

Office of Inspector General

Small Business Administration

Semiannual Report to Congress Spring 2017



October 1, 2016–March 31, 2017

This page intentionally left blank.



Small Business Administration
Office of Inspector General
Washington, DC 20416



I am pleased to present the U.S. Small Business Administration (SBA) Office of Inspector General (OIG) Spring 2017 Semiannual Report to Congress. The report provides a summary of OIG's activities from October 1, 2016, through March 31, 2017. OIG continues to focus on the most critical risks facing SBA. Our resources are directed at key SBA programs and operations, to include financial assistance, Government contracting and business development, financial management and information technology, disaster assistance, Agency management challenges, and security operations.

During this reporting period, OIG issued 10 reports with 42 recommendations to improve SBA operations and reduce fraud and unnecessary losses in Agency programs. In addition, OIG investigations resulted in 10 indictments and 11 convictions. Overall, OIG's investigations and audits achieved monetary recoveries and savings of \$22,168,490. OIG also sent 38 present responsibility referrals to SBA and 2 additional present responsibility referrals to other agencies. These referrals typically result in a suspension or debarment.

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

- OIG published its *Report on the Most Serious Management and Performance Challenges in Fiscal Year 2017* in October 2016. 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.
- A former officer of two 8(a) firms pled guilty in the U.S. District Court for the District of Columbia to conspiracy to commit wire fraud. The woman had conspired with a large construction company, which was able to win 27 government contracts worth over \$70 million, thus resulting in lost opportunities for legitimate small and disadvantaged businesses.
- OIG issued Management Advisory 17-08, *Review of SBA's Practices for Schedule C Political Appointee Initial Pay Setting*. We identified that SBA did not prepare the required documentation to justify the higher initial pay determinations for Schedule C political appointees hired during 2014–2016. Accordingly, this advisory contains two recommendations to strengthen internal controls over pay setting practices.
- OIG issued Audit Report 17-10, *The SCORE Association's Disaster Technical Assistance Grant*. We audited the \$840,000 grant SBA awarded to SCORE for Phase 1 to determine whether SCORE complied with grant requirements related to Federal expenditures and program performance. OIG made 12 recommendations to improve SBA's oversight of the financial management of SCORE.

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

A handwritten signature in black ink, appearing to read "H. Ware".

Hannibal "Mike" Ware

This page intentionally left blank.

Contents

Organization Overview	1
The U.S. Small Business Administration	1
The Office of Inspector General	1
Management Challenges	3
Small Business Access to Capital	4
New Hampshire Executives Sentenced and Ordered to Pay \$800,000 in Restitution	4
Chicago-Area Entrepreneur to Serve 4 Years in Prison and Pay Over \$2.1 Million in Restitution	5
Bank Fraud Conspirators Sentenced to Prison, Probation, and Over \$7.4 Million in Restitution	5
Nevada Businessman Pleads Guilty to Embezzlement	6
California Business Owner Pleads Guilty to Bank Fraud	6
Colorado Real Estate Firm Owner to Pay Over \$950,000 in Restitution and Serve 48 Years in Prison.....	6
Disaster Assistance Program	8
New Jersey Woman Sentenced to Probation and Over \$96,000 in Restitution	8
Texas Minister Sentenced to 66 Months in Prison and Over \$1.3 Million in Restitution.....	8
New York Man to Serve 15 Years in Prison and Forfeit Over \$2.5 Million.....	9
Procurement Assistance	11
Audit of New York Small Business Center’s Phase 2 Technical Assistance Grant	11
The SCORE Association’s Disaster Technical Assistance Grant	12
North Carolina Couple Sentenced to Prison and Ordered to Forfeit Over \$140,000.....	12
Illinois Woman Pleads Guilty to Conspiracy to Commit Wire Fraud	13
Co-Owner of Massachusetts Firm to Serve 30 Months in Prison and Forfeit Over \$6.7 Million	13
Technology Firm Agrees to Pay \$1 Million in Claims	13
Guam Construction Firm Fraud Results in Nearly \$1.9 Million in Forfeiture	14
Agency Management	15
Review of SBA’s Executive Transportation Service Contract Expenditures.....	15
Independent Auditors’ Report on the SBA’s FY 2016 Financial Statements.....	15
Independent Auditors’ Report on the SBA’s FY 2016 Special-Purpose Financial Statements	16
DATA Act Readiness.....	16
KPMG Management Letter Communicating Matters Relative to the FY 2016 Financial Statements	16
FY 2016 SBA Charge Card Programs Risk Assessment and Status of Prior Audit Recommendations	16
Review of SBA’s Practices for Schedule C Political Appointee Initial Pay Setting.....	17
SCORE Receptionist Sentenced to Jail and Over \$27,000 in Restitution	17
Other Significant OIG Activities	18
Character Screening Diminishes Potential Program Fraud	18
OIG Promotes Debarment and Other Administrative Enforcement Actions.....	18
OIG Provides Training to Multiple Agencies on Small Business Procurement Integrity	18

OIG Reviews of Proposed Agency Regulations, Operating Procedures, and Other Initiatives Lead to Improved Program Controls to Reduce Fraud, Waste, Abuse, and Inefficiencies	19
2004 Legislation Requires SBA Regulations and OIG Approval of SBDC Surveys	19
OIG Hotline	19
Statistical Highlights	21
Summary of OIG Dollar Accomplishments	21
Efficiency and Effectiveness Activities Related to Audit, Other Reports, and Follow-Up Activities	21
Indictments, Convictions, Case Actions	21
SBA Personnel Actions Taken as a Result of Investigation.....	21
Program Actions Taken During the Reporting Period as a Result of Investigations	22
Agency Legislative and Regulatory Proposals Reviewed.....	22
Reports Issued.....	23
Agency Management	23
Counseling Programs.....	23
Reports With Questioned Costs	24
Reports With Recommendations That Funds Be Put to Better Use.....	24
Reports From Prior Periods With Overdue Management Decisions	25
Reports From Prior Periods With Open Recommendations as of March 31, 2017.....	28
Significant Recommendations From Prior Reporting Periods Without Final Action as of March 31, 2017	30
Significant Recommendations From This Reporting Period	34
Significant Management Decisions With Which OIG Disagrees	38
Report 13-21, SBA Enterprise-Wide Controls Over Cosponsored Activities.....	38
Report 15-11, SBA’s FY 2014 Compliance With the Improper Payments Elimination and Recovery Act.....	38
Significant Revised Management Decisions.....	38
Federal Financial Management Improvement Act.....	38
Instances of Interference.....	38
Investigations Reporting Statistics	39
Investigative Reports Issued	39
Persons Referred for Prosecution	39
Whistleblower Retaliation Cases	39
Investigations Involving a Senior Government Employee Where Misconduct Was Substantiated	40
SBA Regional Administrator Violated Travel Policy.....	40
Investigations Involving a Senior Government Employee That Is Closed and Not Disclosed to the Public .	41
SBA Regional Administrator Violated Travel Policy.....	41
SBA District Director Allegedly Used Their Official Position to Influence the Awarding of a \$150,000 Women’s Business Center Grant	41
Legal Actions Summary	42
Cosponsored and Other Activities	47

Appendix: External Peer Reviews	50
Audits Division	50
Investigations Division	50
Peer Reviews Conducted	50

This page intentionally left blank.

Organization Overview

The U.S. Small Business Administration

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

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

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

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

The Office of Inspector General

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

OIG plays a critical role in addressing these and other challenges by conducting audits to identify wasteful expenditures and program mismanagement; investigating fraud and other wrongdoing; and taking other actions to deter and detect waste, fraud, abuse, and inefficiencies in SBA programs and operations. OIG's activities also help to ensure that SBA employees, loan applicants, and program participants possess a high level of integrity. This is critical to the proper administration of SBA's programs because it helps ensure that SBA resources are used by those who deserve and need them most. Copies of OIG reports and other products are available at <https://www.sba.gov/office-of-inspector-general>.

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

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

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

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

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

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

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

Management Challenges

Each year, OIG identifies the most serious management and performance challenges facing SBA. In accordance with the Reports Consolidation Act of 2000 and Office of Management and Budget (OMB) Circular A-136, SBA reports this information in its agency financial report. The management challenges represent areas that OIG considers particularly vulnerable to fraud, waste, abuse, or mismanagement, or which otherwise pose significant risk to the Agency, its operations, or its credibility. Each management challenge generally has originated from one or more reports issued by OIG or the Government Accountability Office (GAO). For each management challenge, OIG provides SBA with recommended remedial actions together with an assessment of Agency progress on each recommended action during the preceding fiscal year. If sufficient progress occurs during the previous fiscal year, OIG assigns a higher color score and the arrow indicator shows upward movement. The following table provides a summary of this year's management challenges.

[\(Report 17-02\)](#)

Challenge	Color Scores					
	Status at End of FY 2016				Change from Prior Year	
	Green	Yellow	Orange	Red	Up	Down
1. Small Business Contracting	1	1	2		1	
2. IT Leadership			3			
3. Human Capital		2				
4. SBA Loan Program Risk Management and Oversight		5	1			
5. 8(a) Business Development Program		2		1	2	
6. Ensuring Quality Deliverables and Reducing Improper Payments at SBA Loan Operation Centers		3				
7. Disaster Loan program		2	1			
8. Acquisition Management		4			4	
TOTAL	1	19	7	1	7	0

Small Business Access to Capital

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

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

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

New Hampshire Executives Sentenced and Ordered to Pay \$800,000 in Restitution

A co-owner and chief financial officer (CFO) of a New Hampshire steel fabricating firm was sentenced in the U.S. District Court for Vermont to time served plus 2 years of home confinement and 5 years of supervised release. He was also ordered to pay a total of \$500,000 in restitution to three banks. The man previously had pled guilty to providing false statements to a financial institution.

In addition, the firm's former outside accountant was charged by civil complaint in the above Federal court with preparing and reviewing audited financial statements containing false information in 2009 and 2010. The firm used those statements to obtain millions of dollars in financing. He settled the complaint with the Government by agreeing to pay \$100,000 in penalties to various entities.

Finally, a former co-owner and president of the firm was sentenced in the same Federal court to 6 months of home confinement and 6 months of curfew as part of a 3-year term of supervised release. He was also ordered to pay \$300,000 in restitution. The president previously had pled guilty to (1) making false statements and overvaluing property to influence Federal Deposit Insurance Corporation (FDIC)-insured financial institutions, and (2) conspiracy.

The firm had relied on financing from a Vermont-based FDIC-insured savings bank. By the end of 2010, the bank had extended \$10 million in line-of-credit financing based on the value of the firm's accounts receivable, inventory, and work in progress. The bank's loans were so large that it needed two other FDIC-insured banks to share in the lending. The first bank also funded a \$2 million SBA-guaranteed loan in December 2010, bringing total borrowing to over \$12 million.

The CFO had made false statements and reports by manipulating the firm's asset values, including inventory and work in progress, in order to expand its borrowing. The president admitted conspiring with others in

submitting borrowing base certificates containing false information about the value of the work in process and inventory, and providing a falsified FY 2010 draft financial statement to the first bank. This joint investigation continues in conjunction with the U.S. Attorney's Office, FDIC OIG, and Federal Bureau of Investigation (FBI).

Chicago-Area Entrepreneur to Serve 4 Years in Prison and Pay Over \$2.1 Million in Restitution

A Chicago-area entrepreneur was sentenced after two separate prosecutions in State court. Pursuant to his prior guilty plea to financial institution fraud, he was sentenced to 4 years of incarceration and 2 years of mandatory supervised release. He was also ordered to pay \$2,117,842 in restitution. Pursuant to his guilty plea to sales tax evasion, the man was sentenced to 5 years of incarceration and 2 years of mandatory supervised release.

The entrepreneur previously had been charged in connection with schemes to defraud SBA, a participating bank, the Illinois Department of Commerce and Economic Development, and the Illinois Department of Revenue. The schemes involved the commercial financing and retail sales tax for his theater businesses.

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

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

Bank Fraud Conspirators Sentenced to Prison, Probation, and Over \$7.4 Million in Restitution

A Texas man was sentenced in Federal court to 5 years of probation after having previously pled guilty to conspiracy to commit bank fraud. He was also ordered to pay \$3,740,165 in total restitution, with \$819,980 allocated to the bank, \$1,079,212 to SBA, and \$1,840,973 to the U.S. Department of Agriculture (USDA). In addition, the court ordered \$3,140,272 in forfeiture. If the forfeiture is collected, the restitution amount will be lowered accordingly.

In addition, one of two other individuals who conspired with the Texas man was sentenced in Federal court to 6.5 years of imprisonment. He had previously pled guilty to conspiracy to commit bank fraud. Upon his release from prison, he will serve 5 years of probation. As was the case with the Texas man, this individual was ordered to pay \$3,740,165 in restitution, with the same allocation as above. The court also ordered \$1 million in forfeiture which, if collected, will result in the restitution being lowered accordingly.

From around October 2008 through March 2011, the Texas man and the two other individuals conspired to obtain SBA and USDA guaranteed loans under fraudulent pretenses. In January 2009, with the direction and assistance of the other two persons, the Texas man applied for a \$2 million SBA guaranteed loan from a Utah bank in order to purchase a hotel in Tyler, TX. One of the two other individuals submitted a personal financial statement signed by the Texas man containing materially false information. This misled the bank into believing that the man had over \$2.3 million in personal assets. As a condition of the loan, the man was required to provide \$687,000 in cash injection. Accordingly, the second individual created the appearance of

more than \$250,000 in the Texas man's business account to mislead the bank into believing that the cash injection could be satisfied.

In May 2009, again in conjunction with the other two individuals, the Texas man applied for a \$4,650,000 USDA Rural Development guaranteed loan from the same bank in order to purchase a hotel in Paris, TX. This time, one of the two individuals submitted financial verification documents signed by the Texas man containing materially false information that misled the bank into believing that the man had over \$6 million in personal assets. The man was also required to provide \$1,550,000 in cash injection. The second individual caused \$1,475,000 to be transferred into business accounts in the man's name, although the second individual actually controlled the funds. Again, this misled the bank into believing that the Texas man could satisfy the loan's cash injection requirement.

Nevada Businessman Pleads Guilty to Embezzlement

The owner of a Nevada insurance brokerage business pled guilty in State court to embezzlement. From approximately July 2013 to November 2016, he misappropriated client insurance premiums and commingled them with the firm's operating funds, while using those funds for personal and business expenses. The man continued the misappropriation after receiving \$1,750,000 in SBA-guaranteed loans from a credit union. He obtained those loans by falsely representing his firm's financial condition. This was a joint investigation with the FBI and Nevada Attorney General's Office.

California Business Owner Pleads Guilty to Bank Fraud

The former owner of a California footwear and apparel business pled guilty in Federal court to bank fraud. As part of his guilty plea, he admitted that, from around October 2011 to February 2015, he knowingly executed a scheme to defraud a bank and obtain monetary assets under its control.

In November 2011, the owner applied for a \$1,776,550 SBA loan from the bank to purchase another business, a retail shoe store. He failed to disclose that he had obtained a previous SBA loan from another lender that was delinquent. He also falsely reported a high cash balance of \$297,645 in his mother's bank account, when in reality the account held only a penny. In April 2014, the owner defaulted on the SBA loan, causing the first bank mentioned above and SBA to lose approximately \$1.4 million.

Throughout his career, the man had been a manager at various banks and handled SBA-guaranteed business loans. He was regarded as a "sophisticated banking and lending professional." This is an ongoing joint investigation with the FBI and U.S. Immigration and Customs Enforcement's Homeland Security Investigations (HSI).

Colorado Real Estate Firm Owner to Pay Over \$950,000 in Restitution and Serve 48 Years in Prison

The owner of a Denver, CO, real estate investment firm was ordered to pay \$951,571 in restitution and \$3,745 in prosecutorial costs. He had previously been sentenced in State court to 24 years of incarceration and 5 years of parole. This sentence will run consecutively to his earlier sentence of 24 years of incarceration for domestic violence.

In June 2016, a jury had found the man guilty on 11 counts, including violating the Colorado Organized Crime Control Act; making forged (false) statements to SBA, a California bank, and the State of Colorado; criminal impersonation; and theft of funds from various lenders. He and five other family members had been originally indicted on 37 total counts. Those family members have pled guilty and have been sentenced.

The investigation showed that the owner obtained a \$2,323,000 SBA-guaranteed loan to refinance his office building and other existing debt. To obtain the loan, he concealed his extensive criminal history and the fact that he was on probation. He also falsified documents related to his debts. The investigation also discovered that the owner and five other family members created a criminal enterprise by using their status as real estate industry professionals to execute a large long-term fraud-for-profit scheme. The scheme primarily centered on mortgage fraud, including the manipulation of multiple real estate transactions through fraudulent statements, material omissions, false identification and notary commissions, and “straw buyers” to buy and sell real estate.

This case was initiated after SBA OIG received a referral from the California bank. This was a joint investigation with the Colorado Attorney General’s Office, Colorado Bureau of Investigation, FBI, and Federal Housing Finance Agency (FHFA) OIG.

Disaster Assistance Program

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

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

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

New Jersey Woman Sentenced to Probation and Over \$96,000 in Restitution

A New Jersey woman was sentenced in State court to 2 years of noncustodial probation. She also signed a consent judgment and agreed to pay \$96,710 in restitution to various government disaster aid agencies, including \$14,000 to SBA. SBA records indicate she already has paid the SBA disaster assistance loan in full. The woman previously had pled guilty to theft, based on charges related to filing false applications to collect Federal relief funds after Hurricane Sandy.

She allegedly received over \$75,000 by filing fraudulent applications for a Federal Emergency Management Agency grant and for state grants under the Homeowner Resettlement Program and Reconstruction, Rehabilitation, Elevation, and Mitigation Program. The latter two programs are funded by the U.S. Department of Housing and Urban Development (HUD) and administered by the New Jersey State Department of Community Affairs (DCA). The woman had been approved for a \$229,400 SBA disaster loan, but only received \$14,000. She claimed that her storm-damaged home was her primary residence, when it was not. This case was investigated jointly by the Hurricane Sandy Task Force comprised of the SBA OIG, HUD OIG, U.S. Department of Homeland Security (DHS) OIG, and the New Jersey DCA in conjunction with the New Jersey Office of the Attorney General.

Texas Minister Sentenced to 66 Months in Prison and Over \$1.3 Million in Restitution

A Texas minister was sentenced to 66 months in prison and 5 years of supervised release. He was also ordered to pay \$1,305,800 in restitution to SBA. The minister had previously pled guilty to fraud in connection with a major disaster.

The minister had obtained an SBA disaster assistance loan for Hurricane Ike-related damages to his non-profit organizations. The initial loan amount was \$995,400 and was later increased to \$1,310,300 after he claimed a cost overrun with his repairs. The total amount disbursed was \$1,305,800.

The investigation determined that several contractor and vendor invoices submitted to SBA were either never paid or were merely proposals. The minister initially deposited a \$250,000 SBA disbursement in his bank account. He then wrote a \$200,000 check to a roofing contractor with "Roofing Repair/Replacement" written in the memo section. The owner of the roofing firm wrote a \$200,000 check to the minister with "donation" reflected in the memo section. The roofing firm had not even started repairs at the disaster sites prior to the first disbursement. The minister then withdrew \$223,000 and purchased a cashier's check for that amount. He deposited it into an escrow account for his attempted purchase of a radio station for \$8.75 million. The minister later manipulated a bank employee into withdrawing escrow funds, which violated his brokerage agreement. The radio station's owner then filed a lawsuit against the bank for releasing the funds without his consent. Consequently, the radio station owner received a monetary settlement from the bank.

In another matter, SBA had instructed the minister to address liens and judgments appearing on his title commitment. To satisfy these judgments as having been paid, he submitted copies of checks never negotiated by lien holders. He apparently used the same ploy with the title company and was able to obtain a clear title policy. According to attorney's offices representing the clients who were awarded the judgments, the liens were still in place, and the judgments were still outstanding. A title search determined the liens indeed still existed.

The investigation also found that SBA loan funds had been transferred to Louisiana casinos for gambling. Specifically, between April 2009 and June 2010, the minister and his wife debited \$263,775 primarily in SBA funds. There were also several thousands of dollars of cash withdrawals from bank accounts consisting of checks written by each spouse and made payable to the other.

Finally, the minister purchased his two non-profit locations in an arrangement with two Florida financial institutions. He issued several hundreds of thousands of dollars in church bonds on behalf of one non-profit, with the bonds to be collateralized by the properties. Although required to pay a monthly mortgage payment as repayment to bond holders, he defaulted. In fact, the minister made only one nominal payment to bondholders by using SBA disaster loan proceeds. Although he formed a third non-profit organization, he foreclosed on all the locations in order to eliminate existing liens. This investigation was conducted jointly with the FBI.

New York Man to Serve 15 Years in Prison and Forfeit Over \$2.5 Million

A New York man was sentenced in Federal court to 15 years in prison and ordered to forfeit \$2,500,050. Restitution will be determined at a later date. He had previously pled guilty to conspiracy to commit wire fraud.

A second man was also named in the original indictment, but was not charged with disaster loan fraud. The two men are accused of participating in mortgage flip and loan modification schemes. In the flip scheme, they are alleged to have fraudulently induced lenders to issue mortgages and then kept some of the proceeds. In the modification scheme, they allegedly defrauded more than a thousand homeowners who paid them advance fees to have their troubled mortgages modified, only to do little or no work on the modifications.

Regarding the disaster loan fraud scheme, the investigation disclosed that the first man obtained a \$113,900 SBA disaster assistance loan in October 2013 to repair property damaged by Hurricane Sandy. The indictment alleged that he submitted false information to SBA to support his loan application. He also allegedly misused

the loan proceeds by paying for personal expenses, including his wedding in Cancun, Mexico. This investigation was jointly conducted with the FBI, the Special Inspector General for the Troubled Asset Relief Program, and HUD OIG, under the direction of the U.S. Attorney's Office.

Procurement Assistance

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

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

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

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

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

Audit of New York Small Business Center's Phase 2 Technical Assistance Grant

This report presents the results of our audit of New York Small Business Development Center's (NYSBDC) performance and costs. The Disaster Relief Appropriations Act of 2013 gave SBA's Office of Entrepreneurial Development (OED) \$19 million to provide technical assistance to small businesses recovering from Hurricane Sandy. Using these funds, OED awarded grants to its resource partners in two phases. We audited the \$6.2 million grant SBA awarded to NYSBDC for Phase 2 to determine whether NYSBDC complied with grant requirements related to Federal expenditures and program performance.

We found that both NYSBDC and OED needed to improve their methods for gathering and reporting performance data. NYSBDC attempted twice to retroactively produce detailed records to support its quarterly performance report as of June 30, 2015, but in both cases, the queries resulted in significantly lower outcomes than previously reported. Similarly, we requested that OED provide detailed reports from their database supporting these results, but they also could not produce those reports because they had not established a method to differentiate Hurricane Sandy grant performance from core grant funding performance. Consequently, the grant's reported performance is significantly higher than either NYSBDC or OED can

support. NYSBDC originally reported that it had helped its clients obtain \$39 million in financial assistance as of June 30, 2015, but it could only support \$19 million—about 51 percent less than the reported amount.

We also questioned almost \$55,000 of NYSBDC incurred costs that were neither allowable nor allocable to the grant. Specifically, NYSBDC included personnel costs unrelated to Hurricane Sandy technical assistance and incurred advertising costs that were general in nature and not specific to Hurricane Sandy technical assistance.

SBA partially agreed with three recommendations and disagreed with two recommendations in the report. SBA stated that it had refined its internal guidelines and protocols for disaster technical assistance grants and believes that this will mitigate the weaknesses identified in our audit. ([Report 17-09](#))

The SCORE Association’s Disaster Technical Assistance Grant

This report presents the results of our audit on SBA’s oversight of the Hurricane Sandy technical assistance grant awarded to SCORE. The Disaster Relief Appropriations Act of 2013 gave the SBA’s OED \$19 million to provide technical assistance to small businesses recovering from Hurricane Sandy. Using these funds, OED awarded grants to its resource partners in two phases. We audited the \$840,000 grant SBA awarded to SCORE for Phase 1 to determine whether SCORE complied with grant requirements related to Federal expenditures and program performance.

We found that SCORE did not always comply with financial grant requirements. Consequently, we questioned costs totaling over \$391,000, or 47 percent, of SCORE’s Hurricane Sandy grant. We also found that SBA exempted SCORE from submitting two types of required reports on a quarterly basis, and instead, allowed these reports to be submitted at the end of the Sandy grant period. The notice of award and program announcement required SCORE to submit (1) financial reports (SF 425, Federal Financial Report, and accompanying budget justification worksheets), which provide information on funds spent and the unobligated amounts remaining in the grant, and (2) program performance reports, which provide information on the status of grant-funded activities. Instead, SBA received from SCORE one financial report and individual state level performance reports. OIG made 12 recommendations to improve SBA’s oversight of the financial management of SCORE. SBA’s management planned actions resolve 4 of our 12 recommendations. ([Report 17-10](#))

North Carolina Couple Sentenced to Prison and Ordered to Forfeit Over \$140,000

The owner of a construction firm and his wife, both of North Carolina, were sentenced in Federal court in Tennessee to 48 months and 30 months of imprisonment, respectively, and 3 years of supervised release. A \$141,618 forfeiture order had previously been issued. The couple had been found guilty of conspiracy to commit wire fraud and major fraud against the United States for their roles in conspiring to claim status and obtain contracts under both the Section 8(a) and SDVOSB programs.

From November 2005 to April 2015, the couple conspired to fraudulently obtain Federal contracts intended for businesses lawfully participating in the 8(a) and SDVOSB programs. They falsely represented that an investment firm was eligible as an 8(a) business and that a second construction company was eligible as an SDVOSB and 8(a) business. In reality, the owner of the first construction firm became ineligible to participate in the 8(a) program after his business, the first construction firm, graduated from the program in 2008.

The owner of the first construction firm used a friend and service-disabled veteran as the purported owner of the second construction company. He also used the investment firm, which was owned by his college roommate, as a front to obtain government contracts. As a result of the false representations, the second construction company was awarded over \$5 million in Government contracts, and the investment firm was

awarded over \$9 million in Government contracts. The couple netted approximately \$2.8 million from the scheme, using the second construction company's and the investment firm's bank accounts to pay their personal expenses. The investigation was worked jointly with the Department of Veterans Affairs (VA) OIG, Department of the Interior OIG, U.S. Secret Service, and the Department of Justice.

Illinois Woman Pleads Guilty to Conspiracy to Commit Wire Fraud

An Illinois woman pled guilty in the U.S. District Court for the District of Columbia to conspiracy to commit wire fraud. She is a former officer of two 8(a) firms. The woman had conspired with the officers of a large construction company to obtain Federal government contracts set aside for small disadvantaged businesses, with the understanding that the large business would illegally perform all of the work. She and the large company's officers created agreements among the three firms formalizing the understanding that the large company would perform all of the work on the 8(a) contracts while the 8(a) companies received a three percent pass-through fee.

Consequently, the large construction company was able to win 27 government contracts worth over \$70 million from 2008 to 2011. The scheme resulted in a significant number of lost opportunities for legitimate small and disadvantaged businesses. This case is being jointly investigated with the FBI, Defense Criminal Investigative Service, and General Services Administration (GSA) OIG.

Co-Owner of Massachusetts Firm to Serve 30 Months in Prison and Forfeit Over \$6.7 Million

The co-owner of a Massachusetts construction firm was ordered in Federal court to forfeit \$6,756,205 in assets. In addition to the asset forfeiture, the co-owner's sentence includes 30 months in prison, 1 year of supervised release, and a \$10,000 fine. A Federal jury had previously found him guilty of conspiracy to defraud the United States and wire fraud.

The investigation disclosed that, between 2006 and 2010, the co-owner made false statements to the Department of the Army, GSA, Department of the Navy, and VA about his firm's qualifications in order to receive SDVOSB set-aside contracts. The investigation was conducted jointly with the U.S. Army Criminal Investigation Command, GSA OIG, Naval Criminal Investigative Service, and VA OIG, under the direction of the U.S. Attorney's Office.

Technology Firm Agrees to Pay \$1 Million in Claims

A technology firm that claimed SDVOSB status agreed to pay \$1 million to settle civil False Claims Act, Anti-Kickback Act, and Procurement Integrity Act claims. These claims related to the company's bid rigging and kickback schemes involving six Government procurements.

The settlement resolves civil claims against the firm related to the criminal pleas previously entered by a co-owner and a sales representative. From September 2008 to February 2012, the company conspired with other SDVOSBs to submit what appeared to be competing bids for Government contracts, when in fact the businesses knew the bids were not competitive. The firm and other SDVOSBs identified Government contracts to bid on and prepared bids for one another using the bid templates of the other. The employees of all of the businesses submitted the completed bids to the Government as their own, while knowing that these bids were not true competitive bids. This practice restricted legitimate competition by creating the false impression that the Government had already received multiple competing bids.

Moreover, the firm worked with co-conspirators within the Government to gain access to documents, such as internal cost estimates, before bidding on contracts. It agreed to pay the Government co-conspirators for

competitive advantage on contracts totaling approximately \$33 million. This investigation was worked in conjunction with the DHS OIG, VA OIG, GSA OIG, and the U.S. Department of Justice.

Guam Construction Firm Fraud Results in Nearly \$1.9 Million in Forfeiture

A Guam construction firm, its owner, and its vice president (the owner's sister) were individually sentenced in Federal court, subsequent to previous plea agreements. The firm was sentenced to 5 years of probation and a \$27,000 fine. The owner was sentenced to 3 years of probation, a \$10,000 fine, and \$2,334 in restitution. Finally, the vice president was sentenced to 3 years of probation, a \$7,500 fine, and \$1,875,407 in forfeiture, which represented assets frozen by previous investigative efforts. All fines, fees, restitution, and forfeiture claims were paid on the date of sentencing.

The firm and the owner had previously pled guilty to conspiracy to commit visa fraud. The vice president had pled guilty to conspiracy to commit money laundering. After the original indictments in 2014, investigators had served a seizure warrant to a bank for \$1,875,407. The bank quickly froze the funds and issued an official check payable to the U.S. Department of the Treasury. Immediately after the bank seizure, the owner was located at his firm and arrested.

The investigation revealed that the owner and vice president had misused the H-2B visa worker program while working on Section 8(a) set-aside contracts awarded to the firm. Moreover, the owner had a prior criminal history associated with a similar visa fraud violation in March 1998. He failed to disclose this while applying to the 8(a) program and in the firm's annual updates to SBA. His prior criminal history and misuse of the H-2B visa program are violations of the 8(a) program's entry and continued eligibility requirements related to "good character." Because of the non-disclosures, the firm was granted 8(a) status and improperly awarded over \$20 million in 8(a) set-aside contracts. Due to proximity of the subjects, IRS Criminal Investigation led the investigation, with significant assistance by SBA OIG and HSI.

Agency Management

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

Review of SBA's Executive Transportation Service Contract Expenditures

We reviewed SBA's transportation service contract to drive SBA's Administrator and Deputy Administrator in the Washington, DC, Metropolitan area. We performed this review to determine whether SBA effectively monitored the transportation service contract expenditures.

OIG identified weaknesses in SBA's controls over executive car travel that ultimately resulted in unsupported and duplicate payments. Our review found that the Agency did not demonstrate that it appropriately considered the most advantageous method of transportation when deciding to use the contracted car service. Additionally, 16 of the 18 trips that the Administrator took to or from the airport using the car service were charged at a rate that was prohibited by the contract, resulting in higher costs than necessary. These issues might have been identified had the appropriate officials reviewed and approved ground travel transportation expenses in connection with the Administrator's official travel.

OIG made four recommendations to strengthen SBA's oversight of executive ground transportation and determine whether questioned costs identified in this report are recoverable, and improve the efficiency of the executive fleet. ([Report 17-01](#))

Independent Auditors' Report on the SBA's FY 2016 Financial Statements

We contracted with the independent certified public accounting firm KPMG LLP (KPMG) to audit SBA's consolidated financial statements for FY 2016, ending September 30, 2016. This audit is an annual requirement of the Chief Financial Officers' Act of 1990, and was conducted in accordance with Generally Accepted Government Auditing Standards; OMB Bulletin No. 15-02, Audit Requirements for Federal Financial Statements; and GAO's Financial Audit Manual and Federal Information System Controls Audit Manual. The independent auditors' report presents an unmodified opinion on SBA's consolidated financial statements for FY 2016. Specifically, KPMG reported that:

- The financial statements were fairly presented in all material aspects in conformity with U.S. generally accepted accounting principles.
- There were no material weaknesses in internal control.
- There is a significant deficiency related to controls over the completeness and accuracy of data for SBA's Secondary Market Guarantee credit reform model; and
- There is also a significant deficiency related to SBA's information technology security controls, which has been identified in the past.

Details regarding KPMG's conclusions are included in Exhibit I to this report. The auditors did not report any instances or matters regarding noncompliance. Within 30 days of this report, KPMG expects to issue a separate letter to SBA management regarding other, less significant matters that came to its attention during the audit. ([Report 17-03](#))

Independent Auditors' Report on the SBA's FY 2016 Special-Purpose Financial Statements

We contracted with the independent certified public accounting firm KPMG to audit SBA's Closing Package Financial Statement Report, which comprises the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) Reconciliation Report – Reclassified Balance Sheet as of September 30, 2016, and the related GTAS Reconciliation Reports – Reclassified Statements of Net Cost and Changes in Net Position for the year then ended, and the related notes to the financial statements (hereinafter referred to as the “closing package financial statements”).

KPMG performed the audit in accordance with OMB Circular No. A-136, Financial Reporting Requirements, Treasury Financial Manual, Part 2, Chapter 4700 (TFM 2-4700), and Treasury's Supplemental Guidance to the TFM Volume I, Chapter 2, Chapter 4700.

This independent auditor's report presents an unmodified opinion on SBA's special-purpose financial statements for FY 2016. Specifically, KPMG reported that the statement present SBA's financial position for FY 2016 fairly in all material respects. Also, the results of operations and the changes in net position for the period are in accordance with U.S. generally accepted accounting principles, and the presentation is in conformance with the requirements of TFM 2-4700. ([Report 17-04](#))

DATA Act Readiness

Our evaluation of SBA's readiness to meet the requirements of the DATA Act found that SBA developed a project plan prescribed by the eight key steps in Treasury's DATA Act Implementation Playbook. We determined that the Agency has made significant progress implementing steps 1-4 of its project plan; however, to fully meet DATA Act requirements, several components remain to be completed. We also identified two risk areas that may affect the Agency's ability to meet the DATA Act reporting requirements. Specifically, SBA (1) had not built its reporting submission specifications Files A and B for grant and contract awards using the current version of the DATA Act Information Model Schema or validated those files using the production release broker, and (2) did not include contract awards executed by its Federal Shared Services Provider when submitting files to the alpha release broker. We made three recommendations to mitigate the noted risks areas. Agency officials agreed to implement the recommendations. ([Report 17-05](#))

KPMG Management Letter Communicating Matters Relative to the FY 2016 Financial Statements

We contracted with the independent certified public accounting firm KPMG to audit SBA's consolidated financial statements for FY 2016, ending September 30, 2016. This management letter represents matters that were identified during the audit. KPMG addressed recommendations to the Chief Human Capital Officer, and the Chief Financial Officer, in coordination with the directors of the Programmatic Accounting Division and Office of Financial Systems. We provided a draft of KPMG's findings to each of these officials or their designees, who fully or substantially concurred with the findings relative to their respective areas. The officials or designees agreed to implement the recommendations or have already taken action to address the underlying conditions. ([Report 17-06](#))

FY 2016 SBA Charge Card Programs Risk Assessment and Status of Prior Audit Recommendations

This memorandum report presents the results of our risk assessment regarding SBA's internal controls over its purchase and travel charge card programs for FY 2016, and was performed in accordance with OMB

Memorandum M-13-21, Implementation of the Government Charge Card Abuse Prevention Act of 2012. Our objectives were to (1) assess risks of illegal, improper, or erroneous purchases and payments associated with SBA's purchase and travel card programs and (2) determine the status of prior year recommendations.

While SBA has implemented internal controls and guidance to administer its travel and purchase charge card programs, it could make additional improvements on its risk management controls and practices. Specifically, SBA has not implemented a formal policy to timely collect on delinquent travel cardholder accounts, and it needs to implement components of strategic sourcing guidelines to address the requirements in Appendix B to OMB Circular No. A-123, Improving the Management of Government Charge Card Programs, revised. We made two recommendations to strengthen SBA's risk management controls for charge card programs. The agency agreed to implement the recommendations. ([Report 17-07](#))

Review of SBA's Practices for Schedule C Political Appointee Initial Pay Setting

As part of its ongoing review of the SBA's pay setting practices, OIG issued Report 17-08, which notified SBA of issues identified as part of our review.

We identified that SBA did not prepare the required documentation to justify the higher initial pay determinations for Schedule C political appointees (Schedule Cs) hired during 2014–2016. While we determined that all 10 Schedule C appointees SBA hired in 2014 met the criteria supporting superior qualifications for higher pay, SBA did not adequately document each use of the superior qualifications authority. SBA took steps to correct this deficiency during 2015–2016; however, SBA still hired six Schedule C employees without all the necessary documents to comply with Federal regulations and internal policies. Personnel responsible for setting pay did not receive fundamental training on the use of the superior qualifications authority. Additionally, SBA's SOP on the superior qualifications authority insufficiently provides guidance specifically for Schedule Cs. Without systematic controls in place to assure compliance with all documentation requirements, SBA is susceptible to improperly using the superior qualifications authority, resulting in potential salary overpayments for future Schedule C hiring. Accordingly, this advisory contains two recommendations to strengthen internal controls over pay setting practices. SBA management's planned actions resolve these recommendations. ([Report 17-08](#))

SCORE Receptionist Sentenced to Jail and Over \$27,000 in Restitution

A SCORE receptionist was sentenced in a Washington State county court to 40 days in jail, a \$500 victim penalty assessment, and \$27,724 in restitution. She had previously been charged with first degree theft.

The investigation revealed that she had embezzled \$27,724 since September 2015 by forging SCORE checks made payable to herself, and then depositing funds into her personal bank account. Due to the relatively small loss amount, the case was brought to the local county court for prosecution. The Seattle Police Department led this investigation, with substantial SBA OIG assistance.

Other Significant OIG Activities

Character Screening Diminishes Potential Program Fraud

Participants in SBA programs involving business loans, disaster assistance loans, Section 8(a) certifications, surety bond guarantees, SBICs, and CDCs must meet Agency character standards. To help ensure that this occurs, OIG's Office of Security Operations utilizes name checks and, where appropriate, fingerprint checks to determine criminal background information. This mission was transitioned to the Agency during this reporting period. Before that transition, OIG processed 904 external name check requests for these programs.

OIG also refers applicants who appear ineligible because of character issues to program officials for adjudication. The referrals are based on data from OIG's online connection with the FBI. As a result of OIG referrals during this reporting period, SBA business loan program managers declined 18 applications totaling over \$12 million and disaster loan program officials declined 17 applications totaling \$951,400. This mission was transitioned to SBA during the reporting period.

During this reporting period, OIG also initiated 68 background investigations and issued 8 security clearances for Agency employees and contractors. Moreover, OIG adjudicated 25 background investigative reports. Finally, OIG processed 2,080 internal name check requests for Agency activities such as success stories and "Small Business Person of the Year" nominees.

OIG Promotes Debarment and Other Administrative Enforcement Actions

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

During this reporting period, OIG sent 38 of these present responsibility referrals to SBA and made two referrals to other agencies. (See the Statistical Highlights section of this report for additional suspension and debarment results.) A representative sample of matters referred to suspension and debarment officials follows:

- OIG referred several businesses subject to adverse size determinations to the debarring official after those businesses failed to amend their listings in the System for Award Management at SAM.gov.
- OIG referred several individuals and related companies to the suspending official after the individuals were charged with, among other things, a conspiracy related to an SBA guaranteed loan.

OIG Provides Training to Multiple Agencies on Small Business Procurement Integrity

SBA OIG presented the third annual Small Business Procurement Integrity Seminar. This seminar, which OIG offered in New York City, equipped Federal oversight personnel with the knowledge to identify, develop, and pursue small business contracting fraud cases. The course covered the major small business contracting programs and included a discussion of typical fraud schemes, program rules, and key procurement databases

accentuated by multiple case studies. At the end of the session, participants took part in a hypothetical case, which allowed the application of principles taught during the day.

During this reporting period, OIG personnel participated in the training of criminal investigators from several Federal agencies and offered a scaled-down version of the Small Business Procurement Integrity Seminar to a regional anti-fraud working group. SBA OIG also presented a full day version of the Small Business Procurement Integrity Seminar at the Department of Commerce OIG at that organization's request.

SBA OIG personnel moderated a panel and gave a presentation related to the coordination of remedies among criminal, civil, administrative and award concerns at the Council of the Inspectors General on Integrity and Efficiency (CIGIE)/Interagency Suspension and Debarment Committee suspension and debarment workshop in November. Finally, OIG personnel presented multiple sessions to the Federal Oversight community on damages related to the presumption of loss with respect to small business contracting misrepresentations.

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

As part of OIG's proactive efforts to promote accountability and integrity and reduce inefficiencies in SBA programs and operations, OIG reviews changes that SBA proposes to make to its program directives such as regulations, internal operating procedures, Agency policy notices, and SBA forms that are completed by the public. OIG often identifies material weaknesses in the proposals and works with the Agency to implement recommended revisions to promote more effective controls and deter waste, fraud, or abuse. During the reporting period, OIG reviewed 48 proposed revisions of these program directives and submitted comments designed to improve 15 of these initiatives. For example, during the reporting period, OIG provided comments on the SBIR Policy Directive, Standards of Conduct, and the Woman Owned Small Business certification program.

2004 Legislation Requires SBA Regulations and OIG Approval of SBDC Surveys

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

In addition, Section 21(a)(7) of the Small Business Act states that until these SBDC information disclosure regulations are issued, the Inspector General must approve any SBDC client survey, as well as the use of any survey information, and must also include this approval in OIG's Semiannual Report to Congress. SBA did not submit any surveys of SBDC clients for OIG review during the first half of FY 2017.

OIG Hotline

OIG's Hotline reviews allegations of waste, fraud, abuse, or serious mismanagement within SBA or its programs from employees, contractors, and the public. During this reporting period, the Hotline received 392 complaints. Hotline conducts a preliminary review of each allegation and may consult with OIG's Investigations Division, Audits Division, and Office of Counsel to determine the appropriate course of action. Referrals within OIG may result in corrective actions, audits, or administrative, civil, or criminal investigations. Matters referred to SBA program offices for further action are monitored by Hotline staff for timely response, adequate resolution of the allegations, and to document any corrective action taken. In May 2015, in

accordance with the Administration's second Open Government National Action Plan, the whistleblower ombudsman met the requirements of the Office of Special Counsel 2302(c) Certification Program. The Program requires Federal agencies inform their workforces about the rights and remedies available to them under the Whistleblower Protection Act, the Whistleblower Protection and Enhancement Act, and related civil service laws.

OIG's website contains comprehensive information on whistleblower protection:

<https://www.sba.gov/oig/whistleblower-rights-and-protection>.

Statistical Highlights

Summary of OIG Dollar Accomplishments

As a Result of Investigations and Related Activities	
Potential Investigative Recoveries & Fines	\$10,797,319
Asset Forfeitures Attributed to OIG Investigations	\$11,131,662
Loans/Contracts Not Approved or Canceled as a Result of Investigations	\$234,155
Loans Not Made as a Result of Name Checks	\$12,951,400
Investigations Subtotal	\$35,114,536
As a Result of Audit Activities	
Disallowed Costs Agreed to by Management	\$5,354
Recommendations that Funds Be Put to Better Use Agreed to by Management	—
Audit Subtotal	\$5,354
TOTAL	\$35,119,890

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

Reports Issued	10
Recommendations Issued	42
Dollar Value of Costs Questioned	\$452,707
Dollar Value of Recommendations that Funds be Put to Better Use	—
Recommendations for which Management Decisions Were Made	28
Recommendations Without a Management Decision	28
Collections as a Result of Questioned Costs	\$859,814

Indictments, Convictions, Case Actions

Indictments from OIG Cases	10
Convictions from OIG Cases	11
Cases Opened	37
Cases Closed	32

SBA Personnel Actions Taken as a Result of Investigation

Dismissals	—
Resignations/Retirements	—
Suspensions	—
Reprimands	—
Other	—

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

Present Responsibility Referrals to the Agency	38
Pending at the Agency as of March 31, 2017	40*
Suspensions Issued by the Agency	—
Proposed Debarments Issued by the Agency	13
Final Debarments Issued by the Agency	23
Proposed Debarments Declined by the Agency	—
Administrative Agreements Entered by the Agency in Lieu of Debarment	2
Present Responsibility Actions by Other Agencies	2

*The OIG made 9 of these referrals during the last 30 days of the reporting period. The Agency has sent notices on 22 of the 40 pending referrals.

Agency Legislative and Regulatory Proposals Reviewed

Legislation, Regulations, Standard Operating Procedures, and Other Issuances Reviewed	48
Comments Provided by OIG to Improve Legislation, Regulations, Standard Operating Procedures, and Other Issuances	15

Reports Issued

Agency Management

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Review of SBA's Executive Transportation Service Contract Expenditures	17-01	10/5/2016	\$6,034	—
Report on the Most Serious Management and Performance Challenges in Fiscal Year (FY) 2017	17-02	10/14/2016	—	—
Independent Auditors' Report on SBA's FY 2016 Financial Statements	17-03	11/14/2016	—	—
Independent Auditors' Report on SBA's FY 2016 Special-Purpose Financial Statements	17-04	11/15/2017	—	—
DATA Act Readiness	17-05	12/2/2016	—	—
KPMG Management Letter Communicating Matters Relative to SBA's FY 2016 Financial Statements	17-06	12/8/2016	—	—
FY 2016 SBA Charge Card Programs Risk Assessment and Status of Prior Audit Recommendations	17-07	1/18/2017	—	—
Review of SBA's Practices for Schedule C Political Appointee Initial Pay Setting	17-08	3/13/2017	—	—
Program Subtotal	8	—	\$6,034	—

Counseling Programs

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Audit of New York Small Business Center's Phase 2 Technical Assistance Grant	17-09	3/31/2017	\$54,827	—
The SCORE Association's Disaster Technical Assistance Grant	17-10	3/31/2017	\$391,846	—
Program Subtotal	2	—	\$446,673	—

Reports With Questioned Costs

	Reports	Recommendations*	Questioned Costs**	Unsupported Costs***
A. No management decision made by September 30, 2016	1	2	\$4,219,437	—
B. Issued during this reporting period	3	10	\$452,707	\$6,034
SUBTOTAL (Universe from which management decisions could be made in this reporting period)	4	12	\$4,672,144	\$6,034
C. Management decisions made during this reporting period	1	1	\$6,034	\$6,034
(i) Disallowed costs	1	1	\$5,354	\$5,354
(ii) Costs not disallowed	1	1	\$680	\$680
D. No management decision made by March 31, 2017	3	11	\$4,666,110	—

* 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.

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, 2016	—	—	—
B. Issued during this reporting period	—	—	—
SUBTOTAL (Universe from which management decisions could be made in this reporting period)	—	—	—
C. Management decisions made during this reporting period	—	—	—
(i) Recommendations agreed to by SBA management	—	—	—
(ii) Recommendations not agreed to by SBA management	—	—	—
D. No management decision made by March 31, 2017	—	—	—

Reports From Prior Periods With Overdue Management Decisions

Report Number	Report Title	Issue Date	Recommendation	Reason for Delay	Timetable for Resolution
15-16	SBA Needs to Improve Its Oversight of Loan Agents	9/25/2015	Develop benchmarks for contractor performance and require the FTA to implement appropriate application controls and follow-up procedures with lenders to ensure the integrity of the Form 159 database.	Agency management is still in the process of determining the best plan for implementing this recommendation. OIG will continue to work with the Agency to get a Management Decision. If the recommendation remains unresolved, OIG will pursue audit resolution in accordance with SOP 20 35 1.	1/23/2016
15-16	SBA Needs to Improve Its Oversight of Loan Agents	9/25/2015	Implement a process using permissible information to uniquely identify loan agents involved with SBA lending programs for tracking purposes.	Agency management is still in the process of determining the feasibility of implementing a unique identifier for loan agents. The OIG will continue to work with the Agency to get a Management Decision. If the recommendation remains unresolved, OIG will pursue audit resolution in accordance with SOP 20 35 1.	1/23/2016
16-04	Management Letter SBA's FY 2015 Financial Statements Audit	12/11/2015	KPMG recommends the Chief Human Capital Officer continue to reinforce policies and procedures regarding the certification of STAR T&A Reports with supervisors and timekeepers (i.e., issuance of a memorandum, training).	Agency is in the process of implementing a new time and reporting system in lieu of existing procedures and will address control issue upon implementation of new process	4/9/2016
16-04	Management Letter SBA's FY 2015 Financial Statements Audit	12/11/2015	KPMG recommends the Chief Human Capital Officer continue to perform periodic quality assurance reviews to ensure supervisors and timekeepers are properly	Agency is in the process of implementing a new time and reporting system in lieu of existing procedures and will address control issue upon implementation of	4/9/2016

Report Number	Report Title	Issue Date	Recommendation	Reason for Delay	Timetable for Resolution
			certifying and dating all STAR T&A Reports.	new process	
16-04	Management Letter SBA's FY 2015 Financial Statements Audit	12/11/2015	KPMG recommends the Chief Human Capital Officer develop and implement appropriate enforcement actions against individuals and offices with multiple instances of non-compliance.	Agency is in the process of implementing a new time and reporting system in lieu of existing procedures and will address control issue upon implementation of new process	4/9/2016
16-18	Early Defaulted Hurricane Sandy Disaster Loans	8/15/2016	Develop additional guidance that specifies what constitutes unsatisfactory credit, the period of credit history to be evaluated, and derogatory credit issues that are considered an unacceptable risk to SBA.	SBA believes the issue was resolved with the issuance of a new SOP. OIG determined the new SOP does not provide specific guidance on creditworthiness determination. SBA should clarify the period of credit history to be examined, co-applicant credit worthiness assessment, the major adverse credit issues, and scenarios that warrant disapproval. ODA stated they are working on a plan, and OIG will continue to work with the Agency to get a Management Decision. If the recommendation remains unresolved, OIG will pursue audit resolution in accordance with SOP 20 35 1.	12/13/2016

Report Number	Report Title	Issue Date	Recommendation	Reason for Delay	Timetable for Resolution
16-18	Early Defaulted Hurricane Sandy Disaster Loans	8/15/2016	Develop additional approval criteria for loan officers to mitigate the risk of default associated with loan applicants that have been recommended for decline by the DCMS system due to unsatisfactory credit.	SBA stated that the new SOP and ongoing training would resolve the recommendation. OIG determined that the SOP did not contain specific procedures for processing system-declined applications due to unsatisfactory credit. ODA stated they are working on a plan and OIG will continue to work with the Agency to get a Management Decision. If the recommendation remains unresolved, OIG will pursue audit resolution in accordance with SOP 20 35 1.	12/13/2016
16-18	Early Defaulted Hurricane Sandy Disaster Loans	8/15/2016	Provide improved training and materials to current loan officers and new hires to address the issues identified in our findings, emphasize related criteria, and to support appropriate repayment ability analyses.	SBA stated that loan officer training had been conducted following the release of the new Disaster Assistance SOP. OIG found that this training did not specifically address the issues identified in the report. ODA stated they are working on a plan and the OIG will continue to work with the Agency to get a Management Decision. If the recommendation remains unresolved, OIG will pursue audit resolution in accordance with SOP 20 35 1.	12/13/2016

Reports From Prior Periods With Open Recommendations as of March 31, 2017

Report Number	Title	Date Issued	Number of Open Recommendations	Aggregate Potential Cost Savings
12-02	Independent Auditors' Report on the SBA's FY 2011 Financial Statements	11/14/2011	3	—
12-04	Small Business Administration's Rationale for Excluding Certain Types of Contracts from the Annual Small Business Procurement Calculations Needs to be Documented	12/6/2011	4	—
12-15	Weaknesses Identified During the FY 2011 Federal Information Security Management Act Review	7/16/2012	2	—
13-03	Benefits of Mentor Protégé Joint Ventures are Unknown: Robust Oversight is Needed to Avoid Abuse and Assure Success	10/23/2012	3	—
13-04	Independent Auditor's Report on the SBA's FY 2012 Financial Statements	11/14/2012	1	—
13-08	The SBA Mismanaged Certain 8(a) Information Technology Contracts	12/3/2012	2	—
13-21	SBA Enterprise-wide Controls Over Cosponsored Activities	9/30/2013	4	—
14-04	Independent Auditors' Report on the SBA's FY 2013 Financial Statements	12/16/2013	4	—
14-12	Weaknesses Identified During the FY 2013 Federal Information Security Management Act Review	4/30/2014	3	—
14-15	Opportunities Exist for the SBA to Improve the Monitoring of Non-Manufacturer Rule Waivers and Determine the Impact on Small Businesses	8/14/2014	2	—
14-17	Evaluation of SBA's 2013 and 2014 Cash Gifts	8/27/2014	1	—
14-19	Improvements Needed in the SBA's Oversight of the Financial Management of the District of Columbia Small Business Development Center	9/29/2014	2	—
14-21	Review of the LMAS Incremental Improvement Projects	9/30/2014	1	—
15-02	Independent Auditor's Report of the SBA's FY2014 Financial Statements	11/17/2014	2	—
15-04	Management Letter SBA's FY 2014 Financial Statement Audit	12/17/2014	3	—
15-07	Weaknesses Identified During the FY 2014 Federal Information Security Management Act Review	3/13/2015	4	—
15-09	The OIG High Risk 7(a) Loan Review Program Recommends \$1.8 Million in Recoveries	3/20/2015	1	\$471,905
15-12	Improvement is Needed in SBA's Separation Controls and Procedures	5/26/2015	2	—
15-15	SBA Needs to Improve Its Management of Disaster Technical Assistance Grants	7/31/2015	1	—

Report Number	Title	Date Issued	Number of Open Recommendations	Aggregate Potential Cost Savings
15-16	SBA Needs to Improve Its Oversight of Loan Agents	9/25/2015	4	—
16-02	Independent Auditors' Report on the SBA's FY 2015 Financial Statements	11/16/2015	7	—
16-04	Management Letter SBA's FY 2015 Financial Statements Audit	12/11/2015	3	—
16-10	Weaknesses Identified During the FY 2015 Federal Information Security Management Act Review	3/10/2016	3	—
16-11	Management Advisory Memorandum	3/17/2016	1	\$2,046,465
16-13	SBA's 8(a) Business Development Program Eligibility	4/7/2016	1	—
16-16	Weakness Identified During SBA's Office 365 Cloud Email Migration	6/7/2016	6	—
16-18	Early Defaulted Hurricane Sandy Disaster Loans	8/15/2016	5	\$4,219,437
16-19	Management Advisory Memorandum 16-19	8/16/2016	1	\$850,791
16-20	Review of SBA's Practices for Senior Executive Service Initial Pay Setting	8/22/2016	3	\$4,238
16-21	SBA's FY 2015 and 2016 Cash Gifts	8/23/2016	2	—
16-22	The OIG High Risk 7(a) Loan Review Program Recommends \$3.2 Million in Recoveries	9/30/2016	1	—
16-23	Audit of SBA's 504 Loan Liquidation Process	9/30/2016	2	—
	Total	—	84	\$7,592,836

Significant Recommendations From Prior Reporting Periods Without Final Action as of March 31, 2017

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
12-02	11/14/2011	We recommend the CIO coordinate with SBA program offices to enhance security vulnerability management processes. Specifically, SBA should: (a) redistribute procedures and train employees on the process for reviewing and mitigating security vulnerabilities, (b) periodically monitor the existence of unnecessary services and protocols running on their servers and network devices, (c) perform vulnerability assessments with administrative credentials and penetration tests on all SBA offices from a centrally managed location with a standardized reporting mechanism that allows for trending, on a regularly scheduled basis in accordance with NIST guidance, (d) develop a more thorough approach to track and mitigate configuration management vulnerabilities identified during monthly scans, and (e) monitor security vulnerability reports for necessary or required configuration changes to their environment.	12/22/2011	3/31/2012
12-02	11/14/2011	We recommend the CIO coordinate with SBA program offices to oversee the review and validation of financial system accounts on a quarterly basis.	12/22/2011	4/30/2012
12-04	12/6/2011	We recommend that the Associate Administrator, Government Contracting and Business Development revise the Goaling Guidelines for the Small Business Preference Programs to include contracts awarded and/or performed overseas in the small business goaling baseline beginning with FY 2011.	9/23/2015	11/30/2015
13-03	10/23/2012	To ensure the SBA achieves its "Priority Goal" of increasing small business participation in government contracting while ensuring that the benefits of SBA's small business programs flow to the intended recipients, we recommend that the Associate Administrator for Government Contracting and Business Development develop specific, measurements (outputs and outcomes) to evaluate benefits of the joint venture agreements to protégé	1/24/2013	9/30/2013
13-21	9/30/2013	We recommend the Office of Strategic Alliances establish controls, such as a reporting system, to ensure that all activities are timely and properly closed out, and that all required documents and reports, as specified in SOP 90 75 3, are obtained.	1/23/2014	12/12/2014
14-04	12/16/2013	KPMG recommends that the Chief Information Officer coordinates with SBA program offices to grant elevated network privileges per business needs only and enforce the concept of least privilege or implement mitigating controls to ensure that activities performed using privileged network	5/22/2014	12/31/2014

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
		accounts (including service accounts) are properly monitored.		
14-04	12/16/2013	KPMG recommends that the Chief Information Officer coordinates with SBA program offices to enforce a network access security baseline(s) across the network, consistent with SBA security policy, OMB directives, and United States Government Configuration Baseline requirements.	4/9/2014	9/30/2014
14-15	8/14/2014	Complete and publish the Standard Operating Procedure for the Non-Manufacturer Rule Waiver Program.	8/11/2014	11/30/2014
14-19	9/29/2014	Update SOPs 60 15 and 60 16 to address subsequent statutory and regulatory changes, and to establish adequate controls to ensure effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.	9/29/2014	3/31/2016
14-19	9/29/2014	Implement controls to ensure that Lead Centers exclude excess sub-recipient costs when computing indirect costs.	9/29/2014	9/30/2016
15-09	3/20/2015	Require USC Credit Union to bring the loan into compliance and, if not possible, seek recovery of \$471,905 (less any amounts received from liquidation) from USC Credit Union on the guaranty paid by SBA for the loan	3/23/2015	4/2/2016
15-15	7/31/2015	Prepare a closeout report for Sandy technical assistance grants that covers the challenges, successes, and actions to take based on QED's experience. Using the closeout report, develop a plan for deploying technical assistance resources in the wake of a disaster.	8/3/2015	12/31/2016
15-16	9/25/2015	Develop benchmarks for contractor performance and require the FTA to implement appropriate application controls and follow-up procedures with lenders to ensure the integrity of the Form 159 database.	Overdue	Target Date Not Established
15-16	9/25/2015	Implement a process using permissible information to uniquely identify loan agents involved with SBA lending programs for tracking purposes.	Overdue	Target Date Not Established
16-02	11/16/2015	KPMG recommends that the Chief Information Officer coordinate with SBA program offices to implement and monitor procedures to ensure that access is appropriately granted to employees and contractors, consistent with the conditions on their access forms after all approvals have been obtained.	2/25/2016	3/31/2017
16-02	11/16/2015	KPMG recommends that the Chief Information Officer coordinate with SBA program offices to improve SBA's administration of logical system access by taking the following actions: Implement an effective off-boarding process, and periodically verify that controls to remove logical access for separated employees are implemented and operating as designed; Establish a process for the identification and removal of separated contractors to help ensure that access is timely	2/24/2016	3/31/2017

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
		removed upon contractor separation; and Timely remove access to general support systems and major applications (including development and test environments) when employees and contractors are terminated.		
16-02	11/16/2015	KPMG recommends that the Chief Information Officer coordinate with SBA program offices to improve SBA's information system logging and auditing program, by taking the following actions: review and rationalize current audit and logging activities and capabilities to determine their effectiveness in addressing risks to systems and data; implement and enforce consistent and effective creation of audit records, capturing relevant auditable events, auditing (i.e., manual or automated review of audit records) for specified events, and automated alerting on specified events across SBA's infrastructure using a risk-based approach; retain evidence of the audit log review; and develop an Agency-wide plan and schedule for implementing the above recommendations.	2/25/2016	3/31/2017
16-11	3/17/2016	Require California Bank & Trust to bring the loan into compliance and, if not possible, seek recovery of \$2,046,465 from California Bank & Trust on the guaranty paid by SBA.	3/10/2016	3/14/2017
16-13	4/7/2016	Update policy to require the AA/BD and OCE's director to clearly document their justification for approving or denying applicants into the 8(a) Program, particularly when those decisions differed from lower-level recommendations.	4/7/2016	10/31/2016
16-16	6/7/2016	Develop and issue guidance on email archiving procedures for the Office 365 cloud email migration.	5/25/2016	12/31/2016
16-16	6/7/2016	Develop and utilize a requirements traceability matrix to document user acceptance of the Office 365 cloud email migration testing in accordance with SBA's system development method.	5/25/2016	7/29/2016
16-16	6/7/2016	In accordance with OMB Memorandum M-15-14, Management and Oversight of Federal Information Technology, determine whether the data reported to the Federal IT Dashboard is timely and reliable. If deficiencies are identified, immediately notify OMB through the Integrated Data Collection within 30 days.	5/25/2016	5/31/2016
16-18	8/15/2016	Develop additional guidance that specifies what constitutes unsatisfactory credit, the period of credit history to be evaluated, and derogatory credit issues that are considered an unacceptable risk to SBA.	Overdue	Target Date Not Established
16-18	8/15/2016	Develop additional approval criteria for loan officers to mitigate the risk of default associated with loan applicants that have been recommended for decline by the DCMS system due to unsatisfactory credit.	Overdue	Target Date Not Established

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
16-18	8/15/2016	Improve existing portfolio risk analyses by monitoring DCMS decline codes that indicate a higher risk of early default.	9/23/2016	12/24/2016
16-18	8/15/2016	Provide improved training and materials to current loan officers and new hires to address the issues identified in our findings, emphasize related criteria, and to support appropriate repayment ability analyses.	Overdue	Target Date Not Established
16-18	8/15/2016	Provide improved training to loan officers regarding SBA requirements regarding complex eligibility considerations.	9/23/2016	12/24/2016
16-19	8/16/2016	Require Newtek Small Business Finance, Inc., to bring the loan into compliance and, if not possible, seek recovery of \$850,791, plus interest on the guaranty paid by SBA for the loan.	8/23/2016	7/25/2017
16-20	8/22/2016	Remedy the \$7,673 in overpayments.	8/22/2016	12/31/2016
16-20	8/22/2016	Ensure that SBA has a process in place to keep Executive Resources employees informed on all updates to Federal pay setting laws and regulations.	8/22/2016	1/31/2017
16-21	8/23/2016	We recommend the Associate Administrator for Communications and Public Liaison ensure that future cosponsorship agreements include appropriate controls regarding excess funds remaining at the conclusion of a cosponsored activity in accordance with SOP 90 75 3.	8/9/2016	1/31/2017
16-22	9/30/2016	Evaluate the time National Guaranty Purchase Center loan specialists have to review complex early-defaulted loans involving change of ownership transactions.	3/23/2017	9/30/2017

Significant Recommendations From This Reporting Period

Report Number	Title	Date Issued	Recommendation
17-01	Review of SBA's Executive Transportation Service Contract Expenditures	10/5/2016	Develop a transportation plan for current and future SBA Administrators and Deputy Administrators to ensure that transportation is: (a) available as needed; and (b) cost beneficial and most advantageous to the Government.
17-01	Review of SBA's Executive Transportation Service Contract Expenditures	10/5/2016	Reinforce the requirements that all travel be authorized prior to travel and approved by appropriate SBA officials in accordance with the SBA Travel Program Standard Operating Procedures 20 11 6, including executives.
17-01	Review of SBA's Executive Transportation Service Contract Expenditures	10/5/2016	Determine whether the questioned costs identified in Appendix II are recoverable.
17-01	Review of SBA's Executive Transportation Service Contract Expenditures	10/5/2016	Conduct a cost-benefit analysis to determine the appropriate size, type, and number of vehicles needed in the executive fleet and make adjustments as appropriate. Upon a determination that a vehicle larger than a mid-size sedan is essential to the agency mission, provide such written justification to the OIG.
17-03	Independent Auditors' Report on SBA's FY 2016 Financial Statements	11/14/2016	KPMG recommends that the Director of the Office of Financial Analysis and Modeling establish and document the precision level used for evaluating reconciling differences to timely prevent and/or detect material misstatements.
17-03	Independent Auditors' Report on SBA's FY 2016 Financial Statements	11/14/2016	KPMG recommends that the Chief Information Officer coordinate with SBA program offices to ensure that incremental and full backups for all systems, including related support infrastructure, are configured and retained in accordance with SBA policies.
17-03	Independent Auditors' Report on SBA's FY 2016 Financial Statements	11/14/2016	KPMG recommends that the KPMG recommends that the Director of the Office of Financial Analysis and Modeling document the assessment of any differences identified during the performance of this control at each phase of the reestimate process and the potential impact on the financial statements, using the established level of precision.
17-03	Independent Auditors' Report on SBA's FY 2016 Financial Statements	11/14/2016	KPMG recommends that the Chief Information Officer coordinate with SBA program offices to implement and monitor procedures to ensure that access is appropriately granted to employees and contractors, consistent with the conditions on their access forms after all approvals have been obtained.

Report Number	Title	Date Issued	Recommendation
17-03	Independent Auditors' Report on SBA's FY 2016 Financial Statements	11/14/2016	KPMG recommends that the Chief Information Officer implement procedures to ensure that (1) user access, including user accounts and associated roles, is reviewed on a periodic basis consistent with the nature and risk of the system, and any necessary account modifications are performed when identified, and (2) accounts are independently reviewed for appropriateness in accordance with SBA policy.
17-03	Independent Auditors' Report on SBA's FY 2016 Financial Statements	11/14/2016	KPMG recommends that the Chief Information Officer grant elevated privileges per business needs only, and enforce the concept of least privilege or implement mitigating controls to ensure that activities performed using privileged accounts (including service accounts) are properly monitored.
17-03	Independent Auditors' Report on SBA's FY 2016 Financial Statements	11/14/2016	<p>KPMG recommends that the Chief Information Officer improve SBA's administration of logical system access by taking the following actions:</p> <p>Implement an effective off-boarding process, and periodically verify that controls to remove logical access for separated employees are implemented and operating as designed;</p> <p>Establish a process for the identification and removal of separated contractors to help ensure that logical access is timely removed upon contractor separation; and</p> <p>Timely remove access to general support systems and major applications (including development and test environments) when employees and contractors are terminated.</p>
17-03	Independent Auditors' Report on SBA's FY 2016 Financial Statements	11/14/2016	<p>KPMG recommends that the Chief Information Officer improve SBA's information system logging and auditing program, by taking the following actions:</p> <p>Review and rationalize current audit and logging activities and capabilities to determine their effectiveness in addressing risks to systems and data;</p> <p>Implement and enforce consistent and effective creation of audit records, capturing relevant auditable events, auditing (i.e., manual or automated review of audit records) for specified events, and automated alerting on specified events across SBA's infrastructure using a risk-based approach; and</p> <p>Retain sufficient evidence of the audit log review.</p>
17-03	Independent Auditors' Report on SBA's FY 2016 Financial Statements	11/14/2016	KPMG recommends that the Chief Information Officer enforce segregation of duties policies and procedures or implement mitigating controls in order to minimize the risk of unauthorized activity and other relevant security events.
17-03	Independent Auditors' Report on	11/14/2016	KPMG recommends that the Chief Information Officer coordinate with SBA program offices to address the existing configuration and

Report Number	Title	Date Issued	Recommendation
	SBA's FY 2016 Financial Statements		patch management vulnerabilities noted during our assessment to be in compliance with SBA policies. 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.
17-08	Review of SBA's Practices for Schedule C Political Appointee Initial Pay Setting	3/13/2017	Update the Superior Qualifications and Special Needs Pay-Setting Authority SOP to include a section specifically for Schedule C excepted service appointments.
17-09	Audit of New York Small Business Center's Phase 2 Technical Assistance Grant	3/31/2017	Recover \$51,985 from NYSBDC for unallocable personnel costs directly charged to the Hurricane Sandy technical assistance grant.
17-10	The SCORE Association's Disaster Technical Assistance Grant	3/31/2017	Develop and implement policies and procedures to ensure: <ul style="list-style-type: none"> a. SCORE provides quarterly financial and performance reports as dictated in the NoA. b. Future disaster grants awarded to SCORE are issued separate from SCORE's core award to ensure the grant award is reported on separately by SCORE and monitored separately by SBA.
17-10	The SCORE Association's Disaster Technical Assistance Grant	3/31/2017	Ensure that SCORE develops a method to capture performance data in order to properly support reported results.
17-10	The SCORE Association's Disaster Technical Assistance Grant	3/31/2017	Develop specific measurements to evaluate SCORE's performance goals on disaster technical assistance grants.
17-10	The SCORE Association's Disaster Technical Assistance Grant	3/31/2017	Develop and implement policies and procedures to ensure: <ul style="list-style-type: none"> a. The reallocation of funds between budget cost categories is assessed for the percentage of increases and decreases on a quarterly basis. b. The SCORE volunteer program uses current standards for internal control in the Federal Government as a guide. c. SBA personnel conduct grant closeout procedures for SCORE's disaster grants. d. SCORE submits copies of proposed contracts to SBA for approval before executing the contracts.

Report Number	Title	Date Issued	Recommendation
17-10	The SCORE Association's Disaster Technical Assistance Grant	3/31/2017	Ensure SCORE revises its operating manual and accounting policies and procedures to include controls and processes for travel expenditures that provide reasonable assurance that SCORE and its chapters are aware of and comply with the NoA, OMB uniform grant guidance for Federal awards, and the Federal Travel Regulation.

Significant Management Decisions With Which OIG Disagrees

Report 13-21, SBA Enterprise-Wide Controls Over Cosponsored Activities

The Inspector General received a decision from the SBA Audit Resolution Official (AFO) to close a Recommendation 6 pertaining to [Report 13-21](#). Recommendation 6 indicated SBA should initiate actions to properly account for, and dispose of \$36,941 remaining from the 2009 America East Conference and \$15,617 remaining from the 2010 Mid-America Lender Conference in accordance with the provisions of SOP 90 75 3. The AFO relied on management's assessment that fraud, waste, or abuse had not occurred; however, OIG disagrees with the assessment and notes the resolution decision fails to address management's responsibility to ensure their internal control systems protect and control co-sponsorship activities. In accordance with OMB Circular A-50 and SBA SOP 20 35, the recommendation is considered closed.

Report 15-11, SBA's FY 2014 Compliance With the Improper Payments Elimination and Recovery Act

The Inspector General received a decision from the SBA AFO to close Recommendation 1 pertaining to [Report 15-11](#). Although the SBA originally agreed with the recommendation to recover \$168,000 of unallowable indirect costs from SCORE and OIG engaged in ongoing dialog on the status of corrective action to remedy the disallowed costs, which resulted in a reconciled unallowable indirect cost amount of \$137,854, the AFO made a determination to close the recommendation. The AFO relied on management's assessment that fraud, waste, or abuse had not occurred; however, OIG disagrees with the assessment and notes management did not provide OIG with information to refute its review findings prior to closing the recommendation. In accordance with OMB Circular A-50 and SBA SOP 20 35, the recommendation is considered closed.

Significant Revised Management Decisions

There were no significant revised management decisions during this reporting period.

Federal Financial Management Improvement Act

Our independent auditor, KPMG, in the FY2016 Financial Statement Audit, performed tests with certain provisions of the Federal Financial Management Improvement Act of 1996 to ensure compliance with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, (3) the U.S. Government Standard General Ledger at the transaction level. Moreover, there are no outstanding remedial actions to ensure compliance with this Act.

Instances of Interference

There were no attempts by SBA officials to interfere with OIG independence during the reporting period.

Investigations Reporting Statistics

Investigative Reports Issued

Report Type	Number of Reports
Report of Investigation	37
Preliminary Case Closing Memorandum	9
TOTAL	46

Persons Referred for Prosecution

Referred To	Number of Persons
Department of Justice	20
State Attorney	9
TOTAL	29*

*Number includes persons and entities referred for prosecution.

Whistleblower Retaliation Cases

There were no OIG investigations of reprisal against a whistleblower closed during the reporting period.

Investigations Involving a Senior Government Employee Where Misconduct Was Substantiated

SBA Regional Administrator Violated Travel Policy

The OIG received confidential information that an SBA Regional Administrator (RA) violated travel policy by travelling without prior authorization on numerous occasions during 2015 and 2016. In addition, it was alleged that the RA was delinquent on their JPMorgan Chase government travel card and the card was suspended. It was further alleged that the RA failed to follow instructions from their chain of command. The allegation stated that SBA management was aware of the conduct and had not taken appropriate disciplinary action despite legal advice from the SBA Office of General Counsel recommending action. An investigation was opened to conduct a preliminary review of the alleged misconduct and management's actions to resolve the same. The OIG confirmed the allegations of misconduct and established that the conduct was protracted and the focus of longstanding and ongoing management and administrative attention. SBA management issued the RA a Letter of Reprimand detailing a failure to adhere to SBA and Federal travel policies by traveling without authorization. It further noted that the RA failed to follow the instructions of management with respect to their travel. The SBA established that the Letter of Reprimand was to be filed in the RA's Official Personnel Folder (OPF) for a period not to exceed 2 years from the issuance date. It further established that the Reprimand would be removed from the OPF and destroyed upon expiration of the 2-year period, or if the RA should leave the agency, whichever came first.

On January 20, 2017, the RA resigned from the SBA citing the reason for the resignation as "Due to change in administration." This matter was not referred to the Department of Justice.

Investigations Involving a Senior Government Employee That Is Closed and Not Disclosed to the Public

SBA Regional Administrator Violated Travel Policy

The OIG received confidential information that an SBA Regional Administrator (RA) violated travel policy by travelling without prior authorization on numerous occasions during 2015 and 2016. In addition, it was alleged that the RA was delinquent on their JPMorgan Chase government travel card and the card was suspended. It was further alleged that the RA failed to follow instructions from their chain of command. The allegation stated that SBA management was aware of the conduct and had not taken appropriate disciplinary action despite legal advice from the SBA Office of General Counsel recommending action. An investigation was opened to conduct a preliminary review of the alleged misconduct and management's actions to resolve the same. The OIG confirmed the allegations of misconduct and established that the conduct was protracted and the focus of longstanding and ongoing management and administrative attention. SBA management issued the RA a Letter of Reprimand detailing a failure to adhere to SBA and Federal travel policies by traveling without authorization. It further noted that the RA failed to follow the instructions of management with respect to their travel. The SBA established that the Letter of Reprimand was to be filed in the RA's OPF for a period not to exceed 2 years from the issuance date. It further established that the Reprimand would be removed from the OPF and destroyed upon expiration of the 2-year period, or if the RA should leave the agency, whichever came first.

On January 20, 2017, the RA resigned from the SBA citing the reason for the resignation as "Due to change in administration." This matter was not referred to the Department of Justice.

SBA District Director Allegedly Used Their Official Position to Influence the Awarding of a \$150,000 Women's Business Center Grant

The OIG received an anonymous complaint from the SBA OIG Hotline. The anonymous complaint alleged that the District Director (DD) used their official position to influence the awarding of a \$150,000 Women's Business Center grant for the benefit of their prior employer. The OIG investigation determined that there was no evidence to support the allegations and that the grant process appeared to have followed SBA requirements to ensure the integrity of the process. The OIG determined that the DD did not make any attempt to influence the grant process.

Legal Actions Summary

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
AZ	BL	IRS/CI	One individual made a false statement to SBA. Two individuals made false statements during bankruptcy Chapter 11 hearings and assisted the other individual in concealing property and assets.	Three individuals indicted.
CA	BL	FBI	An individual knowingly defrauded a bank to obtain monies and funds under false pretenses, representations, and the concealment of material facts. Subsequently, the individual defaulted on their SBA loan causing SBA to lose approximately \$1.4 million.	Individual pled guilty.
CA	BL	ED/OIG	An individual submitted invoices and receipts for loan disbursements that were not for the purposes identified on the SBA loan authorization.	SBA realized a cost avoidance of \$134,733.
DC	GC	FBI, GSA/OIG	An individual owned businesses in the 8(a) program and conspired with a larger business to obtain federal government contracts set aside for small, disadvantaged businesses with the understanding that the larger company would perform all of the work.	Individual pled guilty.
FL	GC	Army/CID, DOL/OIG, NASA/OIG	An individual made material false statements and representations on SBA Form 912.	Individual was indicted.
GU	GC	DHS/OIG, IRS/CI	Individuals made false statements to obtain a \$20 million SBA-guaranteed loan by concealing the borrower's criminal history.	Individuals pled guilty. One individual was sentenced to 5 years' probation and a \$27,000 fine. Another individual was sentenced to 3 years' probation and ordered to pay a \$10,000 fine and \$2,334 in restitution. The other individual was sentenced to 3 years' probation and ordered to pay a \$7,500 fine and \$1,875,407 in forfeiture.
IL	BL	FBI	An individual, while employed as a bank officer, embezzled \$126,862 in funds transmitted by SBA loan customers who made offer in compromise payments on their defaulted SBA guaranteed loans.	Individual pled guilty.

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
IL	BL	ED/OIG, FHFA/OIG, HUD/OIG	An individual used a mentally disabled person's identifying information to obtain a bank loan guaranteed by the SBA.	An individual pled guilty and was sentenced to 30 months' imprisonment, 1 year's supervised release, community service not to exceed 100 hours, and \$129,862 in restitution.
MA	GC	Army CID, GSA/OIG, VA/OIG	An individual made false statements to the Government regarding his business' Service-Disabled Veteran Owned (SDVO) qualifications in order to received SDVO set-aside contracts.	Individual was sentenced to 30 months' incarceration and ordered to pay restitution in the amount of \$6,756,205 and a \$10,000 fine.
MD	GC	Air Force/ OSI	An individual who owned a certified 8(a) small business was awarded a contract and served as a pass-thru for another individual's company who performed the work.	Two individuals were indicted.
MD	GC	Air Force/ OSI, DCIS	A company created false invoices that charged for labor hours that were not actually worked, and charged the government at job classification rates for personnel that did not have the requisite credentials to be billed at those rates.	Company agreed to pay \$4.535 million to the government to settle allegations that it submitted inflated invoices to the government for work performed at a military facility.
NH	BL	FBI, FDIC/OIG	Individuals made false statements and reports to overvalue property and security for the purpose of influencing the actions of financial institutions whose deposits were insured by the Federal Deposit Insurance Corporation, in connection with loan applications, commitments, and renewals.	One individual pled guilty and was sentenced to 6 months' home confinement, 6 months' curfew as part of a 3-year term of supervised release, and ordered to pay \$300,000 restitution. The other individual was indicted, pled guilty, was sentenced to time-served plus 2 years' home confinement, and was ordered to pay \$500,000 in restitution.
NJ	DL	HHS/OIG, DHS/OIG, HUD/OIG	Individuals attempted to obtain a disaster loan for property that was not their primary residence.	The SBA realized a cost avoidance of \$99,422.

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
NJ	DL	DHS/OIG HUD/OIG, NJ/DCA	Two individuals falsified the location of their primary residence in order to obtain government assistance in the aftermath of Superstorm Sandy.	Both individuals entered into Pretrial Intervention and are jointly responsible for the restitution amount of \$49,969.
NJ	DL	DHS/OIG, HUD/OIG	An individual falsified the location of their primary residence in order to obtain government assistance in the aftermath of Superstorm Sandy.	SBA realized a cost savings of \$12,737.57.
NJ	DL	DHS/OIG HUD/OIG, NJ/DCA	Two individuals falsified the location of their primary residence in order to obtain government assistance in the aftermath of Superstorm Sandy.	Both individuals entered into Pretrial Intervention, pled guilty, and are jointly responsible for the restitution amount of \$22,253.
NV	BL	FBI, Nevada Attorney's General Office	An individual received SBA guaranteed bank loans, totaling \$1,750,000, by using false representations of the financial condition of his business.	Individual pled guilty.
NY	DL	FBI, SIGTARP, HUD/OIG	Individual submitted false information and documents to the SBA in order to obtain a loan due to Superstorm Sandy. Individual also misused the loan proceeds by paying for personal expenses.	Individual sentenced to 180 months' imprisonment, ordered to make forfeiture in the amount of \$2,500,050.
NY	DL		An individual failed to adhere to the security agreement terms that he entered with SBA and the bank when they cashed out a certificate of deposit that he pledged as collateral on a disaster loan to his company.	Individual remitted \$150,000, the value of the proceeds, to SBA.
OK	DL	DHS/OIG	An individual provided false information to obtain a government disaster loan.	Individual entered into a settlement in lieu of civil action for the amount of \$32,900.
SC	GC	IRS/CI, Army/CID,DC IS, DOE/OIG, USDA/OIG, VA/OIG	An individual provided material false statements on SBA Form 355 and a property lease.	Individual was indicted.

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
TN	GC	FBI, USSS, DOI/OIG, VA/OIG	Individuals conspired to falsely certify a company as a Service Disabled Veteran Owned Small Business in order to obtain government contracts.	Individuals found guilty. One individual was sentenced to 48 months' imprisonment and the other 30 months' imprisonment. Both individuals were also sentenced to 3 years' supervised release.
TX	BL	FBI, USDA/OIG	Individuals conspired to obtain government guaranteed loans from both SBA and United States Department of Agriculture. These loans were secured using fraudulent pretenses.	An individual pled guilty and was sentenced to 78 months' imprisonment and 5 years' probation upon release, and forfeiture was ordered for \$1 million. The other individual pled guilty and was sentenced to 5 years' probation and forfeiture was ordered for \$3,140,272. Both individuals are jointly responsible for paying \$3,740,165 in restitution.
TX	DL	FBI	An individual submitted false invoices indicating payment to several contractors and vendors. The invoices were never paid or were merely proposals that were claimed to SBA as having been paid.	Individual pled guilty and was sentenced to 66 months' custody, 5 years' supervised release, and ordered to pay restitution in the amount of \$1,305,800.
WA	IA		An individual embezzled over \$27,000 forging SCORE checks made payable to herself then directly depositing those checks into her personal bank account.	Individual was sentenced to 40 days in jail and ordered restitution in the amount of \$27,724.44.

Legal Actions Summary Program Codes

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

Joint-investigation Agency Acronyms

Defense Criminal Investigative Service (DCIS)
Department of Agriculture Office of Inspector General (USDA/OIG)
Department of Education Office of Inspector General (ED/OIG)
Department of Homeland Security Office of Inspector General (DHS/OIG)
Department of Housing and Urban Development Office of Inspector General (HUD/OIG)
Department of Interior Office of Inspector General (DOI/OIG)
Department of Labor Office of Inspector General (DOL/OIG)
Department of Veterans Affairs Office of Inspector General (VA/OIG)
Federal Bureau of Investigation (FBI)
Federal Deposit Insurance Corporation Office of Inspector General (FDIC/OIG)
Federal Housing Finance Agency Office of Inspector General (FHFA/OIG)
General Services Administration Office of Inspector General (GSA/OIG)
Internal Revenue Service – Criminal Investigation (IRS/CI)
National Aeronautics and Space Administration Office of Inspector General (NASA/OIG)
New Jersey Department of Community Affairs (NJ DCA)
Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP)
Treasury Inspector General for Tax Administration (TIGTA)
United States Air Force Office of Special Investigations (Air Force/OSI)
United States Army/Criminal Investigation Division (Army/CID)
United States Postal Inspection Service (USPIS)
United States Postal Service Office of Inspector General (USPS/OIG)
United States Secret Service (USSS)

Cosponsored and Other Activities

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Emerging Leaders 2017	Puerto Rico & Virgin Islands DO-Banco Popular de Puerto Rico, Corporación para el Fomento Empresarial del Comercio y de las Comunidades, PathStone Enterprise Center, Polytechnic University of Puerto Rico, Puerto Rico Chamber of Commerce, Puerto Rico Small Business & Technology Development Center, Women's Business Institute	San Juan, PR	3/28/2017
Emerging Leaders 2017	Vermont DO-Vermont Technical College, Vermont Small Business Development Center, Vermont Agency of Commerce and Community Development, Vermont Economic Development Authority, Vermont Chamber of Commerce, Vermont Manufacturing Extension Center, Vermont Business Magazine, Davis and Hodgdon Associates CPAs, PLC, TD Bank, N.A., KeyBank, N.A., Community National Bank, Vermont Businesses for Social Responsibility	Williston, VT	3/27/2017
InnovateHER Innovating for Women Business Challenge 2017	HQ/Office of Women's Business Ownership - Springboard Enterprises	Nationwide	3/22/2017
Small Business Tech Training, Activities and Resources provided by a Small Business Technology Coalition ("Coalition").	HQ/Office of the Chief Operating Officer - Amazon, American Express, Bench Accounting, Inc., Box, Inc., Canvas Solutions, Inc., Chase Bank, Dash Data, Inc., Dun & Bradstreet, Expensify, Facebook, Google, Inc., Gusto, Intuit, LegalZoom, Inc., LinkedIn Corporation, Microsoft, National Cyber Security Alliance, NerdWallet, Paychex, Inc., Salesforce.com, Inc., Square Inc., Stripe, Thumbtack, Yelp Inc., YourPeople Inc.	Nationwide	3/20/2017
National Small Business Week 2017	HQ/Office of Communications and Public Liaison - SCORE Association	Nationwide, 10 SBA Regional Events TBA	3/7/2017
Monthly Business Forum FY 2017	New York DO - White Plains Public Library	White Plains, NY	1/13/2017
Small Business Excellence Award Recognition	Syracuse DO - New York Business Development Corporation	Albany, Syracuse, NY	1/12/2017
Operation Start Up & Grow: Veteran's Business Conference	Syracuse DO - City of Syracuse Office of Neighborhood and Business Development, Institute for Veterans and Military Families, M&T Bank, National Grid, New York Business Development Corporation, Onondaga Community College, Onondaga County Office of Economic Development, Onondaga Small Business Development Center, Site-Seeker, Inc., SRC, Inc., SCORE Syracuse Chapter 98, The Tech Garden,	Syracuse, NY	1/12/2017

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
	Visual Technologies, Whitman School of Management - Falcone Center for Entrepreneurship - Syracuse University, WISE Women's Business Center, Berkshire Bank, Rapid Response Monitoring		
Vermont Entrepreneurship Week 2017	Vermont DO - Vermont Agency of Commerce and Community Development, Vermont Career and Technical Student Organizations, Vermont Small Business Development Center, Vermont Business Education Corporation dba VT REAL Enterprises	Montpelier, VT	1/12/2017
Certifications May Help You Expand Business with Government Contracts	St. Louis DO - St. Louis County Library Headquarters, Grace Hill Women's Business Center	St. Louis, MO	1/6/2017
Top Ten Lender Awards Event	Kansas City DO - Midwest Regional Bank	Leawood, KS	1/6/2017
Your Path to Surety Bonds: What Businesses Need to Know	HQ/Office of Surety Guarantees - National Association of Surety Bond Producers	Washington, DC, Denver, CO Seattle, WA	12/20/2016
Showcasing our Small Business Successes	Maine DO - Community Concepts Finance Corporation	Lewiston, Auburn, Oxford, Dixfield, Rumford, Wilton, ME	12/8/2016
SBA/Mastercard Small Business Index	HQ/Office of Investment and Innovation - MasterCard Advisors	Washington, DC	12/2/2016
Government Contracting Workshop Series	Vermont DO - Vermont Technical College Vermont Tech Enterprise Center Vermont Small Business Development Center, Vermont Procurement Technical Assistance Center	Vermont Statewide	12/2/2016
Financial Partnership Workshop & SBA Lender Awards Presentation	Maine DO - U.S. Department Agriculture - Rural Development, Federal Reserve Bank of Boston, Federal Home Loan Bank of Boston	Augusta, ME	11/18/2016
Webinar	Richmond DO - GCFValuation	World Wide Web	11/17/2016
Webinar	West Virginia DO - Starfield and Smith P.C	World Wide Web	11/17/2016
Webinar	West Virginia DO - Reliant Business Valuation, LLC	World Wide Web	11/17/2016
Vermont Small Business Administration Annual Meeting and Lender Awards	Vermont DO - Vermont Small Business Development Center Vermont Tech Enterprise Center	Montpelier, VT	11/14/2016
New York District Office Annual Lender Awards 2016	New York DO - New York Business Development Corporation	Jamaica, NY	10/17/2016
Boots to Business Reboot	Massachusetts DO - Eastern Bank	Roxbury, MA	10/17/2016
SBA National Veterans' Small Business Week Event	Los Angeles DO - Association of United States Army	Los Angeles, Sylmar, CA	10/13/2016

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Webinar	West Virginia DO - Dinsmore and Shohl, LLP	World Wide Web	10/13/2016
Webinar	West Virginia DO - Consumer Credit Counseling Service of the Mid-Ohio Valley, Huntington	World Wide Web	10/13/2016
Helping Everyone Realize Opportunities (HERO)	Georgia DO - Ebenezer Baptist Church, Martin Luther King, Sr. Resources Center	Atlanta, GA	10/13/2016
Opportunities for Veteran Business Owners	North Carolina DO - Central Piedmont Community College	Piedmont , NC	10/13/2016
Basically business webinar series	West Virginia DO - Jens Kiel Marketing IT Consulting, LLC, Charleston	World Wide Web	10/13/2016
Echats and Webinars	Pittsburgh DO - JARI Procurement Technical Assistance Center; North Central Procurement Technical Assistance Center; North Central PA Regional Planning and Development Commission	Pittsburgh, PA	10/13/2016
Small Business Saturday Kickoff	West Virginia DO - Impakt Marketing, Morgantown Area Chamber of Commerce, WV SCORE, WV Small Business Development Center, WV Women's Business Center, WVU Media Innovation Center	Morgantown, WV	10/5/2016

Appendix: External Peer Reviews

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

Audits Division

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

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

Investigations Division

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

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

Peer Reviews Conducted

SBA OIG did not conduct any peer reviews this period.

Reporting Requirements in the Inspector General Act of 1978, As Amended

Section	Reporting Requirement	Location
4(a)(2)	Review of legislation and regulations	Other Significant OIG Activities
5(a)(1)	Significant problems, abuses, and deficiencies	Throughout
5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	Significant Recommendations From This Reporting Period
5(a)(3)	Prior significant recommendations on which corrective action has not been completed	Significant Recommendations from Prior Reporting Periods Without Final Action as of March 31, 2017
5(a)(4)	Matters referred to prosecutive authorities	Legal Actions Summary
5(a)(5)	Instances in which requested information was refused	N/A
5(a)(6)	List of audit, inspection, and evaluation reports	Reports Issued; Reports With Questioned Costs
5(a)(7)	Significant reports	Throughout
5(a)(8)	Audit, inspection, and evaluation statistical tables	Statistical Highlights
5(a)(9)	Audit, inspection, and evaluation reports with recommendations that funds be put to better use	Reports With Recommendations That Funds Be Put to Better Use
5(a)(10)	Audit, inspection, and evaluation reports without management decision, without comment within 60 days, or with unimplemented recommendations	Reports From Prior Periods With Overdue Management Decisions; Reports From Prior Periods With Open Recommendations as of March 31, 2017
5(a)(11)	Revised management decisions	Significant Revised Management Decisions
5(a)(12)	Management decisions with which the Inspector General disagrees	Significant Management Decisions With Which OIG Disagrees
5(a)(13)	Information described under section 05(b) of the Federal Financial Management Improvement Act of 1996	Federal Financial Management Improvement Act
5(a)(14)–(16)	Peer review results	External Peer Reviews
5(a)(17),(18)	Investigative statistical tables and supporting metrics	Investigations Reporting Statistics
5(a)(19)	Investigations involving a senior Government employee where allegations of misconduct were substantiated	Investigations Involving a Senior Government Employee Where Misconduct Was Substantiated
5(a)(20)	Whistleblower retaliation	Whistleblower Retaliation Cases
5(a)(21)	Attempts to interfere with the independence of the OIG	Instances of Interference
5(a)(22)	Each closed inspection, evaluation, and audit not disclosed to the public; each closed investigation involving a senior Government employee not disclosed to the public	Investigations Involving a Senior Government Employee That Is Closed and Not Disclosed to the Public

Make a Difference

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

Online:

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

Call:

1-800-767-0385 (Toll Free)

Write or Visit:

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

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