY 2011 Federal Information Security Management Act Review	7/16/12	8/16/12	**	The three remaining recommendations are to the Office of the Chief Information Officer and require (1) development of an overall strategy to implement OIG recommendations on FISMA security requirements; (2) perform recertification reviews of agency general support systems or design compensating controls; and (3) continuously monitor remote access audit logs for unauthorized activity. OCIO will (1) hold weekly meetings to prioritize and monitor remediation progress on OIG recommendations and provide a report to the CIO; (2) perform recertification reviews for users of the general support systems; and (3) implement a process to review VPN logs on an ongoing basis to timely identify and mitigate unauthorized activity. Estimated completion date is 9/30/14.

* Management decision dates vary with different recommendations.

**Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision*	Final Action Target Date**	Explanation as Submitted in FY 2013 AFR
12-16	The Small Business Administration's Inappropriate Use of the Government Purchases Card for Construction Purchases	8/6/12	9/11/12	**	The two recommendations are to the Office of the Chief Financial Officer and require that purchase cardholders have current delegation letters that reflect limitations and approving officials and that training be provided by OCFO on the proper use of government purchase cards to include the definition of construction. The OCFO has completed both actions and will work with the OIG to close these recommendations. Estimated completion date is 4/30/14.
12-18	A Detailed Repayment Ability Analysis is Needed on High-Dollar Early-Defaulted Loans to Prevent Future Improper Payments	8/16/12	*	**	The three recommendations are to the Office of Capital Access and require (1) revision of the purchase process to verify lender's compliance with SBA's repayment ability requirements; (2) training of purchase staff on repayment ability requirements; and (3) perform a cost/benefit analysis for detailed reviews of early defaulted loans of less than \$500,000. OFPO agreed to modify the process and incorporate repayment ability guidance as indicated in the SOP 50-10 5F, effective January 1, 2014. The estimated completion date is March 31, 2014.

* Management decision dates vary with different recommendations.

**Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision*	Final Action Target Date**	Explanation as Submitted in FY 2013 AFR
					OFPO will also produce a determination on the funds for better use calculation developed by the OIG. In addition, staff is being trained with a completion date of 11/30/13. Further, a risk assessment is being performed with a completion date of 11/5/13.
12-22	The SBA's Ratification Process Could Lead to Possible Anti-Deficiency Act Violations	9/28/12	10/12/12	3/31/13	The two recommendations are to the Office of the Chief Financial Officer and require that a review of previously ratified unauthorized commitments and remaining ratification actions for Anti-Deficiency Act violations. The OCFO reviewed the ratified commitments and confirmed that no Anti-Deficiency violations occurred. The OCFO is working with the OIG to close these recommendations. Anticipated completion date is 4/30/14.
13-03	Benefits of Mentor Protégé Joint Ventures are Unknown: Robust Oversight is Needed to Avoid Abuse and Assure Success	10/23/12	1/24/13	9/30/13	Not Reported in AFR

* Management decision dates vary with different recommendations.

**Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision*	Final Action Target Date**	Explanation as Submitted in FY 2013 AFR
13-04	Independent Auditor's Report on the SBA's FY 2012 Financial Statements	11/14/12	*	**	Not Reported in AFR
13-07	The Small Business Administration's Improper Payment Rate for 7(a) Guaranty Purchases Remains Significantly Underestimated	11/15/12	3/12/13	4/30/14	Not Reported in AFR
13-08	The SBA Mismanaged Certain 8(a) Information Technology Contracts	12/3/12	*	**	Not Reported in AFR
13-09	Audit of the SBA's FY 2012 Financial Statements - Management Letter	12/11/12	*	**	Not Reported in AFR
13-11	The SBA's Loan Management and Accounting System Incremental Improvement Projects	3/12/13	*	**	Not Reported in AFR
13-17	The SBA's Portfolio Risk-Management Program Can be Strengthened	7/2/2013	9/30/2013	**	Not Reported in AFR
13-16R	Purchase Reviews Allowed \$4.6 million in Improper Payments on 7(a) Recovery Act Loans	6/14/13	3/28/14	**	Not Reported in AFR
13-17	The SBA's Portfolio Risk-Management Program Can be Strengthened	7/2/13	9/30/13	8/1/14	Not Reported in AFR

* Management decision dates vary with different recommendations.

**Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision*	Final Action Target Date**	Explanation as Submitted in FY 2013 AFR
13-18	The SBA Did Not Effectively Manage Defaulted Disaster Loans to Maximize Recovery From 2006-2011	9/27/13	3/30/14	3/24/15	Not Reported in AFR
13-21	SBA's Enterprise-wide Controls Over Cosponsored Activities	9/26/13	1/23/14	12/12/14	Not Reported in AFR

* Management decision dates vary with different recommendations.

**Target dates vary with different recommendations.

Appendix VII: Significant Recommendations

From Prior Reporting Periods Without Final Action as of March 31, 2014

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
10-14	9/13/10	Revise the LMAS QA plan to incorporate all the components required by the enterprise-wide QA plan.	10/21/10	6/13/10
ROM 10-19	9/24/10	Require the lenders to bring the 25 purchased loans with material deficiencies into compliance and recover the \$375,259 in guaranties paid.	4/1/11	1/31/13
11-06	1/28/11	Update the list of Major Systems to include all the interfaces between each system and all other systems and networks, including those not operated by, or under the control of the agency and obtain written Interconnection Security Agreements for every SBA system that has an interconnection to another system.	3/28/11	9/30/11
11-06	1/28/11	Establish a program at SBA to manage, control and monitor system interconnections throughout their lifecycle. The program should encompass planning, establishing, maintaining, and terminating system interconnections, including enforcement of security requirements.	3/28/11	9/30/11
11-06	1/28/11	Develop and maintain a centralized inventory of all agency hardware and software.	3/28/11	9/30/11
ROM 11-04	3/22/11	Research the \$21,627,140 in this report to determine whether the award has been made or the funds should be deobligated. This research should result in these actions being posted to FPDS.gov.	10/6/11	6/30/12
ROM 11-04	3/22/11	Deploy an independent statistical verification and validation of all SBA transactions awarded and subsequently reported to FPDS.gov.	10/6/11	6/30/12
ROM 11-04	3/22/11	Research the \$695,157 in this report to determine the disposition of these awards and whether Recovery Act funds were actually used to fund the awards. If not, these awards need to be corrected in PRISM, FPDS.gov, and the contract files.	10/6/11	1/31/12
ROM 11-04	3/22/11	Develop and implement a data quality plan that documents processes to ensure timely, accurate, and complete submission of contracts data to USASpending.gov.	10/6/11	6/30/12

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
ROM 11-04	3/22/11	Implement continuous monitoring procedures to ensure that contractor-reported information is correct and accurate, and that all prime contractors are accurately reporting the use of subcontractors.	10/6/11	12/31/11
11-10	3/29/11	Develop record designation and retention requirements for all loan servicing documents and coordinate with the Office of Management & Administration to incorporate this guidance into SOP 50 52. The requirements should specify which documents should be designated as records, and therefore retained, and for how long.	6/20/11	6/30/14
11-10	3/29/11	Revise SOP 50 52 to include a requirement to preserve the analyses performed to conduct all servicing actions. A summary of the analysis should be present on the Form 327 and the detail of the analysis should accompany the SBA Form 327 action. The analysis should include sufficient detail to permit an outside party, not connected with the transaction, to verify the accuracy of the decision.	6/20/11	6/30/14
11-14	6/2/11	Establish procedures to discontinue SBA's practice of inappropriately obligating funds on contracts in anticipation of future needs.	8/1/11	12/31/11
12-02	11/14/11	Recommend the CIO coordinate with the SBA program offices to enhance security vulnerability management processes. Specifically, the SBA should: (a) redistribute procedures and train employees on the process for reviewing and mitigating security vulnerabilities, (b) periodically monitor the existence of unnecessary services and protocols running on their servers and network devices, (c) perform vulnerability assessments with administrative credentials and penetration tests on all SBA offices from a centrally managed location with a standardized reporting mechanism that allows for trending, on a regularly scheduled basis in accordance with NIST guidance, (d) develop a more thorough approach to track and mitigate configuration management vulnerabilities identified during monthly scans, and (e) monitor security vulnerability reports for necessary or required configuration changes to their environment.	12/22/11	3/31/12

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
12-02	11/14/11	Coordinate with SBA program offices to ensure that information systems hosted by third parties comply with SBA policy and NIST guidance.	12/22/11	9/29/12
12-02	11/14/11	Coordinate with SBA program offices to oversee the review and validation of financial system accounts on a quarterly basis.	12/22/11	4/30/12
12-02	11/14/11	Coordinate with SBA program offices to implement a process to monitor the audit logs of all financial applications on a regular basis.	12/22/11	3/30/12
12-04	12/16/11	Revise the Goaling Guidelines for the Small Business Preference Programs to include contracts awarded and/or performed overseas in the small business goaling baseline beginning with fiscal year 2011.	Overdue	Target date not established.
12-10	3/15/12	Require loan officers to thoroughly evaluate creditworthiness (including repayment ability) on early default loans during both guaranty purchase and improper payment reviews	5/15/12	4/30/14
12-10	3/15/12	Upon completing the revised improper payment rate projection for 7(a) purchases, conduct a detailed and objective cost/benefit analysis for payment recapture audits of 7(a) purchases.	9/26/12	10/4/13
12-11R	3/23/12	Establish a specialized unit of well-trained, highly experienced loan specialists to perform purchase reviews with the level of scrutiny necessary to identify all material deficiencies on early-defaulted loans approved for \$500,000 or more.	10/19/12	5/30/14

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
12-14	7/2/12	Take the following actions for disaster loans in liquidation status delinquent over 180 days that are secured by collateral, but not specifically exempt from referral to Treasury: <ul style="list-style-type: none"> • Evaluate whether prompt foreclosure is feasible. • Initiate foreclosure proceedings promptly on loan collateral for which the NDLRC has determined that foreclosure is feasible. • Charge off loans for which the NDLRC has determined that foreclosure on the collateral is not feasible and ensure transfer of the debts to Treasury FMS for cross servicing. 	3/31/14	3/24/15
12-14	7/2/12	Immediately charge off all disaster loans in liquidation status delinquent over 180 days and not secured by collateral, or specifically exempt from referral to Treasury.	3/31/14	3/24/15
12-15	7/16/12	Develop an overall strategy to timely implement audit recommendations issued by the the OIG relating to FISMA security requirements.	8/16/12	10/30/12
12-18	8/16/12	Direct the NGPC to revise its purchase process for high-dollar early-defaulted loans approved by lenders to verify compliance with SBA's repayment ability requirements, including the performance of a detailed analysis of the lenders' computation of repayment ability.	Overdue	Target date not established.
13-03	10/23/12	Develop specific, measurements (outputs and outcomes) to evaluate benefits of the joint venture agreements to the protégé.	1/24/13	9/30/13
13-04	11/14/12	Ensure that database administrator and system administrator access is restricted through role-based segregation of duties and managed through an effective audit log review process.	3/8/13	3/1/14
13-04	11/14/12	Enforce an organization-wide configuration management process, to include policies and procedures for maintaining documentation that supports testing and approvals of software changes.	3/8/13	9/30/14
13-07	11/15/12	Create a more comprehensive improper payment detection checklist for reviewing 7(a) guaranty purchases to address the many requirements that reviewers must be familiar with when conducting improper payment reviews.	3/12/13	4/30/14

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
13-07	11/15/12	Seek recovery of \$1,016,116, less subsequent liquidation recoveries from American Business Lending, Inc. for loan number 3646765010 to Gregory L. Ratcliff (Pioneer Discount Furniture, Inc.).	Overdue	Target date not established.
13-07	11/15/12	Seek recovery of \$714,444, less subsequent liquidation recoveries from Community South Bank for loan number 3076325004 to Water-Well Investments (Splash and Dash).	Overdue	Target date not established.
13-08	12/3/12	Recover \$12,073 from iTechnologies for payments the contractor received in duplicate.	2/5/13	9/30/13
13-08	12/3/12	Initiate debarment proceedings for TLE and its officials to prohibit future contracting with any agency of the Executive Branch of the United States government.	1/18/13	4/1/13
13-08	12/3/12	Conduct an internal control review of SBA's acquisition function in compliance with OMB Circular A-123 and OMB Memorandum, Conducting Acquisition Assessments under OMB Circular A-123.	Overdue	Target date not established.
13-11	3/12/13	Adopt a new IIP under LMAS to facilitate the transfer of data and move its new COBOL code to a full production environment	9/12/13	4/11/14
13-11	3/12/13	Ensure that the Root Cause Analysis IIP be revised so that it conforms to the scope originally approved by the BTIC. The Root Cause Analysis should identify the most critical business needs of the SBA, analyze remaining issues when each LMAS-IIP is completed, and develop plans to prioritize additional projects to address SBA's most important business needs.	6/28/13	4/15/14
13-11	3/12/13	Implement an Independent Verification and Validation program for the LMAS-IIP that tests and validates that each IIP meets its program and functional requirements.	9/12/13	9/20/15
13-12	3/26/13	For purchase order SBAHQ-11-M-0018, review all invoices and make a determination of whether all the work that was billed to the SBA was actually performed. If not, the CO should take appropriate action.	Overdue	Target date not established.

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
13-16R	6/14/13	Seek recovery of \$1,425,247 from Compass Bank on the guaranty paid by SBA for the loan to Christopher W. Risenhoover.	3/28/14	3/31/15
13-16R	6/14/13	Seek recovery of \$669,963 from The Washington Trust Company on the guaranty paid by the SBA for the loan to Bernie's Fuel Oil Company	3/28/14	3/31/15
13-16R	6/14/13	Seek recovery of \$967,869 from High Trust Bank on the guaranty paid by SBA for the loan to Metalflex Manufacturing	3/28/14	3/31/15
13-16R	6/14/13	Seek recovery of \$555,368 from Monadnock Community Bank on the guaranty paid by SBA for the loan to PCL Group, LLC.	3/28/14	3/25/15
13-16R	6/14/13	Seek recovery of \$310,637 from Plaza Bank on the guaranty paid by SBA for the loan to Tiger Manufacturing.	3/28/14	3/31/15
13-16R	6/14/13	Seek recovery of \$680,900 from American Bank of Commerce on the guaranty paid by SBA for the loan to RedCastle Manufacturing LLC.	3/28/14	3/31/15
13-17	7/2/2013	Implement a portfolio risk-management program that analyzes risk across portfolio segments.	9/30/13	8/1/14
13-21	9/26/2013	We recommend the Office of Strategic Alliances establish controls, such as a reporting system, to ensure that all activities are timely and properly closed out, and that all required documents and reports, as specified in SOP 90 75 3, are obtained.	1/23/14	12/1/14
13-21	9/26/2013	We recommend the Associate Administrator, under the provisions of FMFIA, perform periodic quality service reviews to include cosponsorship files and funds disposition, verifying any expenses paid out of cosponsored income are appropriate.	Overdue	Target date not established.
13-18	9/27/2013	We recommend that the Director, Office of Financial Program Operations, mandate that the NDLRC comply with the DCIA and, develop, and implement management controls and processes related to debts, to ensure a. That all eligible charged off loans now designated with loan status comment code "66" are transferred to Treasury for cross servicing promptly.	3/31/14	3/24/15

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
13-18	9/27/2013	<p>We recommend that the Director, Office of Financial Program Operations, mandate that the NDLRC comply with the DCIA and, develop, and implement management controls and processes related to debts, to ensure</p> <p>a. That the NDLRC does not designate loans charged off in the future to block their transfer to Treasury for cross servicing because the loans have un-liquidated real estate collateral.</p>	3/30/14	3/24/15
13-18	9/27/2013	<p>We recommend that the Director, Office of Financial Program Operations, mandate that the NDLRC comply with the DCIA by developing and implementing management controls and processes related to debts, to ensure</p> <p>a. The Transfer of all legally enforceable debts already charged off, to Treasury for cross servicing. (Note: \$6.36 m via cross servicing plus \$5.98 m via offset.)</p>	3/30/14	3/24/15
13-18	9/27/2013	<p>We recommend that the Director, Office of Financial Program Operations, mandate that the NDLRC comply with the DCIA by developing and implementing management controls and processes related to debts, to ensure</p> <p>b. That all debtors associated with charged off legally enforceable debts, required to be transferred to Treasury for cross servicing and offset, are successfully transferred. (Over the next two years: \$2.54 m from transferring non -66 coded loans to cross servicing plus \$2.39 m from transferring debts to offset.)</p>	3/31/14	3/27/15

Appendix VIII: Significant Recommendations

October 1, 2013-March 31, 2014

Report Number	Title	Date Issued	Recommendation
14-02	The SBA's FY 2012 Reported Improper Payment Rate for Disbursements and Contracting was Inaccurate and Incomplete	10/24/2013	Include all improper payment errors reportable under Office of Management and Budget (OMB) guidance in the improper payment rate calculation for FY 2013 or obtain OMB approval before excluding errors such as those identified in Appendix IV to this report.
14-02	The SBA's FY 2012 Reported Improper Payment Rate for Disbursements and Contracting was Inaccurate and Incomplete	10/24/2013	Conduct a review of all invoices pertaining to contract number SBAHQ-11-F-0027 (sample item 39) and recover all unauthorized overage charges and insurance fees from the vendor.
14-02	The SBA's FY 2012 Reported Improper Payment Rate for Disbursements and Contracting was Inaccurate and Incomplete	10/24/2013	Determine whether the charges for the CPICA CPIC Analyst labor category pertaining to contract number SBAHQ-10-D-0010 were proper and within the scope of the contract. If not, take appropriate action(s), including pursuing reimbursement from the vendor, to protect the interest of the government.
14-03	Opportunities Exist to Further Improve Quality and Timeliness of HUBZone Certifications	11/19/2013	Review the HUBZone certification process and identify a means to meet the deadlines established by regulation, through an improved business process.
14-03	Opportunities Exist to Further Improve Quality and Timeliness of HUBZone Certifications	11/19/2013	Review the certification of the three firms identified by the OIG in this report for possible de-certification.
14-03	Opportunities Exist to Further Improve Quality and Timeliness of HUBZone Certifications	11/19/2013	Update HUBZone guidance based on the current certification process, which includes the full supporting documentation review. Consider incorporating into the guidance a search of FPDS-NG database to ensure the firm is not receiving contracts with HUBZone status during the HUBZone application review and a method to maintain a complete history of the firm's status in the DSBS.
14-04	Audit of SBA's FY 2013 Financial Statements dated 11/16/13	12/16/2013	KPMG recommends that the Chief Information Officer coordinates with SBA program offices to address the existing configuration management vulnerabilities noted during our assessment to be in compliance with SBA policy and SBA Vulnerability Assessment Team (VAT) Internal Operating Procedures, Version 1.4.

Report Number	Title	Date Issued	Recommendation
			In addition, implement procedures to ensure the consistent implementation and monitoring of SBA approved security configuration baselines across SBA's workstations, servers, databases, network devices, and other security relevant appliances.
14-04	Audit of SBA's FY 2013 Financial Statements dated 11/16/13	12/16/2013	KPMG recommends that the Chief Financial Officer and the Associate Administrator, Office of Disaster Assistance, implement scans of financial systems in its production environment using privileged access authorization.
14-04	Audit of SBA's FY 2013 Financial Statements dated 11/16/13	12/16/2013	KPMG recommends that the Chief Information Officer coordinates with SBA program offices to enforce a network access security baseline(s) across the network, consistent with SBA security policy, Office of Management and Budget directives, and United States Government Configuration Baseline requirements.
14-04	Audit of SBA's FY 2013 Financial Statements dated 11/16/13	12/16/2013	KPMG recommends that the Chief Information Officer coordinates with the SBA program offices to review the list of individuals with HQ data center access permissions periodically, to ensure that only authorized personnel retain access to the HQ data center.
14-04	Audit of SBA's FY 2013 Financial Statements dated 11/16/13	12/16/2013	<p>KPMG recommends that the Chief Information Officer coordinates with SBA program offices to improve SBA's administration of logical system access by taking the following actions:</p> <ol style="list-style-type: none"> 1) Implement an effective off-boarding process and verify periodically that controls to remove logical access for separated employees from SBA systems are implemented and operating as designed; 2) Establish a process for the identification and removal of separated contractors in order to help ensure that access is timely removed upon contractor separation; and 3) Remove access to the general support systems and major applications (including development and test environments) timely when terminated employees and contractors are identified.

Report Number	Title	Date Issued	Recommendation
14-04	Audit of SBA's FY 2013 Financial Statements dated 11/16/13	12/16/2013	KPMG recommends that the Chief Information Officer coordinates with the SBA program offices to address the vulnerabilities noted during the FY 2013 audit, to be in compliance with SBA policy and SBA Vulnerability Assessment Team (VAT) Internal Operating Procedures, Version 1.4. In addition, implement procedures to ensure the consistent identification, tracking, and resolution of security vulnerabilities across SBA's workstations, servers, databases, network devices, and other security relevant appliances.
14-04	Audit of SBA's FY 2013 Financial Statements dated 11/16/13	12/16/2013	KPMG recommends that the Chief Information Officer coordinates with SBA program offices to grant elevated network privileges per business needs only and enforce the concept of least privilege or implement mitigating controls to ensure that activities performed using privileged network accounts (including service accounts) are properly monitored.
14-04	Audit of SBA's FY 2013 Financial Statements dated 11/16/13	12/16/2013	KPMG recommends that the Associate Administrator, Office of Capital Access, in coordination with the Chief Information Officer, designs and implements a combination of preventative and detective controls to address the issues and related risks in the condition above, and ensure an auditable trail of software changes is maintained to prevent and detect unauthorized changes to production programs.
14-08	Quality Control Program at the National Guaranty Purchase Center and Loan Servicing Centers for 7(a)	1/17/2014	Ensure the proper allocation of resources and scoping of the quality control program to complete required quality control activities at the loan operation centers.
14-09	Purchase Reviews Allowed \$3.1 Million in Improper Payments on 7(a) Recovery Act Loans	1/29/2014	#1 - Seek recovery of \$1,473,770 (less any amounts received from liquidation) from TD Bank on the guaranty paid by the SBA for the loan to Emerson Holdings, Corp.
14-09	Purchase Reviews Allowed \$3.1 Million in Improper Payments on 7(a) Recovery Act Loans	1/29/2014	#3 - Seek recovery of \$897,091 (less any amounts received from liquidation) from Liberty Bank on the guaranty paid by the SBA for the loan to Dinh V. Luong d/b/a Old Matt's Guesthouse.

Report Number	Title	Date Issued	Recommendation
14-09	Purchase Reviews Allowed \$3.1 Million in Improper Payments on 7(a) Recovery Act Loans	1/29/2014	#2 - Seek recovery of \$685,691 (less any amounts received from liquidation) from Florida Community Bank (formerly First Peoples Bank) on the guaranty paid by the SBA for the loan to TJ Truss Corp.
14-10	The SBA Did Not Follow Regulations and Guidance in the Acquisition of the OneTrack System	2/12/2014	Conduct a requirements analysis in addition to a cost assessment of the system to determine what still needs to be developed to achieve the objectives of the final system.
14-10	The SBA Did Not Follow Regulations and Guidance in the Acquisition of the OneTrack System	2/12/2014	Ensure all appropriate provisions (e.g. testing, conversion, and installation procedures) of the SDM guidance are met prior to placing OneTrack into production.
14-10	The SBA Did Not Follow Regulations and Guidance in the Acquisition of the OneTrack System	2/12/2014	Ensure that only Government employees - not Government contractors - provide oversight of any additional contracts used to develop and implement the OneTrack system.

Appendix IX: Cosponsored & Other Activities

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Government Contracting Workshop Series	Vermont DO - Vermont Small Business Development Center, Vermont Procurement Technical Assistance Center	Vermont Statewide	10/30/2013
SBA Annual Meeting	Vermont DO - Vermont Small Business Development Center	Montpelier, VT	11/6/2013
New Hampshire DO Lenders Awards Ceremony	New Hampshire DO - New Hampshire Bankers Association	Concord, NH	11/6/2013
Capital Access	Portland DO - Oregon Banker's Association	Portland, OR	11/7/2013
Business Roundtables	Wyoming DO - Atlantic City Federal Credit Union, Wind River Development Fund	Fort Washakie, WY	11/15/2013
2013 Lender Awards Event	New Jersey DO - Trenton Business Assistance Corporation	East Windsor, NJ	11/27/2013
Finding New International Customers Workshop	West Virginia DO - U.S. Commercial Service-U.S. Export Assistance Center of West Virginia, West Virginia Development Office- International Division	Elkins, WV	11/27/2013
Affordable Care Act Weekly Webinar Series	HQ/OCPL-Small Business Majority	World Wide Web	12/1/2013
Business Development Workshops	Columbus DO - Ohio University Procurement Technical Assistance Center, Lawrence Economic Development Corporation Procurement Outreach Center aka Southern Ohio Procurement Outreach Center	Columbus, Cincinnati, Athens, South Point, OH	12/11/2013
Small Business Boot Camp Seminar Series	New York DO - Brooklyn Public Library	Brooklyn, NY	12/11/2013
Entrepreneur Assistance Workshop Series 2014	New York DO - Carroll Gardens Association, Inc.	Brooklyn, NY	12/11/2013
SBA & Zhejiang Chamber of Commerce of America Business Success Series 2014	New York DO - Zhejiang Chamber of Commerce of America	Flushing, NY	12/16/2013
SBA & Monroe College King Graduate School Business Seminars 2014	New York DO - Monroe College King Graduate School Queens Extension Site	Flushing, NY	12/16/2013
Accounting and Bookkeeping Webinar Series	North Dakota DO - DFC Consultants, Ltd.	World Wide Web	12/16/2013

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Changes in Federal and State Employment Laws, Rules and Regulations Workshops	San Diego DO - California Employers Association	San Diego, CA	12/17/2013
SBA Day in Alpine	San Diego DO - Alpine Chamber of Commerce	Alpine, CA	12/17/2013
2014 Ohio Business Matchmaker	Columbus DO - SBDC, Inc. Springfield and Clark County, Ohio Development Services Agency - Office of Business Assistance - Small Business Development Center, Office of Business Assistance - Procurement Technical Assistance Center, Minority Business Enterprise Division - Minority Contractor Business Assistance Program	Dayton, OH	12/19/2013
Vermont Entrepreneurship Week 2014	Vermont DO - Johnson State College - Department of Business and Economics, Vermont Agency of Commerce and Community Development, Vermont Career and Technical Student Organizations, Vermont Small Business Development Center	Montpelier, VT	12/19/2013
How to Manage Your Small Business Online Reputation	HQ/OCPL - Yelp	New York, NY, World Wide Web	12/24/2013
New Mexico SBA and New Mexico SBDC PTAP Workshops	New Mexico DO - New Mexico Small Business Development Center Procurement Technical Assistance Program, New Mexico Small Business Development Center Network	New Mexico	1/8/2014
Affordable Care Act Webinar Series	Portland DO - Small Business Majority - Oregon	World Wide Web	1/8/2014
Los Angeles District Office Lender Training and Awards	Los Angeles DO - Business Resource Group, Inc.	Los Angeles, CA	1/8/2014
Encore Entrepreneur	West Virginia DO - Charleston West Virginia SCORE Chapter 256, West Virginia State University Community & Economic Development Center, AARP West Virginia	Charleston, WV	1/10/2014
Lender Recognition Award Breakfast and Training	Utah DO - Mountain West Small Business Finance, Utah Certified Development Company	Salt Lake City, UT	1/17/2014

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Series of Government Contracting & Business Development Workshops and Matchmaker Events	Rhode Island DO - Rhode Island Commerce Corporation-Rhode Island Procurement Technical Assistance Center	Providence, RI	1/17/2014
Small Business Educational Series	Washington DC DO - Washington, DC Economic Partnership, Venable, LLP	Washington, DC	1/23/2014
Small Business Educational Series	Washington DC DO - DC Department of Small and Local Business Development	Washington DC	1/23/2014
Small Business Award Luncheon and Training	Utah DO - Mountain West Small Business Finance, Utah Certified Development Company	Salt Lake City, UT	1/23/2014
2014 Vermont Matchmaker	Vermont DO - Office of U.S. Senator Patrick Leahy, Vermont Chamber of Commerce, Vermont Agency of Transportation, Vermont Department of Building and General Services, Vermont Department of Economic Development, Vermont Small Business Development Center, Vermont Manufacturing Extension Center	Burlington, VT	1/23/2014
Small Business Workshop Series	Rhode Island DO - City of Providence Department of Planning and Development, SCORE Joseph G.E. Knight Chapter 13, Center for Women & Enterprise	Providence, RI	1/27/2014
Doing Business with the Government Workshops	Hawaii DO - State of Hawaii Department of Transportation, Honolulu Minority Business Center	Honolulu, Hilo, HI	1/27/2014
SBA/SBS Entrepreneurial Workshops	New York DO - NYC Business Solutions, Upper Manhattan Center	New York, NY	1/27/2014
Access To Capital for Small Business	New York DO - Harlem Community Development Corporation	New York, NY	1/27/2014
Small Business Workshop Series	Rhode Island DO-Office of Mayor Donald R. Grebien, City of Pawtucket, Pawtucket Foundation, Joseph G.E. Knight SCORE Chapter 13, Center for Women & Enterprise, TD Bank, Northern Rhode Island Chamber of Commerce	Pawtucket, RI	1/28/2014
SBA/NACC Youth Small Business Boot Camp Series	New York DO - New American Chamber of Commerce	Brooklyn, NY	1/30/2014

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
SBA/NACC Adult Small Business Boot Camp Series	New York DO - New American Chamber of Commerce	Brooklyn, NY	1/30/2014
Start Small Think Big Business Seminars	New York DO - Start Small Think Big	Bronx, NY	1/30/2014
Starting Your Business Program	Massachusetts DO - Operation A.B.L.E. of Greater Boston, Inc., AARP	Boston, MA	1/31/2014
Small Business Excellence Award Recognition	Syracuse DO - New York Business Development Corporation	Syracuse, Albany, NY	1/31/2014
OPERATION: Start Up and Grow	Syracuse DO - New York Business Development Corporation, M&T Bank, Onondaga Community College, Onondaga Small Business Development Center, Institute for Veterans and Military Families, WISE Women's Business Center, The Tech Garden, Syracuse SCORE Chapter 98, Martin J. Whitman School of Management-Department of Entrepreneurship & Emerging Enterprises-Falcone Center for Entrepreneurship at Syracuse University	Syracuse, NY	2/4/2014
Emerging Leaders Initiative	Syracuse DO-CenterState Corporation for Economic Opportunity, Central New York Technology Development Organization, Inc., City of Syracuse Office of Neighborhood and Business Development, Manufacturers Association of Central New York, Onondaga Small Business Development Center, SCORE Syracuse, State University of New York College of Environmental Science and Forestry, Syracuse University, The Downtown Committee of Syracuse, Inc., The Falcone Center for Entrepreneurship, The Tech Garden, The WISE Center	Syracuse, NY	2/4/2014
2014 International Business Expo	New York DO - Zhejiang Chamber of Commerce of America	Flushing, NY	2/11/2014
Small Business Workshop Series	Rhode Island DO - Center for Women & Enterprise, SCORE Joseph G.E. Knight Chapter 13	Providence, RI	2/11/2014
Opening Doors to Government Contracting for Women & Minorities	Syracuse DO-Mohawk Valley Small Business Development Center, Women's Business Center of NYS, Utica SCORE, North Country Procurement Technical Assistance Center	New York, NY	2/11/2014

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
2014 SBA Great Lakes Lenders' Conference	Michigan DO - SCORE Detroit Chapter 18	Detroit, MI	2/11/2014
Emerging Leaders Initiative	St. Louis DO - Commerce Bank, Grace Hill Women's Business Center, Midwest Regional Bank, Procurement Technical Assistance Center, SCORE St. Louis Chapter 21, Small Business & Technology Development Center, St. Louis Economic Development Partnership, Veteran's Business Resource Center	St. Louis, MO	2/20/2014
Emerging Leaders Initiative	Tennessee DO - Economic Development Growth Engine Industrial Development Board of the City of Memphis and County of Shelby Tennessee, Office of the Mayor of the City of Memphis, Office of the Mayor of Shelby County, Southwest Tennessee Community College	Memphis, TN	2/20/2014
Small Business Development Seminar Series	Santa Ana DO- Orange County Small Business Development Center, City of Mission Viejo	Mission Viejo, CA	2/20/2014
Small Business Seminar Series	Santa Ana DO-Orange County Small Business Development Center, City of Cypress Redevelopment Projects Office	Cypress, CA	2/20/2014
Women in Business Round Table	West Virginia DO- Marion County Chamber of Commerce	Fairmont, WV	2/20/2014
Emerging Leaders Initiative	Dallas/Ft. Worth DO-City of Dallas Office of Economic Development, Dallas Black Chamber of Commerce, DFW Minority Supplier Development Council, Greater Dallas Asian American Chamber of Commerce, North Texas Association of Government Guaranteed Lenders, North Texas Small Business Development Center Network, Regional Hispanic Contractors Association, SCORE Dallas Chapter 22, SCORE Fort Worth Chapter 120, Tri-County Regional Hispanic Chamber, US Pan Asian American Chamber of Commerce SW	Dallas, TX	2/20/2014

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
The Value of the Public Private Partnership: VWISE a case study	HQ/Office Veterans Business Development- Syracuse University Institute for Veterans and Military Families	Washington, DC	2/20/2014
Series of Three Demo Day Events for High Growth Accelerators	HQ/Office of Investment and Innovation - Global Accelerator Network	Austin, TX	2/21/2014
Export Trade Assistance Partnership Program	Santa Ana DO-City Riverside, Riverside County Economic Development Agency Office of Foreign Trade	Riverside, CA	2/28/2014
Export Training Workshop Events	Hawaii DO - State of Hawaii Department of Agriculture	Hawaii Statewide	2/28/2014
Emerging Leaders Initiative	Wichita DO-Beechcraft Corporation, Cargill Meat Solutions, City of Wichita Purchasing Office, Intrust Bank, Kansas Leadership Center, Kansas Procurement Technical Assistance Center, Kansas Small Business Development Center, Mid America Minority Supplier Development Council, Rose Hill Bank, SCORE Wichita Chapter 0143, USD 259 Wichita Public Schools, Westar Energy, Wichita State University, Center for Entrepreneurship, Wichita State University, Center for Innovation, Wichita Metro Chamber of Commerce	Wichita, KS	2/28/2014
Emerging Leaders Initiative	Wisconsin DO-BizStarts, City of Milwaukee, Greater Milwaukee Committee, Manpower, Inc., Metropolitan Milwaukee Sewerage District, Milwaukee County, Community Business Development Partners, Small Business Development Center, UW-Milwaukee, WI Business Development Finance Corporation, WI Economic Development Corporation, WI Women's Business Initiative Corporation	Milwaukee, WI	2/28/2014
Emerging Leaders Initiative	Illinois DO-Wintrust Financial Corporation, SCORE Chicago	Chicago, IL	2/28/2014
Emerging Leaders Initiative	Oklahoma DO-Oklahoma Small Business Development Centers, Rose State College, Rural Enterprises of Oklahoma, Inc., SCORE Oklahoma City Chapter 212	Midwest City, OK	2/28/2014

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
5 Steps to Building Business Credit and Access to Capital: Preparing to Meet Your Lender	HQ/OCPL-Dun & Bradstreet Credibility Corporation	World Wide Web	2/28/2014
Emerging Leaders Initiative	South Florida DO-ICABA Media Holdings, LLC, Minority Business Development Agency Business Center-Miami, SCORE Miami, Small Business Development Center at Florida International University, South Florida Minority Supplier Development Council, City of Miami, Women's Business Development Council of Florida	Miami, FL	3/7/2014
Emerging Leaders Initiative	Arizona DO-American Indian Chamber Education Fund Procurement Technical, Assistance Center, American Indian Chamber of Commerce of Arizona	Phoenix, AZ	3/7/2014
Emerging Leaders Initiative	Georgia DO-Minority Business Development Agency Business Center - Atlanta, Georgia Institute of Technology, SCORE Atlanta Chapter, Atlanta Development Authority dba Invest Atlanta	Atlanta, GA	3/7/2014
Emerging Leaders Initiative	Fresno DO-Central California Hispanic Chamber of Commerce, Fresno Area Hispanic Chamber of Commerce, Fresno Metro Black Chamber of Commerce, Minority Business Development Agency Business Center- Fresno, SCORE Fresno Chapter 380	Fresno, CA	3/7/2014
The Importance of Getting More Women to Start Businesses in STEM Fields	HQ/Office of Women's Business Ownership- 1776	Washington, DC	3/10/2014
U.S. Small Business Administration 2014 Awards Breakfast	Wisconsin DO-SCORE Southeast Wisconsin Chapter 28, Reinhart Boerner Van Deuren s.c., Milwaukee Business Journal	Milwaukee, WI	3/11/2014
Small Business Workshops	Baltimore DO - Business and Professional Woman	Cockeysville, MD	3/11/2014
Affordable Healthcare Act:	Hawaii DO-Kaiser Permanente, Hawaii Region	Hawaii	3/11/2014

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Small Business Management Workshop	North Dakota DO - Sitting Bull College	Yates, ND	3/11/2014
2014 Albany Matchmaker	Syracuse DO - New York Business Development Corporation, University at Albany Small Business Development Center, New York State Contract Reporter	Albany, NY	3/11/2014
SBA Day at the Ballpark 2014	Philadelphia DO - Constant Contact	Philadelphia, PA	3/14/2014
Meet Your Northern Maine Lenders and Resource Partners	Maine DO-Northern Maine Development Commission, Maine Centers for Women, Work and Community	Kent, Caribou, Houlton, ME	3/14/2014
Small Business Week Breakfast and Awards Ceremony	Puerto Rico DO-Puerto Rico Bankers Association	San Juan, PR	3/14/2014
Small Business Workshop Series	Rhode Island DO - Office of the Mayor Lisa Baldelli-Hunt City of Woonsocket, Center for Women & Enterprise, SCORE Joseph G.E. Knight Chapter 13, Northern Rhode Island Chamber of Commerce	Woonsocket, RI	3/14/2014
For Her Entrepreneurship-Resources, Opportunities, Experience & Support (For HEROES)	HQ/Office Veterans Business Development - The American Legion, Syracuse University Institute for Veterans and Military Families	Washington, DC	3/14/2014
SBA Weekly News Segment with Noticias MundoFox	Los Angeles DO - Noticias MundoFox	Los Angeles, CA	3/20/2014
Small Business Week 2014	St. Louis DO-Small Business Week of Eastern Missouri, Inc.	St. Louis, MO	3/20/2014
Salute to Small Business	South Carolina DO-South Carolina Chamber of Commerce, University of South Carolina - Small Business Development Center of South Carolina, South Carolina Department of Commerce, ECI/Find New Markets, U.S. Department of Agriculture - Rural Development Administration, SCORE Midlands Chapter 230	Columbia, SC	3/20/2014

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Oregon Small Business Week Award Event 2014	Portland DO -Albina Community Bank, Columbia State Bank, Evergreen Business Capital, Howard S. Wright, KBNP Radio 1410, KeyBank, NW Business Development Association, Oregon Bankers Association , Port of Portland, SCORE Portland Chapter 11, Oregon Small Business Development Center Network, Umpqua Bank, U.S. Bank, Wells Fargo	Portland, OR	3/20/2014
National Encore Entrepreneur Month, Tele-Townhalls & Webinar Series	HQ/Office of Entrepreneurial Development- AARP	Multiple Cities	3/21/2014
Monthly Small Business University Educational Series	Washington DC DO-Sage Solutions GTM, LLC	Washington, DC	3/25/2014
Monthly Business Forum	New York DO-White Plains Public Library, Women's Enterprise Development Center, Inc.	White Plains, NY	3/28/2014
Monthly Small Business Educational Series	Washington DC DO-Greater McLean Chamber of Commerce	McLean, VA	3/28/2014
Monthly Small Business University Educational Series	Washington DC DO-Montgomery Community Television, Mid-Atlantic Federal Credit Union	Rockville, MD	3/28/2014
Emerging Leaders Initiative	New Jersey DO-African American Chamber of Commerce of New Jersey, Brick City Development Corporation of Newark, Greater Newark Enterprises Corporation, Morris County Hispanic-American Chamber of Commerce, New Jersey Business and Industry Association, New Jersey Chamber of Commerce, New Jersey Small Business Development Center	Newark, NJ	3/28/2014
Emerging Leaders Initiative	Colorado DO-City of Aurora, Aurora Small Business Development Center, Denver Hispanic Chamber of Commerce, Colorado Small Business Development Center, Colorado Black Chamber of Commerce, Colorado National Bank	Aurora, CO	3/31/2014
Advancing Women in Business Series: Taking it to the Next Level Conference	Richmond DO-City of Chesapeake Department of Economic Development	Chesapeake, VA	3/31/2014

Appendix X: Legal Actions Summary

October 1, 2013-March 31, 2014

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
AL	BL	FBI	A borrower of a \$1,760,000 loan provided false receipts related to his equity injection requirement.	Individual indicted and pled guilty.
AL	BL	DCIS, Army CID, IRS/CI	A borrower of a \$40,000 loan submitted false income and employment information. The borrower misused the loan proceeds to pay off her boyfriend's debt.	Individual sentenced to 12 month's probation.
AR	DL	IRS/CI	A borrower received a \$703,300 disaster loan. He made false statements related to his financial condition and the location of integral business equipment at the time of the disaster.	Individual indicted.
CA	BL	FBI	A borrower made false statements relating to his failure to disclose three existing loans already in default as he received loans totaling \$1,839,359.	Individual was indicted and pled guilty.
CA	BL	FBI	An individual made false statements related to the deposit of fraudulent SBA loan proceeds into an unauthorized business account. It was determined she had stolen approximately \$362,875.	Individual was charged by information and pled guilty.
CA	BL	FBI	Two individuals, while under indictment, paid a straw borrower \$100,000 to pose as the owner of a business and apply for a \$4,500,000 loan to purchase two gas stations. False statements were made relating to the down payment to purchase the gas stations and the individuals also misused the loan proceeds for personal expenses.	Two individuals charged under a superseding indictment.
CA	BL	FBI	Two individuals made false statements related to their previous bankruptcies, pending law suits, and lack of controlling interest in the business as they applied for a \$1,450,000 loan.	Two individuals pled guilty.
CA	BL	TIGTA FBI	A borrower made false statements relating to prior bankruptcies, criminal history, misuse of a SSN and misuse of an IRS stamp as he applied for loans totaling \$400,000. He also used fraudulent means to obtain a \$150,000 line of credit and a \$100,000 term loan from other banks.	Individual indicted.
CA	GC	FBI, NCIS, IRS/CI, DCIS, GSA/OIG	In a complex public corruption scheme involving multiple defendants, contractors provided kick-backs to public officials and other prime contractors in order to receive contracts in the 8(a) program on a Navy base. Instances of corruption include bribe payments and remodeling of public official's personal residences at no charge.	Three individuals pled guilty. One individual and his company pled guilty. One individual charged by information. The Department of the Navy also suspended seven individuals and six companies.

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
CO	None	GC	An 8(a) firm provided false information on the company's application. It also failed to disclose the extent to which non-8(a) persons or firms participated in its management.	Company terminated from the 8(a) program.
DC	GC	FBI IRS/CI Army/ CID DCIS	Government officials received bribes from participants in SBA programs (i.e. 8(a), Alaska Native Corporation, Service-Disabled/Veteran- Owned (SDVO), etc.) in return for the award of contracts. The same government officials then certified receipt of goods and services and authorized payment of fraudulent invoices submitted by the contractors. The contractors then provided a portion of the proceeds to the government officials, paid kickbacks to other contractors, and retained portions for themselves. The bribe and kickback payments exceed \$30 million.	Individual sentenced to 46 months in prison and ordered to pay \$1,888,500 in restitution/asset forfeiture.
FL	BL	IRS/CI	SBA's Microloan program makes larger loans to intermediary companies who, in turn, provide training and make smaller loans (maximum of \$50,000) to local small businesses. The director of one of these intermediary companies provided false documentation to the SBA to induce it to make loans of \$200,000 and \$550,000 to the company. In addition, the director allegedly reported that the company had made 21 local small loans using the SBA loan proceeds, when, in fact, it had only provided a total of \$25,000 to two businesses.	Individual pled guilty.
FL	GC	DHS/OIG	The owners and officers of two firms colluded to misrepresent the status of one of its firms when bidding on contracts set aside for SDVOSBs. False statements were also made to the SBA in response to a protest determination.	Two companies and four individuals suspended from federal contracting.
ID	GC	IRS/CI DOT/OIG FBI	The president of a construction company artificially lowered her personal net worth in order to appear to be economically disadvantaged. She did this by acquiring, holding, and transferring assets into the names of nominees. This allowed her company to qualify for the SBA 8(a) program and the Department of Transportation's Disadvantaged Business Enterprises (DBE) program. Based on the company's fraudulent participation in these programs, it received more than \$2.5 million in 8(a) federal government contracts and \$15 million in DBE state government contracts. In addition, an investor in the company was charged with obstruction of justice.	Individual sentenced to 84 months in prison and three years' supervised release. She was ordered to pay restitution of almost \$154,000 and forfeit \$3,084,038. A second individual was sentenced to three months in prison, two years supervised release, and a \$5,000 fine.

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
IL	BL	FBI, IRS/CI, FDIC/OIG	Loan agents sought out unqualified borrowers to purchase gas stations. These individuals provided false documents to SBA such as false tax returns, and offered kick-backs to lending officials in order to have the loans approved. The loans involved in this case may exceed \$10 million.	Four individuals indicted.
IL	BL	USPSIS	Loan agent sought out an unqualified borrower involving a loan for \$1,760,000 to purchase a gas station and convenience store. The loan agent, buyer and seller conspired to create false documents associated with an alleged \$200,000 inheritance used for the down payment.	Individual indicted.
KS	BL	FDIC/OIG, IRS/CI, USSS	The wife of a business owner was used as a nominee borrower to obtain a \$163,924 loan for the husband's business. The proceeds of the loan were diverted to pay off other loans and for personal expenses.	Two individuals indicted.
LA	BL	None	During an offer in compromise to satisfy a \$511,400 balance on a loan, the borrower misrepresented the value of the collateral for the loan and sold it to another company he owned. He also provided false financial information to the lender and SBA.	Individual pled guilty.
LA	DL	None	Working in collusion with a private contractor, a borrower submitted false documents (repair receipts) to the SBA to receive a \$98,700 disaster loan.	Individual charged by information.
MA	GC	VA/OIG, GSA/OIG, Army CID,	Pursuant to the issuance of a subpoena related to an SDVOSB investigation, an individual deleted documents on his computer which were responsive to the subpoena and relevant to the pending investigation.	Individual sentenced to 12 months' probation and a \$5,000 fine.
MA	BL	IRS/CI	A borrower obtained a series of loans including two SBA loans. He submitted numerous financial statements and records that did not reflect \$2.6 million of his business funds which were actually used for personal expenses. He also altered his financial books and records to conceal this information.	Individual pled guilty.
MD	BL	FBI USPSIS	The owners of a loan brokerage company and others encouraged prospective borrowers to apply for SBA 7 (a) business loans using the services of that company. The individuals submitted fraudulent SBA loan applications and supporting documentation (e.g. bank statements, cashier's checks, IRS documents) on behalf of their clients. These fraudulent documents falsely enhanced the creditworthiness of the borrowers and made it appear that they had more money for their equity injections than they actually did. To date, the conspiracy has resulted in losses of over \$100 million to the SBA.	Individual indicted. A second individual signed a deferred prosecution agreement and was ordered to pay \$75,000.

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
MD	GC	DCIS GSA/OIG IRS/CI	The owner of an 8(a) company provided false statements to the SBA by concealing his control and related improper financial arrangements with an affiliated company. He also concealed the use of over \$1 million in personal expenses which he recorded as a business expense. The affiliated company received over \$50 million in federal contracts.	Individual pled guilty.
MI	BL	USSS DHS/ICE	A borrower provided false statements to the SBA related to the required equity injection as he obtained a \$1.1 million loan	Individual pled guilty.
MO	BL	FBI	To date, a total of 18 defendants have been charged and pled guilty in a complex scheme to defraud the SBA. These defendants conspired to assist failing businesses which had significant outstanding/past due loans with a bank. Lending officials organized limited liability companies solely as nominee borrowers to funnel SBA loan proceeds back to them. This was done to conceal failing loans and to cure overdraft issues at the bank. The lending official(s) at this bank caused false statements to be made in approximately \$10 million in loans, approximately \$7 million of which were guaranteed by the SBA.	Five individuals pled guilty. One individual was sentenced to three years' probation and \$2,000 in restitution. One individual was sentenced to one year probation. One individual was sentenced to 24 months' probation.
NC	GC	NCIS DCIS	The president of a masonry company and his chief financial officer used an affiliated company as a "front" in order to receive a \$9.4 million subcontract to do masonry work at a military base.	Five companies and the presidents of two of the companies involved in this scheme agreed to a \$1,873,250 civil settlement.
NC	GC	NCIS DCIS	After being awarded a \$14 million contract, the owner created a construction firm to obtain two small business subcontracts on a Navy contract. The owner controlled both businesses. She also provided false documents to the SBA in support of her claim that this business was eligible for HUBZone status.	Individual indicted.
NJ	DL	NJ/Office of Attorney General, DHS/ OIG, HUD/ OIG	Four individuals applied for SBA loans claiming their primary residences were damaged by Superstorm Sandy. In fact, they were not their primary residences.	Four individuals indicted.

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
NJ	GC	VA/OIG GSA/OIG IRS/CI	The owner of a company claimed SDVSOB status when she was not eligible to receive this status. Her company received over \$1 million in federal contracts.	Individual charge in a criminal complaint.
NY	DL	None	A borrower was approved for a \$734,700 disaster loan. The borrower provided conflicting information to SBA and could not provide sufficient documentary proof of his losses.	The SBA discontinued additional disbursements resulting in a cost avoidance of \$715,700.
OH	GC	DCIS	A construction firm provided false statements to the SBA in order to receive certification as a HUBZone company. As a result, this company received millions of dollars in contracts using their HUBZone certification.	Civil complaint filed against the owner and company.
PA	GC	FBI	The owner of an 8(a) firm failed to disclose to the SBA that her company had previously participated in the 8(a) program in the 1980s when she applied for 8(a) status in 2001. Under SBA regulations, this company had exhausted her eligibility to participate again in the 8(a) program.	Individual paid a civil settlement of \$300,211.99.
TX	DL	None	A borrower forged signatures of his estranged wife and others on SBA loan documents in order to apply for two Hurricane Katrina SBA disaster loans totaling \$167,400. The borrower misused the loan proceeds.	Individual sentenced to three years' probation and \$34,964 in restitution.
TX	BL	FBI	A franchise company submitted false information to the SBA indicating borrowers had provided the required equity injection to receive the loans.	Company paid a civil settlement of \$1,125,000.
TX	BL	None	A husband and wife obtained a \$420,000 SBA-guaranteed loan. The borrowers provided false information related to the source of their equity injection. They also secured lines of credit under different company names and did not disclose these additional debts to the lender.	Both individuals received 12 months and one day in prison and restitution of \$281,672.90. The couple paid presentencing restitution of \$150,000.
TX	GC	VA/OIG	A company provided false information to the SBA related to their SDVOSB status. The firm falsified its credentials, office locations, number of employees, and past completed projects. The company received over \$1.5 million in contracts.	Individual pled guilty.

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
TX	GC	VA/OIG	A company recruited a disabled veteran as a front in order to receive federal contracts under their SDVOSB status. In fact, the disabled veteran had no financial investment in the firm, performed no work for the company, and did not exercise a controlling interest in the company	Individual pled guilty.
TX	DL	FBI	A borrower conspired with a contractor to submit false and inflated invoices to the SBA in support of two disaster loans he received in the amount of \$1,884,100.	Individual pled guilty.
UT	BL	FBI	Bank employees provided false borrower information on loan applications to meet underwriting criteria for three SBA loans. Borrowers misused the loan proceeds which benefited certain bank employees.	Bank paid a civil settlement of \$212,920.
UT	GC	None	A business in a mentor/protégé agreement with a small business took control of the small businesses' ownership and government contracts. The small business effectively acted as a front for this large business	Business paid a civil settlement of \$1,014,000.
VA	GC	DHS/OIG VA/OIG, GSA/OIG	An employee of a company with SDVOSB status conspired with other SDVOSB certified companies in a bid-rigging scheme. The employee received over \$80,000 for his participation in this scheme. A second employee received over \$1 million for his participation in this scheme. Value of the contracts involved in this case was \$33 million.	Employee pled guilty and was sentenced to three months in jail, two years of probation, and ordered to forfeit \$80,000 and a \$5,000 fine. Another employee pled guilty and was sentenced to 16 months in prison two years supervised release and ordered to forfeit \$1,065,103.
VA	GC	NASA/ OIG DCIS DHS/OIG	Individuals falsely represented to the government that a particular security contractor was eligible for the 8(a) program when, in reality, the company was controlled by a second security contractor. Over \$31 million in 8(a) and small business set-aside contracts were fraudulently obtained.	Individual sentenced to 60 months in jail, 24 months of supervised release, a \$12,500 fine and forfeiture of \$2,960,697.

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
WA	BL	FDIC/OIG	A borrower provided false information related to personal information, appraisal documents and the required equity injection to receive a loan for \$1,853,000.	Individual pled guilty.
WA	GC	DOE/OIG	The prime contractor claimed small businesses would perform the sub-contracting work on a multi-million DOE contract. The small businesses were determined by SBA to be other-than-small and were identified as being affiliated with the prime contractor.	A civil complaint was filed against the contractor.
WI	BL	FBI FDIC/OIG	A former bank president withdrew funds from accounts of unsuspecting commercial customers and deposited them into the accounts of another commercial customer who had reached his maximum borrowing limit. The president also allegedly made notations falsely indicating that the customers had authorized the transactions. The funds withdrawn totaled approximately \$250,000 including \$72,000 is SBA loan funds.	Individual sentenced to 30 days in jail and three years' supervised release.
WI	BL	FBI	A borrower made false statements by providing false financial information related to the businesses' profitability, fixed assets, and existing liabilities on a \$750,000 loan.	Individual pled guilty.
WY	BL	None	A bank made false statements in order to conceal information that a borrower was delinquent on his bank debts and in financial distress. The borrower received a \$2 million loan.	Civil complaint filed against the bank.

Legal Actions Summary Program Codes:

Business Loans (BL)
Disaster Loans (DL)
Government Contracting and Section 8(a) Business Development (GC)
Integrity Assurance (IA)
Small Business Investment Company (SBIC)

Joint-investigation Agency Acronyms:

Defense Criminal Investigative Service (DCIS)
Department of Homeland Security-Immigration and Customs Enforcement (DHS-ICE)
Department of Homeland Security Office of Inspector General (DHS/OIG)
Department of Housing and Urban Development Office of Inspector General (HUD/OIG)
Department of Veterans Affairs Office of Inspector General (VA/OIG)
Federal Bureau of Investigation (FBI)
Federal Deposit Insurance Corporation Office of Inspector General (FDIC/OIG)
General Services Administration Office of Inspector General (GSA/OIG)
Internal Revenue Service -Criminal Investigation (IRS/CI)
National Aeronautics and Space Administration Office of Inspector General (NASA/OIG)
Naval Criminal Investigative Service (NCIS)
United States Army Criminal Investigation Division (Army CID)
United States Department of Transportation Office of Inspector General (DOT/OIG)
United States Postal Inspection Service (USPIS)
United States Secret Service (USSS)

Appendix XI: External Peer Reviews

Section 5(a) of the IG Act provides the requirements for reporting the results of peer reviews in OIG Semi-annual Reports to Congress. The following information is provided in accordance with these requirements.

Auditing

Generally Accepted Government Auditing Standards (GAGAS) issued by the Government Accountability Office (GAO) require that audit organizations performing audits and attestation engagements in accordance with GAGAS must have an external peer review performed by reviewers independent of the audit organization being reviewed at least once every three years. The OIG will receive its review during the Spring 2015 reporting period.

The OIG was not subject to a peer review during this semiannual reporting period. The National Aeronautics and Space Administration (NASA) Office of Inspector General conducted the last peer review of the OIG, and issued its final report on September 27, 2012. The OIG received a rating of “Pass” in that report (federal audit organizations can receive a rating of Pass, Pass with Deficiencies, or Fail). There are no outstanding recommendations from previous peer reviews of the OIG.

Peer Reviews Conducted

The OIG conducted a peer review of the Railroad Retirement Board Office of Inspector General in the Fall 2012 reporting period. On October 18, 2012, the OIG issued its final report. The Railroad Retirement Board OIG received a rating of “Pass” in that report (federal audit organizations can receive a rating of Pass, Pass with Deficiencies, or Fail).

Investigations

Section 6(e)(7) of the IG Act, *Attorney General Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority*, and the CIGIE *Quality Standards for Investigations* require external peer reviews of OIG investigative functions be conducted every three years. As such, the OIG will receive its review in August 2014, which will be conducted by the US Department of the Interior, Office of Inspector General.

The OIG was not subject to a peer review during this semiannual reporting period. The Department of Veteran’s Affairs (VA) OIG conducted the last peer review of the OIG, and issued its final report December 21, 2011. The VA OIG found the system of internal safeguards and management procedures for the investigative function of the OIG *Compliant* with the quality standards established by the CIGIE and the applicable Attorney General Guidelines (OIGs can be assessed as either *Compliant* or *Non-compliant*). No recommendations were offered.

Peer Reviews Conducted

The OIG conducted a peer review of the General Services Administration Office of Inspector General in May of 2013. On July 26, 2013, the OIG issued its final report. The OIG found the system of internal safeguards and management procedures for the investigative function of the OIG *Compliant* with the quality standards established by the CIGIE and the applicable Attorney General Guidelines (OIGs can be assessed as either *Compliant* or *Noncompliant*). No recommendations were offered.

Appendix XII: Organization

The OIG is comprised of the Inspector General's immediate office and four divisions: Auditing, Investigations, Counsel, and Management and Policy.

The **Auditing Division** performs and oversees audits and reviews to promote the economical, efficient, and effective administration of SBA programs and operations.

The **Investigations Division** manages a program to detect and deter illegal and 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 SBA employees and contractors have appropriate background investigations and security clearances to achieve a high level of integrity in the Agency's workforce, and that loan applicants and other potential program participants are of good character.

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

The **Management and Policy Division** provides business support (e.g., budget and financial management, human resources, IT, and procurement) for the various OIG functions; coordinates preparation of the OIG's Semiannual Report to Congress, and other OIG-wide reports and documents; maintains the OIG website; and operates the OIG's Hotline.

The OIG headquarters is located 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 York, NY; Philadelphia, PA; Tacoma, WA; and Washington, DC.

Make a Difference!

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

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Office of Inspector General
Investigations Division
409 Third Street, SW (5th Floor)
Washington, DC 20416

**In accordance with Sections 7 and 8M of the Inspector General Act, the Small Business Administration Office of Inspector General does not disclose a complainant's identity without consent, unless the Inspector General determines such disclosure is unavoidable during the course of the investigation.