

Semiannual Report to Congress

April 1, 2020 - September 30, 2020



U.S. Small Business Administration
Office of Inspector General



MESSAGE FROM THE INSPECTOR GENERAL

October 30, 2020

I am honored to submit our *Semiannual Report to Congress* for the second half of fiscal year 2020. Every 6 months, we report to Congress on our independent oversight of the U.S. Small Business Administration (SBA), as required by law.

This semiannual period has been like no other in the history of SBA or the Office of Inspector General (OIG). The focus of our work has been to oversee the agency's management of the enormous resources Congress provided to help keep small businesses alive during the pandemic since mid-March when the nation's economy came to a virtual halt because of the public health crisis caused by the spread of Coronavirus Disease 2019 (COVID-19).

OIG continues to focus on the most critical risks facing SBA, directing our resources at the most serious management and performance challenges. There is no doubt that pandemic oversight is at the top of the list.



Hannibal "Mike" Ware
Inspector General

Our Work this Period

In response to the COVID-19 pandemic, Congress authorized SBA to lend more than \$1 trillion to small business entities through the Paycheck Protection and Economic Injury Disaster Loan programs. Sadly, the enormous sums authorized by Congress to support small businesses through the pandemic were also viewed as opportunities by fraudsters.

Pandemic Response Oversight

By the end of this reporting period, OIG had received more than 100,000 complaints of fraud via the Hotline. We have launched hundreds of investigations in response.

During this reporting period, OIG issued 10 reports with 24 recommendations to improve SBA operations and reduce fraud and unnecessary losses in agency programs. The 10 reports include 3 White Papers, a Flash Report, and a Management Alert on pandemic-related issues and fraud.

In addition, OIG investigations resulted in 47 indictments and 8 convictions. Overall, OIG's investigations and audits achieved monetary recoveries and savings of \$124,513,846. OIG also sent three present responsibility referrals to SBA. (Present responsibility means the business ethics, integrity, honesty, and competence of vendors.)

OIG Staff Dedication and Success

I would be remiss if I did not take this opportunity to compliment and sincerely thank OIG's outstanding employees for their tireless efforts to maintain momentum on all our projects while exclusively teleworking.

Despite difficult conditions and the need to quickly (and frequently) adapt to rapid change over the past months, our auditors, investigators, and support staff have redoubled their efforts to meet OIG's mandated mission of promoting economy, efficiency, effectiveness, and integrity in SBA programs and operations.

Every member of OIG is committed to protecting the precious resources of American taxpayers. I look forward to the impactful work OIG employees will produce in the coming semiannual period. I am confident that I may speak for them when I say we all look forward to continuing work with SBA's management to address the issues and challenges facing the agency.



Hannibal "Mike" Ware
SBA Inspector General



Organizational Overview

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) 2018–22 has four key goals:

1. Support small business revenue and job growth.
2. Build healthy entrepreneurial ecosystems and create business friendly environments.
3. Restore small businesses and communities after disasters.
4. Strengthen SBA's ability to serve small businesses.

SBA is organized around the functional assistance areas of 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, D.C. The agency has staff in 10 regional offices, 68 district offices and corresponding branch offices, and 4 disaster field offices. There also are 6 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.

Office of Inspector General

OIG has three divisions and several supporting program offices:

1. The **Audits Division** audits and reviews SBA programs and operations to ensure they are economical, efficient, and effective. Our key areas of emphasis are SBA's loan programs, disaster assistance, business and entrepreneurial development and government contracting programs, as well as mandatory and other statutory audit requirements involving information security and financial reporting. Other work focuses on high-risk activities and management issues facing SBA.
2. The **Investigations Division** investigates allegations of illegal and improper activities involving SBA's programs, operations, and personnel. OIG criminal investigators carry out a full range of traditional law enforcement functions. The OIG Hotline receives allegations of waste, fraud, abuse, or serious mismanagement in SBA or its programs. Hotline staff members review complaints and may coordinate reviews of allegations within OIG, SBA program offices, or other government agencies.

The security operations staff conducts required OIG employee background investigations and screens OIG employees and contractors according to Homeland Security Presidential Directive-12 background investigations requirements.

3. The **Management and Operations Division** provides business support (e.g., budget and financial management, human resources, information technology, administrative, and communication) for 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; presents training; 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.

OIG's headquarters is in Washington, D.C. Our field staff, primarily investigative agents, are located in 12 offices in the four regions around the country.

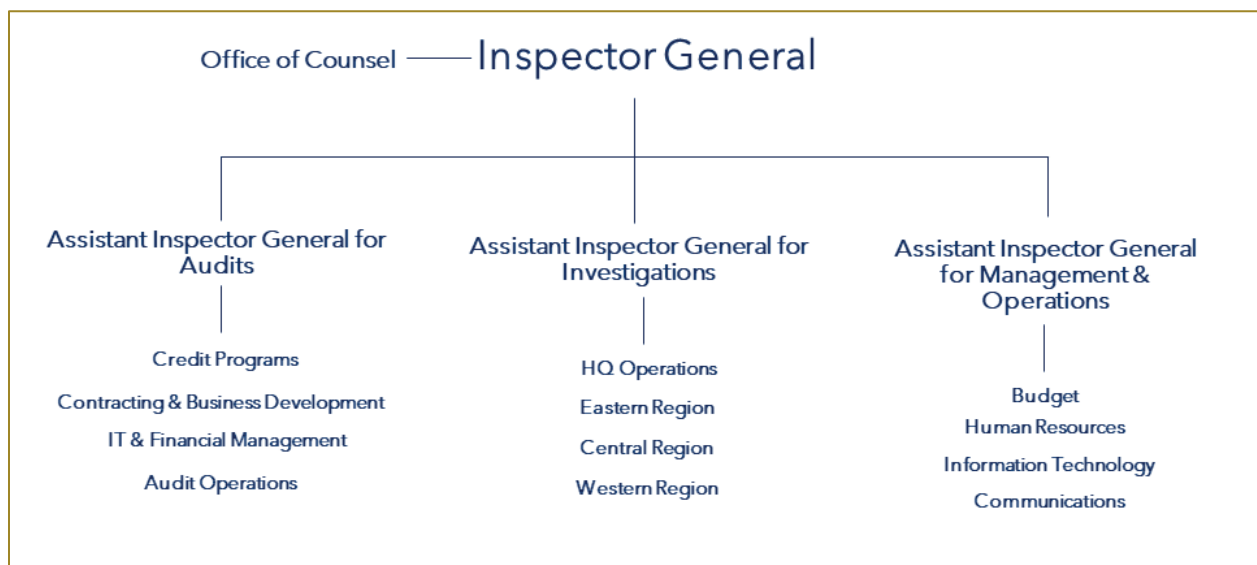




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Summary of OIG Oversight Work

Pandemic Response Oversight

SBA's Disaster Assistance Program is the federal government's primary program for helping small businesses, small agricultural cooperatives, and most private, nonprofit organizations after disasters. SBA offers up to \$2 million in economic injury disaster loans to help those eligible to meet financial obligations and operating expenses.

To support businesses affected by the Coronavirus Disease 2019 (COVID-19) pandemic, Congress tasked SBA with lending more than \$373 billion in COVID-19 economic injury disaster funds (EIDLs) and \$20 billion in COVID-19 emergency advance grants.



The Coronavirus Aid, Relief, and Economic Security (CARES) Act also provided \$349 billion for the creation the Paycheck Protection Program (PPP) under Section 7(a) of the Small Business Act. Congress added an additional \$310 billion to the PPP in April 24, 2020, through the Paycheck Protection Program and Health Care Enhancement Act .

SBA's role in the nation's pandemic response has resulted in the greatest oversight challenge any OIG in history has ever faced. Our office published a robust oversight plan and immediately initiated the first reviews focusing on implementation and eligibility of the lending and entrepreneurial development programs.

SBA's need to speedily provide relief to small business entities led to reduced controls on pandemic-related loans and substantially increased risk. It was immediately clear that pandemic relief efforts had drawn the attention of unscrupulous business owners and greedy criminals.

Within weeks, complaints from lenders and allegations of widespread fraudulent activity overwhelmed OIG's Hotline, and we launched hundreds of investigations and initiated audits to root out the fraud and abuse endangering these critical resources. The following sections summarize our pandemic oversight work this period.

Audits, Inspections, and Evaluations

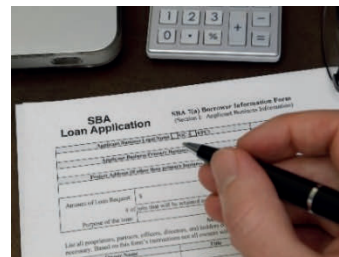
During the semiannual period, OIG completed the following work to oversee the resources allocated for pandemic response:

White Paper: Risk Awareness and Lessons Learned from Prior Audits of Economic Stimulus Loans



In this White Paper, we listed a roundup of lessons learned and risks identified in previous audits and reviews that SBA should consider to ensure program integrity and reduce the risk of financial loss for COVID-19-related loans, which fall under the 7(a) program.

SBA has improved controls related to existing loan programs, but we noted several risk areas that could present challenges in issuing and administering requirements under the COVID-19 loan programs. We detailed key considerations for SBA to ensure program integrity and the timeliness of loans to eligible small businesses and to reduce the risk of financial loss.



Our review of previous audits and reviews of economic stimulus loan programs identified areas of risk in SBA's 7(a) loan program. We found SBA did not require program participants to submit documentation, which resulted in inappropriate or unsupported loan approvals. We determined that SBA should establish proper controls, such as clear and consistent guidance and training for new stimulus programs before disbursing funds. The controls should also ensure that program requirements are updated. (Report 20-11) Access the White Paper here: https://www.sba.gov/sites/default/files/2020-04/SBA_OIG_WhitePaper_20-11_508.pdf.

Second White Paper: Risk Awareness and Lessons Learned from Audits and Inspections of Economic Injury Disaster Loans



In this White Paper, we listed a roundup of lessons learned and risks identified in previous audits and inspections the agency should consider in managing and mitigating the risk of loss for COVID-19-related disaster loans. The expected increase in loan volumes and amounts and expedited processing timeframes will place additional stress on existing controls.

OIG regularly conducts audits and inspections to evaluate management controls and to assess program integrity, efficiency, and effectiveness of the Disaster Assistance Loan Program. We compiled findings from those audits and evaluations that identified significant issues and relevant risks. Previous audits and inspections identified that SBA:

- Issued economic injury disaster loans and noneconomic injury disaster loans without fully vetting the borrowers' credit or their ability to repay the loans.
- Issued economic injury disaster loans and noneconomic injury disaster loans to businesses that did not suffer an economic loss or to businesses outside the timeframe of the disaster.
- Encountered challenges with having experienced or well-trained staff to provide accurate and appropriate assistance to borrowers during large-scale disasters.

To ensure program integrity and reduce the risk of financial loss, SBA should ensure that loans are provided to eligible applicants timely, that borrowers meet all eligibility requirements, and that it has experienced or well-trained personnel to provide appropriate assistance and handle the increased loan volume and expedited processing timeframes. (Report 20-12) Access the White Paper here: https://www.sba.gov/sites/default/files/2020-04/SBA_OIG_WhitePaper_20-12_508_0.pdf.

White Paper: Risk Awareness and Lessons Learned from Prior Audits of Entrepreneurial Development Programs



This White Paper identified risks from previous audits and other reviews that SBA should consider as it implements mandates to administer federal funds to Small Business Development Centers, Women’s Business Centers, and resource partner associations related to the COVID-19 pandemic. The increase in federal funds to these centers and resource partner associations and expedited timeframes places additional stress on existing controls.

OIG audits and reviews management controls to assess program integrity, efficiency, and effectiveness of Small Business Development and Women’s Business Center programs, as well as previous awards to resource partners for disaster technical assistance. We compiled findings from those audits and reviews that identified significant issues and relevant risks. (Report 20-13) Access the White Paper here: https://www.sba.gov/sites/default/files/2020-04/SBA_OIG_Report_20-13_508.pdf.

Flash Report Small Business Administration's Implementation of the Paycheck Protection Program Requirements



On April 24, we began our first review of SBA’s implementation of the Paycheck Protection Program. However, when we received requests for information from a group of Senators, we produced a Flash Report to detail our preliminary findings.

We analyzed key provisions of Section 1102 of CARES Act, SBA’s Interim Final Rules, and public guidance intended to further inform stakeholders of SBA’s implementation of the PPP. We found that SBA’s Interim Final Rules for implementing the PPP and SBA’s Frequently Asked Questions mostly aligned with the Act.

We identified the following areas, however, that did not fully align with the Act’s provisions:

- Prioritizing underserved and rural markets
- Loan proceeds eligible for forgiveness
- Guidance on loan deferments
- Registration of loans

We offered some suggestions for SBA to consider to better align PPP requirements with the provisions of the CARES Act. (Report 20-14) Access the Flash Report here: https://www.sba.gov/sites/default/files/2020-05/SBA_OIG_Report_20-14_508.pdf.

Serious Concerns of Potential Fraud in the Economic Injury Disaster Loan Program Pertaining to the Response to COVID-19



On July 28, 2020, Inspector General Ware issued a Management Alert to inform widespread potential fraud in the Economic Injury Disaster Loan and advance grant programs that required immediate attention and action.

OIG had been inundated with contacts to investigative field offices and the complaint Hotline reporting more than 5,000 instances of suspected fraud from financial

institutions. Nearly 3,800 of those reported instances of suspected fraud came from only six financial institutions. Nine financial institutions reported a combined total of \$187.3 million in suspected fraudulent transactions.

Management Alert

OIG suggested swift management action to engage financial institutions immediately to identify disbursements that may have been obtained fraudulently, recover disbursed funds, and prevent additional taxpayer losses. (Report 20-14) Access the report here: https://www.sba.gov/sites/default/files/2020-07/SBA_OIG_Report_20-16_508.1.pdf.

Investigations

Houston Entrepreneur Charged with Spending COVID-19 Relief Funds on Improper Expenses Including Lamborghini and Strip Club



A Houston man was taken into custody on allegations he fraudulently obtained more than \$1.6 million in PPP loans. The complaint alleged the individual was involved in a scheme to submit fraudulent PPP loan applications to federally insured banks and other lenders.

The man allegedly used the loan proceeds not for payroll expenses, but for lavish personal purchases, such as loan money on a Lamborghini Urus, a Rolex watch, and real estate transactions. He also allegedly spent thousands at strip clubs and other Houston night clubs. The complaint further alleged he also used a portion of the loan money to buy a 2020 Ford F-350 pickup truck.

Find more information here: <https://www.justice.gov/usao-sdtx/pr/houston-entrepreneur-charged-spending-covid-relief-funds-improper-expenses-including>.

Nine Charged with \$24 Million in Fraudulent Small Business Administration Paycheck Protection Program Loans



The owner of a Florida talent management company and four others were charged in complaints for their alleged participation in a scheme to file fraudulent loan applications seeking more than \$24 million in PPP loans. Many of those loan applications were approved and funded by financial institutions, paying out at least \$17.4 million.

"The defendants allegedly participated in an extensive nationwide scheme to file at least 90 fraudulent applications for millions of dollars in PPP loans in exchange for illegal kickbacks of portions of the loan proceeds," said an Acting Assistant Attorney General of the Justice Department's Criminal Division. Find more information here:

<https://www.justice.gov/opa/pr/nine-charged-24-million-covid-relief-fraud-scheme>.

NFL Player Charged in South Florida Federal Court for Alleged Role in \$24 Million COVID-19 Fraud Scheme



Federal prosecutors charged an NFL player for his alleged participation in a scheme to file fraudulent loan applications seeking more than \$24 million in forgivable PPP loans.

The complaint alleged the NFL player conspired with others to fraudulently secure millions of dollars loans. Early in the scheme, an individual allegedly got a fraudulent PPP loan for his talent management company using falsified documents.

After submitting that application, the individual then began to work with other co-conspirators, including the NFL player, on a scheme to submit numerous fraudulent PPP loan applications for loan applicants and take kickbacks in return for getting the forgivable loans for them.

The scheme involved the preparation of at least 90 fraudulent applications worth more than \$24 million dollars. Many of those loan applications were approved and funded by financial institutions, paying out at least \$17.4 million. Access more information here:

<https://www.justice.gov/usao-sdfl/pr/nfl-player-charged-south-florida-federal-court-alleged-role-24-million-covid-relief>.

Two Men Charged in Miami Federal Court for Exploiting Exploit Covid-19 Relief Programs



Federal prosecutors charged two Florida residents with bank fraud conspiracy for allegedly using synthetic identities to commit crimes, including defrauding banks and stealing more than \$3 million from Covid-19 relief programs.

Synthetic identities combine stolen real identity information, such as social security numbers, with fraudulent identity information, such as fake names and dates of birth. Criminals create synthetic identities and use them to open fraudulent bank and credit card accounts and make fraudulent purchases.

From about April through July of 2020, members of the conspiracy allegedly used the already-established synthetic identities and associated shell companies to fraudulently apply for PPP help. According to the complaint, the defendants fraudulently sought and received more than \$3 million dollars in PPP relief. This money was paid to companies registered to the synthetic identities. Access more information here: <https://www.justice.gov/usao-sdfl/pr/two-men-who-allegedly-used-synthetic-identities-existing-shell-companies-and-prior-0>.

Florida Man and Two Massachusetts Men Charged in Scheme to Defraud PPP and EIDL Programs



A Florida man and two Massachusetts men were charged and arrested in the Southern District of Florida for their alleged participation in a fraud and money laundering-ring established in 2019 to carry out fraudulent email schemes. The men later used the scheme to fraudulently secure about \$2 million from Covid-19 relief programs.

The criminal complaint charges one of the Massachusetts men and the Florida man with counts of bank fraud, and money laundering. Both were arrested. The other Massachusetts man was also charged with false statements and aggravated identity theft and is still at large.

The investigation disclosed that in June and July 2020, these men used inactive, as well as newly created shell companies to submit false and fraudulent loan applications under two government relief programs to receive almost \$2 million in government funding.

OIG conducted the investigation jointly with the Federal Bureau of Investigation, Miami Division; Treasury Inspector General for Tax Administration; Cyber Crimes Division, Washington, D.C.; the United States Secret Service, Miami; and the Federal Deposit Insurance Corp. Office of Inspector General, Miami, in conjunction with the U.S. Attorney's Office.

Virginia Man Indicted for Defrauding COVID-19 EIDL Program.



A Virginia man was indicted in the Eastern District of Virginia on multiple counts of wire fraud, false statements to a financial institution, engaging in monetary transactions in property derived from specified unlawful activity, and theft of government property.

The indictment was based on evidence that he fraudulently obtained a Covid-19 EIDL. The application contained false statements about his business, income, and criminal history, qualifying the man for a \$197,000 EIDL loan.

The Virginia man also applied for a second EIDL using false information about a second business. This loan was not funded. Additionally, he applied for a PPP that was not funded.

OIG conducted the investigation jointly with the U.S. Postal Inspection Service, the Federal Bureau of Investigation, and the Internal Revenue Service-Criminal Investigation, under the direction of the U.S. Attorney's Office, Eastern District of Virginia, Newport News Division.

Small Business Access to Capital

SBA provides small businesses with capital and financial assistance through several key programs. SBA has a financial assistance portfolio of guaranteed and direct loans that totaled about \$623 billion as of June 30, 2020. Over the years, OIG has worked closely with the agency to identify potential points of risk and improve SBA's oversight and controls to ensure eligible participants most in need of assistance benefit from these programs.

For example, the agency's largest lending program, the Section 7(a) Loan 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 (such as borrowers, loan agents, and lenders) to complete loan transactions.

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 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 get—or induce others to obtain—SBA-guaranteed loans. The techniques include submitting fraudulent documents, making fictitious asset claims, manipulating listed property values, using loan proceeds contrary to the terms of the loans, and failing to disclose debts or previous 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 taxpayer funds.

Audits, Inspections, and Evaluations

Office of Inspector General High Risk 7(a) Loan Review Program



This Management Advisory presented the evaluation results of one 7(a) loan as part of our High-Risk 7(a) Loan Review Program. We set out to determine if the high-dollar/early-defaulted 7(a) loans were originated and closed in accordance with SBA rules, regulations, policies, and procedures and whether material deficiencies existed that warranted recovery of guaranteed payments to lenders.

Our review of one high-dollar/early defaulted 7(a) loan showed the lender did not provide sufficient evidence to support that it had closed the loan in accordance with SBA's requirements. The lender did not have adequate documentation to substantiate reasonable assurance that it met requirements for equity injection.

As a result, the lenders' material noncompliance with SBA requirements while closing the loan resulted in a potential loss to SBA of approximately \$2.1 million. We recommended that SBA require the lender to bring the loan into compliance or seek recovery of approximately \$2.1 million. SBA management agreed with the recommendation and said if the problems were not corrected, SBA would recover the funds from the lender. Access Report (20-18) here:

<https://www.sba.gov/sites/default/files/2020-08/SBA%20OIG%20Report%2020-18.pdf>

Investigations

Former Maryland Bank President Pled Guilty in Bank Fraud Scheme



A Maryland woman, who was a former President of Maryland Bank, pled guilty in federal court on multiple counts of conspiracy, bribery, and false statements. The woman had been previously indicted on similar charges.

The investigation disclosed that from 2012 to 2013, the woman conspired with an agent of a real estate development company to defraud the Maryland bank and another bank by purchasing a home through false pretenses, representations, and promises. The woman agreed to help the agent secure a \$650,000 line of credit from the Maryland Bank in exchange for the agent agreeing to serve as the straw purchaser of a property sought by the woman.

OIG jointly conducted the investigation with the Federal Housing Finance Agency, Office of Inspector General; the Federal Deposit Insurance Corporation, Office of Inspector General; and the Special Inspector General for the Troubled Asset Relief Program, under the direction of the U.S. Attorney's Office, U.S. District of Maryland.

North Carolina Man Indicted in SBA Bank Fraud Scheme



A North Carolina man was indicted on multiple counts of aggravated identity theft, bank fraud, wire fraud, concealment of money laundering, and false statements to a bank in connection with his application for two SBA 7(a) loans totaling \$845,200.

The indictment was based on evidence that man fraudulently obtained two SBA-guaranteed 7(a) loans totaling \$845,200 by making various false statements and submitting fraudulent documents, including fraudulent applications and fake supporting documentation. As part of his fraudulent schemes, he also stole the identity of at least one individual and used various falsified documents in the victim's name, including a falsified United States passport.

The North Carolina man used the fraudulently obtained funds for personal expenses such as trips to casinos, rent and car payments, and purchases at restaurants and bars throughout North Carolina, Florida, and Las Vegas.

OIG conducted the joint investigation with the FBI, under the direction of the U.S. Attorney's Office, Western District of North Carolina, Charlotte Division.

Georgia Reality Television Personality Indicted for Ponzi Scheme



A Georgia reality television personality was indicted on multiple counts of wire fraud, bank fraud, false statements, and money laundering in the Northern District of Georgia in an elaborate Ponzi scheme. The indictment alleged that from approximately August 2014 through May 2020, the TV personality posed as the owner of a profitable trucking business.

The trucking business never generated enough revenue to cover its expenses. However, the personality persuaded approximately 20 individuals to invest more than \$5 million in his trucking business.

The man promised he would use the investors' money to purchase and operate trucks. Instead, he used the investors' money to pay his personal debts and expenses and fund an extravagant lifestyle for himself. During the wire fraud scheme, he transferred more than \$5 million to a casino to cover his personal gambling and entertainment expenses.

The TV personality also signed and applied for an SBA-guaranteed PPP loan in the name of his trucking business, stating that the business had 107 employees and an average monthly payroll of \$1,490,200. Seeking a loan in the amount of \$3,725,500, he certified the loan proceeds would be used to "retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments, as specified under the Paycheck Protection Program Rule."

Instead, he used the money for unauthorized personal expenses such as paying past-due child support, paying restitution in a previous fraud case, cash withdrawals, custom jewelry, the purchase of a Rolls-Royce car, payments to associates assisting in the Ponzi scheme, and payments to help an associate start a new business.

The personality allegedly structured these financial transactions to conceal and disguise the nature, location, source, ownership, and control of the proceeds. When the PPP lender became suspicious of information provided in support of the SBA PPP loan application, the personality submitted false bank statements for the trucking business although the account had been closed.

OIG conducted the joint investigation with the Federal Bureau of Investigation and U.S. Attorney's Office, Northern District of Georgia.

California Man Charged for Making False Statements to Secure SBA Loans



In 2019, a California man made several material omissions and false statements to secure two loans to his business for a total of approximately \$5 million from an SBA preferred lender. SBA guaranteed 75 percent of the loans from the lender to the business under the SBA's Section 7(a) program.

In 2020, the man applied for and received approximately \$1.7 million through the PPP from another lender. In the application, he falsely certified he paid employee salaries and payroll taxes. In fact, he had not been paying payroll taxes for employees as required since mid-2019. In May 2020, a criminal complaint was issued and in June the man was arrested for making false statements and omissions to obtain SBA loans.

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 nonprofit organizations, homeowners, and renters following a disaster. Each year, SBA approves hundreds of millions of dollars in disaster assistance loans.

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 nonfarm, private sector disaster losses.

The program includes four categories of loans for disaster-related losses:

- Home disaster loans
- Business disaster loans
- Economic injury disaster loans
- Military reservist economic injury loans

Audits, Inspections, and Evaluations

Audit of SBA's Compliance with the Debt Collection Improvement Act, as Amended



This report presented the results of our audit to determine if SBA was in compliance with the Debt Collection Improvement Act of 1996, as amended, for delinquent disaster loans as of April 30, 2019. Under the law as amended in 2014, if a disaster loan is delinquent for 120 days, the SBA is required to refer the debtors to the U.S. Department of the Treasury Offset Program for administrative offset. The Act also requires SBA to transfer all disaster loans that are 180-days delinquent to Treasury for collection action unless they are exempt.

We found SBA was not fully in compliance with the Debt Collection Improvement Act, because the agency had not sent more than 250 past-due loans totaling more than \$30.5 million and 180 days or more delinquent to Treasury Cross-Servicing for collection. None of the 250 loans that SBA was maintaining without sending to Treasury Cross-Servicing were exempt from collection action.

In addition, several delinquent loans were incorrectly classified as exempt from transfer to Treasury for collection. In our sample of 20 loans, eight (40 percent) totaling \$1.2 million, were incorrectly classified as exempt.

We recommended and SBA agreed to 10 actions to strengthen its controls and improve compliance with the Debt Collection Improvement Act. Management's implemented and planned actions will resolve all our recommendations, including conducting loan reviews, revising, and establishing policies and procedures, and conducting training to ensure compliance with the Debt Collection Improvement Act. (Report 20-20) Access the report here: <https://www.sba.gov/sites/default/files/2020-09/SBA%20OIG%20Report%2020-20.1.pdf>.

Investigations

Customs and Border Protection Agent Sentenced for Hurricane Harvey Fraud Disaster Fraud



An employee of the US Department of Homeland Security, Customs and Border Protection, pled guilty in federal court to engaging in monetary transactions in property derived from specified unlawful activity. The Texas man was sentenced to 3 years of probation, and his federal employment terminated.

He had received \$53,000 for alleged damage caused by Hurricane Harvey to a residential rental property in Houston. The man failed to send in receipts and refused an onsite inspection of the damaged property. The investigation revealed that the property received no hurricane damage and that he had used the funds to pay off credit cards and send an international wire to a friend in Kenya.

We conducted this investigation jointly with the Department of Homeland Security OIG.

Procurement Assistance

Each year, the federal government spends hundreds of billions of dollars in federal contracts to purchase goods and services. SBA has worked to maximize opportunities for small business firms to receive these contract awards. In FY 20, the federal government aimed for 23 percent of these award dollars to go to small businesses, as mandated in the Small Business Act.

SBA has specific programs that focus on strengthening particular types of small businesses, including firms owned and controlled by service-disabled veteran-owned small businesses and women-owned small businesses, as well as small businesses that are disadvantaged or located in historically underused business zones (HUBZones).

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 aids 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, the 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 on start-up capital. These programs require effective and efficient management, outreach, and service delivery.

Audits, Inspections, and Evaluations

SBA's Corrective Actions to Reduce 8(a) Firms Eligibility Risks



This report presented the results of our inspection of SBA's corrective actions for two recommendations made in previous Office of Inspector General audit reports on the 8(a) Business Development Program. Our most recent audits of SBA's 8(a) program have identified internal control weaknesses that allowed ineligible firms to be certified and participate in the program.

This follow-up inspection focused on two significant weaknesses OIG identified during previous reviews of SBA's 8(a) program eligibility and continuing eligibility processes.

In SBA OIG Audit Report 16-13, *SBA's 8(a) Business Development Program Eligibility*, we reported that SBA did not properly document that 8(a) firms admitted in the program met all eligibility criteria because managers overturned lower-level reviewers' recommendations for denial without fully documenting how the identified eligibility concerns had been resolved.

In addition, in SBA OIG Audit Report 18-22, *Improvements Needed in SBA's Oversight of 8(a) Continuing Eligibility Processes*, we reported that SBA did not perform required continuing eligibility reviews when it received specific and credible complaints about firm eligibility and did not log all complaints referred by the OIG Hotline.

We inspected SBA's corrective actions for two recommendations made to address these weaknesses and verified the corrective actions SBA implemented effectively ensured that program officials justified their recommendations to admit firms applying to the 8(a) program and program officials tracked complaints received about firms' participating in the 8(a) program. (Report 20-19) Access the report at: <https://www.sba.gov/sites/default/files/2020-09/Final%20Report%20-%208a%29%20BD%20Program%20follow%20up-508.pdf>

Investigations

Oklahoma Man to Pay More than \$1.3 Million in Restitution



An Oklahoma man was sentenced in federal court to 48 months in prison and ordered to pay \$1,355,068 in restitution for his role in a conspiracy to commit bribery and theft by an agent of an Indian tribal government receiving federal funds. This investigation was based on allegations received from the Federal Bureau of Investigations about an Oklahoma tribally owned Section 8(a) company.

The company was formed by a former tribal town chief. Even though the tribal town was a 51 percent owner of the 8(a) company, the town had no oversight and was not even sure what services the 8(a) company performed.

Although the tribal town had requested financial documents from the 8(a) company for several years, the 8(a) company declined to provide documents, claiming they were classified because of the nature of the contracts the 8(a) company serviced. In addition, other tribal town elected officials alleged that the former chief had formed the 8(a) company for his personal gain.

The investigation determined that the Oklahoma man helped establish the 8(a) company and other business entities established under the tribal town. He and a woman serving as the controller and chief financial officer for these tribal town-owned businesses diverted funds to the man for personal expenses unrelated to tribal town business. Between 2012 and 2019, the unauthorized withdrawals from the business entities were more than \$1.2 million.

Finally, a second man, the chairman of the Economic Development Authority of the tribal town, engaged in wrongdoing. The authority identified, planned, initiated, and developed economic strategies and activities on behalf of the town. The chairman pled guilty to accepting \$61,900 in payments from the Oklahoma man who intended to influence or reward the chairman in deciding ongoing or future business transactions for the town. The chairman was sentenced to 12 months in prison and ordered to pay a \$10,000 fine.

Five Ohio Individuals Sentenced in Bribery Scheme



Five people in Ohio were sentenced in schemes to defraud SBA, the U.S. Navy, Air Force, Department of Defense, and the Department of Veterans Affairs by paying bribes and fraudulently obtaining at least \$15 million in government set-aside contracts.

One individual owned several businesses that had been part of the SBA's 8(a) Business Development Program. One business had graduated from the program in late 2009 and was no longer eligible for the 8(a) set-aside contracts.

The primary subject recruited 8(a) and veteran-owned small businesses to bid on contracts and pass them through to other ineligible businesses in exchange for a fee. On at least two occasions, the primary subject also purchased 49 percent of the 8(a) or the veteran-owned small business.

In addition, a civilian engineering technician for the United States Navy accepted a series of bribes and kickbacks, including cash, meals, a hunting trip, a fence, and a vehicle, in return for using his official position with the Navy to the defendants their businesses. These benefits included assistance in finding and securing government contracts and approval of invoices for payments to pass-through companies used by the defendants.

One man was sentenced to 36 months' probation and a \$15,900 fine, two individuals were sentenced to 24 months' probation and ordered to pay \$10,200 and \$5,300. Two additional individuals were sentenced to 12-month probation and ordered to pay \$5,000 fines.

OIG conducted this investigation jointly with the NASA Office of Inspector General, Department of Defense Criminal Investigative Service, Department of Veterans Affairs Office of Inspector General, and the Naval Criminal Investigative Service.

Georgia Man Pled Guilty for Participation in 8(a) Program Kickback and Bribery Scheme



A Georgia man who owned a defense contracting company entered a guilty plea in the Southern District of Georgia on a charge of conspiracy. By entering the plea, he admitted to participating in a kickback and bribery scheme involving government contracts at Fort Gordon, Georgia, to build and modernize its communications network. The scheme involved active duty and retired military personnel. The man agreed to forfeit \$1,131,861.66.

OIG conducted the investigation jointly with U.S. Army Criminal Investigation Division Command and the Defense Criminal Investigative Service. Prosecution is being handled by the U.S. Attorney's Office, Southern District of Georgia, Augusta Division, Augusta, Georgia.

Virginia Business and a Group of Seven Individuals Indicted for Defrauding SBA Service-Disabled Veteran-Owned Small Business Program



A Virginia-based business and seven participating individuals were indicted in the Eastern District of Virginia and charged with multiple counts of conspiracy to defraud and commit offenses against the United States, wire fraud, mail fraud, entry of goods falsely classified, entry of goods by false statements, smuggling goods, and criminal forfeiture.

The indictment alleged that from at least 2011 through 2018, the group repeatedly and fraudulently violated federal contracting requirements by engaging in fraud related to the Service-Disabled Veteran-Owned Small Business set-aside program and sourcing merchandise from China and concealing such supplying of merchandise to the United States and its agencies.

The company received three set-aside contracts by using an unindicted figurehead owner to appear to comply with the contracting requirements governing such contracts. The company

was awarded various federal government contracts that required it to comply with the Buy American Act, the Berry Amendment, and the Trade Agreements Act.

Even though the group was subject to such requirements, they repeatedly tried to bring in merchandise manufactured in China and falsely represented to various government contracting agencies that the merchandise was made in the United States.

OIG conducted the case jointly with the Defense Criminal Investigative Service, the Naval Criminal Investigative Service, U.S. Immigration and Customs Enforcement, and the U.S. Department of State, Office of Inspector General. The U.S. Attorney's Office for the Eastern District of Virginia, Newport News Division, is handling the prosecution.

Washington Man Created Alias to Fraudulently Obtain Government Contracts



The investigation revealed the man used various aliases to procure government contracts. The individual was debarred from government contracting from 2014 to 2017. During that time, he formed various small businesses with associates to bid on and be awarded set-aside contracts.

Companies he financially controlled during the period of debarment were awarded 69 federal contracts valued at more than \$1 million. Many of the contracts were set-aside for small businesses. Once awarded contracts, he devised a scheme to defraud other government contractors by subcontracting the work and not making payment to those subcontractors.

In another scheme to defraud government contractors, he presented himself as a federal contracting official, created fictitious contracting documents, and passed said documents to victim businesses to perform work under the false understanding they had been awarded a prime contract with the U.S. government. Once the contracts were complete, those victim businesses were unable to obtain payment.

OIG conducted the investigation in conjunction with the Defense Criminal Investigative Service; U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit; General Service Administration, Office of Inspector General; U.S. Department of Health and Human Services, Office of Inspector General; U.S. Department of Justice, Office of Inspector General; Internal Revenue Service Criminal Investigation Division; U.S. Department of State, Office of Inspector General; Department of Homeland Security, Office of Inspector General; Department of Commerce, Office of Inspector General.

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, the Chief Information Officer, and the Chief Operating Officer to review financial reporting and performance management, human resources, procurements and grants, space and facilities, and maintenance of SBA's information systems and related security controls.

Audits, Inspections, and Evaluations

Independent Auditors' Report on SBA's Compliance with Improper Payments Act



We contracted with independent certified public accounting firm KPMG LLP for a performance audit as required by the Improper Payments Elimination and Recovery Act of 2010 (IPERA). The objectives of the engagement were to review the payment integrity section of SBA's *FY 2019 Agency Financial Report* to determine whether the agency is in compliance with the Improper Payments Information Act of 2002, as amended. KPMG also evaluated the agency's accuracy and completeness of reporting and performance in reducing and recapturing improper payments.

KPMG conducted the engagement in accordance with consulting services standards established by the American Institute of Certified Public Accountants, the standards applicable to performance audits contained in the U.S. Government Accountability Office's Government Auditing Standards issued by the Comptroller General of the United States, and guidance as defined by the Council of the Inspectors General on Integrity and Efficiency's "Guidance for Improper Payments Elimination and Recovery Act Compliance Reviews."

The attached independent auditors' report presents KPMG's findings on the agency's improper payment reporting required under IPERA. KPMG reported:

- SBA complied with the six IPERA reporting requirements.
- Improvement was needed over the completeness and accuracy of improper payment reporting.
- SBA reduced the improper payment rates for most programs.

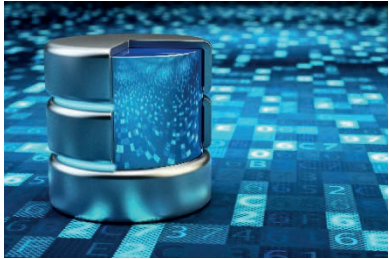
The report contains four recommendations to improve the effectiveness of improper payment controls. These recommendations will remain open until OIG receives documentation demonstrating that these recommendations have been addressed. (Report 20-15) Access the report here: https://www.sba.gov/sites/default/files/2020-05/SBA_OIG_Report_20-15_508.pdf

Evaluation of Certify.SBA.gov



This report presents the results of our evaluation of SBA's most recent information technology (IT) initiative intended to improve SBA's small business contracting programs, Certify.SBA.Gov. Our scope included Certify's development, implementation, and oversight from FYs 2015-19. SBA's Business Technology Investment Committee ratified Certify's objectives and approved an 11-year project lifecycle cost estimate of \$45 million on May 20, 2015.

Certify was envisioned to be the single gateway to all of SBA's contracting programs and a vehicle to improve small business participation in federal contracts. The primary goal of Certify was to streamline the certification process and improve productivity by providing management views of in-progress applications, automate repetitive tasks, make document review straightforward, and provide tools for identifying fraud, waste, and abuse.



We found that Certify has not accomplished its objectives to significantly improve SBA's certification processes or facilitate small business participation in federal contracts. Although SBA has spent 5 years and more than \$30 million on the development of Certify and it offers some improved functionality, it does not have many of the essential search, analytical, and reporting tools it was supposed to have.

To compensate for Certify's shortcomings, program analysts must use labor intensive methods external to the Certify platform, reducing Certify's expected benefits for both SBA contracting program analysts and program participants.

We identified a need for improved planning and performance oversight throughout this project. As a result, Certify did not meet its original goal of improving SBA's small business certification process, and the \$30 million investment has not yielded its intended results. Moving forward, SBA plans to migrate to another platform to address Certify's limitations. However, until SBA addresses these oversight weaknesses, there is a continued risk of repeating past project shortcomings.

We made nine recommendations to improve SBA's system development and contracting program management in the following areas: requirements, baseline management, risk management, investment monitoring, and reporting. Although SBA management agreed or partially agreed with all recommendations, its planned actions only resolved three recommendations. We will work with SBA management to resolve the remaining six recommendations through the audit follow-up process. (Report 20-17) Access the report here: https://www.sba.gov/sites/default/files/2020-07/SBA_OIG_Report_20-17_508.pdf

Other Significant OIG Activities

OIG Background Investigations Ensure Integrity

During this reporting period, OIG initiated 53 background investigations and issued 5 security clearances for OIG employees and contractors. OIG adjudicated 10 background investigative reports.

OIG Promotes Debarment and Other Administrative Enforcement Actions

OIG promotes program integrity by making present responsibility referrals to SBA and other agencies. Present responsibility means the business ethics, integrity, honesty, and competence of vendors. These present responsibility referrals often result in suspensions, debarments, and similar administrative enforcement actions.

These actions protect taxpayer funds from contract vendors who are not a good risk for the government. During this reporting period, OIG sent three present responsibility referrals to SBA.

A typical OIG referral contains a summary of allegations, 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 that a suspension and debarment official reviews all appropriate allegations arising in other contexts, such as the investigation of False Claims Act cases.

OIG Trains Multiple Agencies on Small Business Procurement Integrity and Other Oversight Concerns

On May 6, 2020, we presented the sixth annual Small Business Procurement Integrity Seminar virtually. The event was a continuation of our partnership with the Council of the Inspectors General on Integrity and Efficiency Training Institute. We trained almost 100 members of the federal oversight community to identify, develop, and pursue small business contracting fraud.

OIG Reviews of Proposed Agency Regulations, Operating Procedures, and Other Initiatives Lead to Improved Program Controls

OIG reviews changes SBA proposes to make to its program directives, such as regulations, internal operating procedures, agency policy notices, and SBA forms completed by the public. OIG often identifies material weaknesses in the proposals and works with the agency to promote more effective controls to deter waste, fraud, and abuse. During the reporting period, OIG reviewed 67 proposed revisions of these program directives and submitted comments designed to improve 27 of these initiatives.

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 a Small Business Development Center and limit the agency's use of such information. The provision also required SBA to issue regulations about disclosures of the information for use in conducting financial audits or SBDC client surveys. In 2009, SBA officials told OIG the agency would issue regulations as required by the statute. In April 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 Small Business Development Center information disclosure regulations are issued, the Inspector General must approve any related 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 OIG review during the reporting period.

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 104,913 complaints, 100 times more than the total of 742 complaints received in 2019.



Complaints come to OIG via online submission on the SBA OIG website, telephone, e-mail, and posted mail. Hotline staff 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 prompt response, adequate resolution of the allegations, and documentation of any corrective action taken.

In 2020, OIG was recertified under the Office of Special Counsel 2302(c) Certification Program. The program requires federal agencies to 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. In accordance with the certification requirements, the whistleblower coordinator trained all OIG and agency employees on protections against whistleblower retaliation and other prohibited personnel practices. OIG was initially certified in 2015.

Comprehensive information on whistleblower protection may be found here: <https://www.sba.gov/oig/whistleblower-rights-and-protection>.

Appendixes

Appendix A. Reporting Period Statistical Highlights

Summary of OIG Dollar Accomplishments in dollars (\$)

Dollar Accomplishments as a Result of Investigations and Related Activities	
Potential Investigative Recoveries and Fines	46,747,462
Asset Forfeitures Attributed to OIG Investigations	0
Loans/Contracts Not Approved or Canceled as a Result of Investigations	26,293,440
Investigations Subtotal	73,040,902
Dollar Accomplishments as a Result of Audit Activities	
Disallowed Costs Agreed to by Management	51,472,944
Recommendations that Funds Be Put to Better Use Agreed to by Management	
Audit Subtotal	51,472,944
Total OIG Dollar Accomplishments	\$124,513,846

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

Reports Issued	10
Recommendations Issued	24
Dollar Value of Costs Questioned	\$0
Dollar Value of Recommendations that Funds Be Put to Better Use	\$0
Recommendations with Management Decisions	33
Recommendations without a Management Decision	13
Collections as a Result of Questioned Costs	\$347,673

Indictments, Convictions, and Case Actions

Indictments from OIG Cases	47
Convictions from OIG Cases	8
Cases Opened	257
Cases Closed	62

SBA Personnel Actions Taken as a Result of Investigation

Dismissals	1
Resignations and Retirements	0
Suspensions	0
Reprimands	1

Program Actions Taken During the Reporting Period as a Result of OIG Action

Present Responsibility Referrals to the Agency	3
Pending at the Agency as of September 30, 2020	39
Suspensions Issued by the Agency	50
Proposed Debarments Issued by the Agency	0
Final Debarments Issued by the Agency	5
Proposed Debarments Declined by the Agency	0
Administrative Agreements Entered by the Agency in Lieu of Debarment	0
Present Responsibility Actions by Other Agencies	0

Agency Legislative and Regulatory Proposals Reviewed

Legislation, Regulations, Standard Operating Procedures, and Other Issuances Reviewed	67
Comments Provided by OIG to Improve Legislation, Regulations, Standard Operating Procedures, and Other Issuances	27

Appendix B. Full-Year Statistical Highlights, FY 2020

Summary of OIG Dollar Accomplishments

Dollar Accomplishments as a Result of Investigations and Related Activities	
Potential Investigative Recoveries and Fines	\$51,389,743
Asset Forfeitures Attributed to OIG Investigations	\$69,000
Loans and Contracts Not Approved or Canceled as a Result of Investigations	\$26,293,440
Investigations Subtotal	\$77,752,183
Dollar Accomplishments as a Result of Audit Activities	
Disallowed Costs Agreed to by Management	\$64,796,672
Recommendations that Funds Be Put to Better Use Agreed to by Management	\$0
Audit Subtotal	\$64,796,672
Total OIG Dollar Accomplishments	\$142,548,855

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

Reports Issued	20
Recommendations Issued	91
Dollar Value of Costs Questioned	\$64,804,274
Dollar Value of Recommendations that Funds Be Put to Better Use	\$0
Recommendations with Management Decisions	88
Recommendations without Management Decisions	13
Collections as a Result of Questioned Costs	\$393,172

Indictments, Convictions, and Case Actions

Indictments from OIG Cases	63
Convictions from OIG Cases	32
Cases Opened	295
Cases Closed	118

SBA Personnel Actions Taken as a Result of Investigations

Dismissals	1
Resignations and Retirements	1
Suspensions	0
Reprimands	1

Program Actions Taken During the Fiscal Year as a Result of OIG Action

Present Responsibility Referrals to the Agency	47
Pending at the Agency as of September 30, 2020	36
Suspensions Issued by the Agency	24
Proposed Debarments Issued by the Agency	24
Final Debarments Issued by the Agency	27
Present Responsibility Matters Declined by the Agency	4
Administrative Agreements Entered by the Agency in Lieu of Debarment	1
Present Responsibility Actions by Other Agencies	15

*OIG does not count matters where SBA has ceded lead agency as declinations

Agency Legislative and Regulatory Proposals Reviewed

Legislation, Regulations, Standard Operating Procedures, and Other Issuances Reviewed	140
Comment Memoranda Provided by OIG to Improve Legislation, Regulations, Standard Operating Procedures, and Other Issuances	28

Appendix C. Reports, Recommendations, and Management Decisions

Reports Issued

Agency Management

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Independent Auditors' Report on SBA's Compliance with Improper Payments Elimination and Recovery Act of 2010	20-15	5/12/2020	\$0	\$0
Evaluation of Certify.SBA.Gov	20-17	7/30/2020	\$0	\$0
Program Subtotal	2	–	\$0	\$0

Credit/Capital Programs

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
White Paper: Risk Awareness and Lessons Learned from Prior Audits of Economic Stimulus Loans	20-11	4/3/2020	\$0	\$0
Flash Report: Small Business Administration's Implementation of the Paycheck Protection Program Requirements	20-14	5/8/2020	\$0	\$0
Office of Inspector General High Risk 7(a) Loan Review Program	20-18	8/25/2020	\$0	\$0
Audit of SBA's Compliance with the Debt Collection Improvement Act, as Amended	20-20	9/30/2020	\$0	\$0
Program Subtotal	4	–	\$0	\$0

Disaster Assistance

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
White Paper: Risk Awareness and Lessons Learned from Audits and Inspections of Economic Injury Disaster Loans	20-12	4/3/2020	\$0	
Serious Problems and Deficiencies in Internal Controls Over Economic Injury Disaster Loan Program Pertaining to the Response to COVID-19	20-16	7/28/2020	\$0	\$0
Program Subtotal	2	–	\$0	\$0

Contracting and Counseling Programs

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
White Paper: Risk Awareness and Lessons Learned from Prior Audits Entrepreneurial Development Programs	20-13	4/23/2020	\$0	\$0
SBA's Corrective Actions to Reduce 8(a) Firm Eligibility Risks	20-19	9/15/2020	\$0	\$0
Program Subtotal	2	–	\$0	\$0

Reports with Questioned Costs

	Reports	Recommendations*	Questioned Costs**	Unsupported Costs***
A. No management decision made by March 31, 2020	1	2	\$51,472,944	\$51,472,944
B. Issued during this reporting period	0	0	\$0	\$0
Subtotal (Universe from which management decisions could be made in this reporting period)	1	2	\$51,472,944	\$51,472,944
C. Management decisions made during this reporting period	1	2	\$51,472,944	\$51,472,944
(i) Disallowed costs	1	2	\$51,472,944	\$51,472,944
(ii) Costs not disallowed	0	0	\$0	\$0
D. No management decision made by September 30, 2020	0	0	\$0	\$0

* Reports may have more than one recommendation.

** Questioned costs found to be improper.

*** Unsupported costs that 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 March 31, 2020	–	–	–
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 September 30, 2020	–	–	–

Reports from Prior Periods with Overdue Management Decisions

Report Number	Report Title	Issue Date	Recommendation	Reason for Delay	Timetable for Resolution
None this period					

Reports from Prior Periods with Open Recommendations as of September 30, 2020

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	1	–
17-19	Audit of SBA's Microloan Program	9/28/2017	2	\$137,199,806
18-03	Independent Auditor's Report on the SBA's FY 2017 Financial Statements	11/14/2017	1	–

Report Number	Title	Date Issued	Number of Open Recommendations	Aggregate Potential Cost Savings
18-07	Accuracy of the FY 2015 7(a) Loan Guaranty Purchase Improper Payments Rate	12/11/2017	1	\$ 1,903,213
18-13	Evaluation of SBA 7(a) Loans Made to Poultry Farmers	3/6/2018	1	–
18-18	Audit of SBA's Women-Owned Small Business Federal Contracting Program	6/20/2018	1	–
18-21	OIG High-Risk 7a Loan Review Program 2018	8/15/2018	2	\$1,351,565
18-22	Improvements Needed in SBA's Oversight of 8(a) Continuing Eligibility Processes	9/7/2018	5	–
18-23	OIG High-Risk 7(a) Loan Review Program	9/13/2018	2	\$1,303,403
19-06	SBA's District Offices' Customer Service	12/19/2018	1	–
19-08	SBA's HUBZone Certification Process	3/28/2019	1	\$589,000
19-14	SBA's 2018 and 2019 Cash Contributions and Gifts	6/19/2019	2	–
19-15	OIG High-Risk 7(a) Loan Review Program	7/10/2019		\$3,000,297
19-16	Office of Inspector General High-Risk 7(a) Loan Review Program	8/14/2019	2	\$2,059,132
19-17	Evaluation of SBA's All Small Mentor-Protégé Program	9/17/2019	4	–
19-18	Audit of SBA's Suspension and Debarment Process	9/18/2019	1	\$2,900,000
19-19	Office of Inspector General High-Risk 7(a) Loan Review Program	9/19/2019	1	\$1,267,223
19-20	Review of Women's Business Center, Inc. Compliance with Cooperative Agreement Requirement	9/19/2019	1	–
19-23	Audit of SBA's Desktop Loss Verification Process	9/26/2019	1	\$2,524,400
20-03	Audit of SBA's Oversight of High-Risk Lenders	11/12/2019	6	\$13,3135,60
20-05	KPMG Management Letter Communicating Matters Relatives to SBA's FY 2019 Financial Statement Audit	12/10/2019	2	–
20-06	SBA'S FY 2019 Cash Contributions and Gifts	2/11/2020	1	–
20-07	Audit of the Office of Disaster Assistance Improper Payment Appeal Process	2/20/2020	1	–
20-08	Audit of the SBA's Community Advantage Pilot Program	3/18/2020	6	\$5,1472,944
20-09	Audit of SBA's Cooperative Agreement With Arsenal Business and Technology Partnership's Veterans Business Outreach Center	3/24/2020	3	–
	Total		48	\$153,519,682

Significant Recommendations from Prior Reporting Periods without Final Action as of September 30, 2020

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
15-16	9/25/2015	Develop benchmarks for contractor performance and require the Fiscal Transfer Agent to implement appropriate application controls and follow-up procedures with lenders to ensure the integrity of the Form 159 database.	9/20/2018	1/31/2021
17-19	9/28/2017	Continue efforts to improve the information system to include outcome-based performance measurements and ensure the data captured can be used to effectively monitor the microloan program compliance, performance, and integrity.	1/4/2018	12/31/2020
17-19	9/28/2017	Update the microloan reporting system manual to reflect current technology capabilities.	1/4/2018	12/31/2020
18-03	11/14/2017	Monitor and perform procedures over the service organization's attestation report regarding user control considerations. This assessment should be performed annually.	1/10/2018	3/31/2021
18-13	3/6/2018	Review the arrangements between integrators and growers under the revised regulations, and establish and implement controls, such as supplemental guidance, to ensure SBA loan specialists and lenders make appropriate affiliation determinations.	3/1/2018	12/31/2020
18-18	6/20/2018	Implement a Women-Owned Small Business Federal Contracting Program certification process as required by the National Defense Authorization Act for FY 2015.	9/28/2018	10/30/2020
18-21	8/15/2018	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$799,159 on the guaranty paid by SBA.	8/7/2018	10/30/2020
18-21	8/15/2018	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$552,406 on the guaranty paid by SBA.	8/7/2018	10/30/2020
18-22	9/7/2018	Revise its current process to ensure it accurately identifies all high-risk firms to receive continuing eligibility reviews from the Office of Certification and Eligibility.	12/19/2019	11/30/2020

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
18-22	9/7/2018	Establish and implement clear policies and procedures for evaluating 8(a) continuing eligibility, including ensuring that district offices use standardized analysis tools that conform with 8(a) continuing eligibility requirements found in 13 CFR 124, and train employees on these procedures.	12/19/2019	11/30/2020
18-22	9/7/2018	Develop and implement a comprehensive oversight plan to ensure completion of continuing eligibility reviews of all 8(a) firms, monitor the quality of continuing eligibility reviews, and eliminate duplication between the Office of Certification and Eligibility and the district offices.	12/19/2019	11/30/2020
18-22	9/7/2018	Establish and implement clear policies and procedures that include timelines for sending Notices of Intent to Terminate and to Graduate Early firms after eligibility issues are first identified.	12/19/2020	11/30/2020
18-22	9/7/2018	Establish and implement clear policies and detailed procedures, consistent with 13 CFR 124.112(c), to promptly and effectively review and address complaints about 8(a) continuing eligibility, including communicating the content of the complaint to the district office, and train employees implementing the 8(a) program on the updated procedures.	12/19/2020	11/30/2020
18-23	9/13/2018	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$448,287 plus interest on the guaranty paid by SBA.	9/20/2018	10/30/2020
18-23	9/13/2018	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$855,116 plus interest on the guaranty paid by SBA.	9/20/2018	10/30/2020
19-06	12/19/2018	Revise SOP 90 75 4, Outreach Activities, to clarify the expectation for using SBA Form 20, Outreach Event Survey, and establish a process to collect and analyze customer feedback.	12/19/2018	1/31/2020
19-08	3/28/2019	Implement a plan to reduce IT issues affecting the HUBZone certification process.	3/29/2019	9/15/2020

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Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
19-14	6/19/2019	Develop and implement prescriptive and rigorous controls to oversee and monitor excess cash held by the fiscal agent for recurring activities such as NSBW on behalf of SBA and in accordance with the requirements of OMB Circular No. A-123. These controls should be incorporated into SOP 90 75 4 and include the receipt and recurring review of bank statements for cash held on account.	6/26/2020	1/31/2020
19-14	6/19/2019	Implement a process to ensure that responsibilities stipulated in the NSBW co-sponsorship agreement are aligned with requirements in SOP 90 75 4.	6/26/2020	1/31/2020
19-15	7/10/2019	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$3,000,297 plus interest on the guaranty paid by SBA.	7/11/2019	10/30/2020
19-16	8/14/2019	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$1,367,417 plus interest on the guaranty paid by SBA.	8/15/2019	10/30/2020
19-16	8/14/2019	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$691,715 plus interest on the guaranty paid by SBA.	8/15/2019	10/30/2020
19-17	9/17/2019	Develop and implement application review and annual evaluation procedures to ensure mentors are qualified, including implementing mandatory use of the mentor certification form.	9/17/2019	11/30/2020
19-17	9/17/2019	Develop and implement procedures to ensure quality and consistency in application reviews and annual evaluations, including maintaining adequate documentation to support completion of each step in the application review and annual evaluation processes.	9/17/2019	11/30/2020
19-17	9/17/2019	Prioritize staff resources to ensure application reviews and annual evaluations are conducted in accordance with regulatory and program requirements.	2/4/2020	3/31/2021
19-17	9/17/2019	Ensure that certify.SBA.gov has the functionality needed for program officials to conduct application reviews and annual evaluations.	9/17/2019	3/31/2021
19-18	9/18/2019	Rescind the SBA loan guaranty for the \$2.9 million loan and assess the lender's eligibility for continued participation in the SBA lending program.	11/13/2019	12/31/2020

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
19-20	9/19/2019	Refer the Women's Business Center, Inc., and its personnel to the Suspension and Debarment Official for a present responsibility determination.	9/19/2019	9/30/2019
19-23	9/26/2019	Implement controls to require loss verifiers to provide sufficient documentation to support their post desktop review conclusions regarding the validity of the initial desktop verification and their assessment of the extent of damages and losses and the cost to restore the property to its predisaster condition.	9/25/2019	10/2/2020
20-03	11/12/2019	Develop and implement policies and procedures to document OCRM's justification for not conducting planned reviews and identifying and prioritizing additional lenders for review.	11/15/2019	12/31/2020
20-03	11/12/2019	Develop and implement a comprehensive database to manage its oversight of high-risk lenders to ensure performance of all planned reviews, implementation of risk mitigation actions, and identification of noncompliant lender and systemic material loan deficiencies.	11/15/2019	12/31/2020
20-03	11/12/2019	Develop and implement policies and procedures to provide clear and specific guidance to analysts regarding the appropriate corrective and enforcement actions for identified lenders and loan deficiencies to ensure analysts recommend appropriate and consistent corrective and enforcement actions.	11/15/2019	12/31/2020
20-03	11/12/2019	Conduct periodic overall assessments of the high-risk lender review results and recommended risk mitigation actions to ensure analysts recommend appropriate and consistent corrective and enforcement actions.	11/15/2019	12/31/2020
20-03	11/12/2019	Develop and implement policies and procedures that require OCRM to communicate systemic lender issues and material loan deficiencies to the appropriate SBA loan approval and purchase centers to facilitate proactive portfolio management and to mitigate the risk of improper guaranty purchases in the event of default.	11/15/2019	12/31/2020

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Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
20-03	11/12/2019	Determine whether the lenders corrected the deficiencies on the 21 loans purchased for a total of \$13.3 million. If not, require the lenders to bring the loans into compliance or, if not possible, seek recovery of the guaranty paid by SBA from lenders.	11/15/2019	12/31/2020
20-05	12/10/2019	KPMG recommends Associate Administrator for Capital Access update appropriate Center Desk Manuals to specify relevant staff involved in the charge-off and referral processes to ensure the Next Due Date field in the loan repository system is timely updated when a loan's liable parties change. Any change to policy should be communicated to relevant staff.	1/9/2020	1/31/2021
20-05	12/10/2019	KPMG recommends the Associate Administrator for Capital Access perform a regular review of liable parties with outstanding receivable balances to ensure they are referred in a timely manner.	1/9/2020	1/31/2021
20-06	2/11/2020	Continue to train program office grant personnel responsible for monitoring grant recipient performance to enforce compliance with SBA's established policies and procedures for grants management and best practices for administering grant awards and monitoring performance.	2/25/2020	9/30/2020
20-07	2/20/2020	Update improper payment standard operating procedures, training guides, and checklists to provide clear and comprehensive guidance and instructions to assist Quality Control Specialists to accurately identify improper payments and help mitigate the risk associated with using inexperienced staff.	8/4/2020	10/2/2020
20-08	3/18/2020	Evaluate options that facilitate the Community Advantage pilot program's ability to effectively expand access to capital in underserved markets.	6/30/2020	2/7/2021
20-08	3/18/2020	Evaluate whether it is feasible to align the maximum interest rates charged under the CA pilot program with comparable 7(a) program rates, excluding SBA Express.	6/30/2020	3/31/2020
20-08	3/18/2020	Provide criteria to lenders to assist them with assessing the borrowers' M&TA needs.	8/5/2020	3/31/2020

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
20-08	3/18/2020	Establish methods to assess whether lenders have the expertise needed to provide M&TA to underserved borrowers and to address any lender deficiencies regarding M&TA.	6/30/2020	3/31/2020
20-08	3/18/2020	Require lenders to complete the data fields related to the M&TA provided and enhance the annual CA performance analysis by including the evaluation of the performance associated with the various types of M&TA.	6/30/2020	3/31/2020
20-08	3/18/2020	Establish a process to periodically assess the performance of CA loans approved with SBSS scores under 140, to determine whether the recently implemented SBA approval requirement is adequately mitigating the risk of loss.	6/30/2020	3/31/2020
20-09	3/24/2020	Implement procedures to ensure program officials enforce financial examination results.	3/25/2020	11/30/2020

Significant Recommendations from this Reporting Period

Report Number	Title	Date Issued	Recommendation
20-15	Independent Auditors' Report on SBA's Compliance with Improper Payments Elimination and Recovery Act of 2010 (IPERA)	5/12/2020	Update SBA Standard Operating Procedure (SOP) 20 32 1, Estimating and Reporting Improper Payments, using the framework in the Government Accountability Office Standards for Internal Control in the Federal Government (Green Book) to design and implement robust internal and quality control processes to ensure complete and accurate reporting of annual improper payment results, including the sampling methodology documentation is consistent with the population, sample, and payment integrity information in the AFR.
20-15	Independent Auditors' Report on SBA's Compliance with IPERA	5/12/2020	Provide training to responsible staff in the Offices of Internal Control, Capital Access, and Disaster Assistance regarding updates to SBA SOP 20 32 1.
20-15	Independent Auditors' Report on SBA's Compliance with IPERA	5/12/2020	Ensure that staff in the Office of Internal Control oversee and provide adequate quality control reviews over improper payment disclosures submitted by SBA program offices.
20-15	Independent Auditors' Report on SBA's Compliance with IPERA	5/12/2020	Provide training to program office staff, as needed, on the timely reconciliation of the population of transactions used for estimating improper payments to the general ledger.

Report Number	Title	Date Issued	Recommendation
20-17	Evaluation of Certify.SBA.Gov	7/30/2020	Include the Certify investment in the Agency's Enterprise Risk List as a high-risk endeavor and require continuous risk monitoring, as specified in the SBA Enterprise Risk Management Framework Guide.
20-17	Evaluation of Certify.SBA.Gov	7/30/2020	Establish traceable functional requirements for the Certify investment in accordance with the Capital Programming Guide, supplement to OMB Circular A-11, specifically, in terms of the Office of Government Contracting and Business Development's mission, purpose, capability, schedule and cost objectives.
2017	Evaluation of Certify.SBA.Gov	7/30/2020	Develop a documented requirements traceability matrix and ensure that the Office of Government Contracting and Business Development has adequate resources to trace requirements throughout all stages of design, development, and user-acceptance.
20-17	Evaluation of Certify.SBA.Gov	7/30/2020	Develop and maintain a performance-measurement baseline with budgets and schedules assigned to product-oriented work breakdown structure elements and established cost and schedule variance thresholds in accordance with the Capital Programming Guide, supplement to OMB Circular A-11.
20-17	Evaluation of Certify.SBA.Gov	7/30/2020	Evaluate work breakdown structure elements for cost, schedule, and technical risk. Use the results of such risk analysis to maintain a risk-adjusted budget and schedule in accordance with the Capital Programming Guide, supplement to OMB Circular A-11.
20-17	Evaluation of Certify.SBA.Gov	7/30/2020	Incorporate earned value management and integrated baseline reviews into the Certify investment as required by FAR 34. 2 and conduct documented integrated baseline reviews in accordance with the 32 criteria identified in National Defense Industrial Association's Earned Value Management Systems EIA-748 Intent Guide, as required by SOP 90 52.
20-17	Evaluation of Certify.SBA.Gov	7/30/2020	Ensure that all Certify investment cost, schedule, and performance baseline data submitted for BTIC review clearly show the amount of work accomplished and actual costs against the original investment baseline to provide critical management visibility on the achievement of, or deviation from, goals.
20-17	Evaluation of Certify.SBA.Gov	7/30/2020	Update system development methodology to link agile summary components with establishing traceable requirements, monitoring progress through a requirements traceability matrix and reporting progress using a performance management system, including an earned value management system for the development of major IT investments.
20-17	Evaluation of Certify.SBA.Gov	7/30/2020	Determine whether any customization and enhancement costs for internal use software related to Certify investment should be capitalized in accordance with the financial reporting requirements in OMB Circular A-136.

Report Number	Title	Date Issued	Recommendation
20-18	Office of Inspector General High Risk 7(a) Loan Review Program	4/25/2020	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$2,094,574 on the guaranty paid by SBA.
20-20	Audit of SBA's Compliance with the Debt Collection Improvement Act, as Amended	9/30/2020	Review all loans assigned to the resolution center that are 180 days or more delinquent and classified with code 66 (Lien or Mortgage/Refer to Treasury Offset Program Only) and 00 (Clear Existing Status Code) and transfer the loans to Treasury Cross-Servicing, unless verified as exempt when the temporary suspension of debt collection activities because of the pandemic is lifted.
20-20	Audit of SBA's Compliance with the Debt Collection Improvement Act, as Amended	9/30/2020	Revise SOP 50 52 to clearly communicate that all loans with collateral must be evaluated for foreclosure and placed in foreclosure status before they are 180 days delinquent.
20-20	Audit of SBA's Compliance with the Debt Collection Improvement Act, as Amended	9/30/2020	Revise SOP 50 52 2 to clearly communicate that all debts 180 days delinquent must be transferred to Treasury Cross-Servicing unless the debt meets a valid transfer exemption.
20-20	Audit of SBA's Compliance with the Debt Collection Improvement Act, as Amended	9/30/2020	Establish requirements to provide annual training on Debt Collection Improvement Act requirements to all staff of the resolution center.
20-20	Audit of SBA's Compliance with the Debt Collection Improvement Act, as Amended	9/30/2020	Ensure that information used to monitor compliance with the Debt Collection Improvement Act includes all loans assigned to the resolution center as identified in the Capital Access Financial System.
20-20	Audit of SBA's Compliance with the Debt Collection Improvement Act, as Amended	9/30/2020	Review all loans currently assigned to the Center and designated exempt from Treasury Offset Program and verify that each of the obligors is exempt from referral to Treasury Offset Program, and if not, refer the obligors to Treasury Offset Program, as required.
20-20	Audit of SBA's Compliance with the Debt Collection Improvement Act, as Amended	9/30/2020	Review all loans currently assigned to the Center and designated as exempt from Treasury Cross-Servicing that are 180 days or more delinquent and verify that each of the obligors is exempt from transfer to Treasury Cross-Servicing, and if not, transfer the debt to Treasury Cross-Servicing, as required when the temporary suspension of debt collection activities due to COVID-19 is lifted.

Report Number	Title	Date Issued	Recommendation
20-20	Audit of SBA's Compliance with the Debt Collection Improvement Act, as Amended	9/30/2020	Establish policies and procedures to require routine follow-up on delinquent loans to ensure full compliance with the Debt Collection Improvement Act.
20-20	Audit of SBA's Compliance with the Debt Collection Improvement Act, as Amended	9/30/2020	Reiterate the requirements for workout agreements to responsible personnel to ensure compliance with the Debt Collection Improvement Act.
20-20	Audit of SBA's Compliance with the Debt Collection Improvement Act, as Amended	9/30/2020	Perform a cost benefit analysis to determine if SBA should begin assessing fees to offset the cost of processing and handling delinquent disaster loans.

Significant Management Decisions - OIG Disagreement

There were no significant management decisions OIG disagreed with during this reporting period.

Significant Revised Management Decisions

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

Federal Financial Management Improvement Act

OIG's Independent Public Accountant, KPMG, found in the FY 2020 financial statement audit that there were no instances in which SBA's financial management systems did not substantially comply with the Federal Financial Management Improvement Act of 1996.

Instances of Interference

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

Appendix D. Investigations Reporting Statistics

Investigative Reports Issued

Report Type	Number of Reports
Report of Investigation	29
Preliminary Case Closing Reports of Investigation	8
Total	37

Persons Referred for Prosecution

Referred To	Number of Persons
Department of Justice	200
State Attorney	0
Local Attorney	0
Total	200*

*Number includes persons and entities referred for prosecution.

Pandemic-Related Investigative Statistics

SBA OIG	Investigations	Indict/Complaint	Arrests	Convictions
PPP/EIDL*	41	74	62	4
Investment Fraud	1	1	1	1
Total	42	75	63	5

*PPP stands for Paycheck Protection Program. EIDL stands for economic injury disaster loan.

Whistleblower Retaliation Cases

There were no OIG investigations involving whistleblower retaliation during the reporting period.

Investigations Involving a Senior Government Employee Where Misconduct Was Substantiated

There were no OIG investigations involving a senior government employee where misconduct was substantiated during the reporting period.

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

There were no OIG investigations that are closed and not disclosed to the public involving a senior government employee during this reporting period.

Appendix E. Legal Actions Summary

April 1, 2020 - September 30, 2020

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
AL	DL	DHS/HSI, TIGTA	Individual conspired to submit a fraudulent Economic Injury Disaster Loan (EIDL).	Federal seizure warrant issued resulting in \$300,974 recovery.
AR	BL	FBI, TIGTA	Individual fraudulently obtained two SBA guaranteed loans intended for COVID-19 relief through the Paycheck Protection Program (PPP).	Individual arrested.
CA	BL	FBI, FDIC/OIG	Individual fraudulently obtained three SBA guaranteed loans intended for COVID-19 relief through the PPP.	Individual arrested.
CA	DL	FBI	Individual fraudulently obtained two SBA guaranteed loans intended for COVID-19 relief through the PPP.	Individual arrested.
CA	BL	FHFA/OIG, FDIC/OIG, TIGTA, IRS/CI, FBI	Individual obtained more than \$8 million in PPP loans from various lenders.	Individual indicted.
CA	BL	DHS/HSI, TIGTA, USPIS, State of CA/EDD	Individual fraudulently obtained two SBA guaranteed loans intended for COVID-19 relief through the PPP.	Individual charged by criminal complaint.
CO	DL	USSS	Individual used stolen identity to obtain EIDL loan in the amount of \$14,500.	SBA realized an administrative recovery of \$14,500
CO	DL	USSS	Individual used stolen identity to obtain EIDL loan in the amount of \$147,436.66.	SBA realized an administrative recovery of \$147,436.66.
DC	BL	FBI, IRS/CI	Individual fraudulently obtained seven SBA guaranteed loans intended for COVID-19 relief through the PPP and EIDL programs.	Individual charged by criminal complaint. In addition, SBA realized an administrative recovery of approximately \$450,000.
FL	DL	FBI, TIGTA, FDIC/OIG,	Three individuals conspired to fraudulently obtain SBA guaranteed loans intended for COVID-19 relief through the PPP and EIDL programs.	Individuals charged by criminal complaint.
FL	BL	USSS	Individual assisted persons in obtaining PPP loans for which they were not qualified. SBA OIG recovered funds from five individuals who participated in the scheme.	SBA realized an administrative recovery of \$1,998,368.
FL	DL		Individual used stolen identity to obtain EIDL loan in the amount of \$46,100.	SBA realized an administrative recovery of \$46,100.

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FL	BL	TIGTA, USPIS	Individual fraudulently obtained two SBA guaranteed loans intended for COVID-19 relief through the PPP.	Individual charged by criminal complaint.
GA	DL		Individual fraudulently obtained SBA guaranteed loans intended for COVID-19 relief through the EIDL program.	SBA realized an administrative recovery of \$172,100.
GA	BL	FBI	Two individuals falsified applications for and SBA PPP loan by providing false supporting documentation.	Two individuals indicted.
GA	DL		Multiple individuals used stolen identities to obtain EIDL loans.	SBA realized an administrative recovery of \$1,021,225.
GA	DL	USSS	Individual used stolen identity to obtain EIDL loan in the amount of \$59,295.	SBA realized an administrative recovery of \$59,295.
GA	GC	DCIS, Army/CID	Individual disclosed sensitive federal procurement information to a company competing for government contracts.	Individual sentenced to 20 months confinement, three years supervised release and ordered to pay \$15,000 fine.
GA	OT		Individual falsified receipts to remain eligible for SBA grants to which they were not entitled.	SBA realized an administrative recovery of \$420,000.
ID	GC	DCIS, Army/CID, AFOSI, DHS/OIG, GSA/OIG	Individuals made false statements to qualify to receive Historically Underutilized Business Zone (HUBZone) contracts.	Individuals entered into a settlement agreement in the amount of \$500,000
LA	DL		Individual misused SBA disaster loan funds received for a property damaged by flooding.	Individual pled guilty.
MA	BL		Individual obtained two SBA guaranteed loans by providing false information on the loan application.	Individual sentenced to 30 months imprisonment, 5 years supervised release and ordered to pay a \$300 assessment.
MA	BL	FBI, IRS/CI, FRB/OIG, FDIC-OIG	Individual submitted falsified documentation in support of multiple applications for PPP loans.	Individual indicted.
MD	BL	FHFA/OIG, FDIC/OIG, SIGTARP	Individuals conspired to defraud two banks to purchase a home through false representations.	Individual pled guilty.
ME	DL		Individual fraudulently obtained SBA guaranteed loans intended for COVID-19 relief through the EIDL program.	SBA realized an administrative recovery of \$126,200.
MI	BL		Individual misused proceeds of SBA PPP loan. The individual received the funds then withdrew the funds to purchase four vehicles.	Individual charged by criminal complaint.

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MO	BL	FBI, FDIC/OIG, IRS/CI	Individual falsified information on his SBA loan application.	Individual indicted and arrested.
NC	BL	FBI	Individual fraudulently obtained two SBA 7(a) loans by submitting fraudulent applications and fake supporting documentation.	Individual indicted.
NJ	BL		Individual charging fees to assist applicants obtain SBA PPP loans, in violation of SBA policy.	Cease and desist notice issued.
NY	BL	FBI	Individual made misrepresentations to obtain a PPP loan.	SBA realized an administrative recovery of \$211,325.
NY	GC	Army/CID, DCIS, DOT/OIG, GSA/OIG	Individuals created a sham company to bid on and receive government contracts.	Company entered into settlement agreement in the amount of \$4,350,000.
NY	BL	FBI, IRS/CI	Individual made misrepresentations to obtain EIDL and PPP loans.	SBA realized an administrative recovery of \$813,250 and an individual was charged by complaint.
NY	BL	FBI	Individual fraudulently obtained two SBA guaranteed loans intended for COVID-19 relief through the PPP.	Individual indicted.
OH	BL	IRS/CI	Individual fraudulently obtained two SBA guaranteed loan sand one EIDL loan intended for COVID-19 relief.	Individual charged by criminal complaint.
OH	BL		Two individuals devised and participated in a money laundering scheme to obtain 18 PPP loans totaling millions of dollars.	Two individuals charged by criminal complaint.
OH	GC	DCIS, NASA/OIG, NCIS, VA/OIG	Individuals engaged in a conspiracy to defraud the government by paying bribes and obtaining set-aside contracts to which they were not entitled.	Individual sentenced to three years' probation, a fine of \$15,000 and a special assessment of \$900.
OK	DL		Individuals fraudulently obtained six SBA guaranteed loans intended for COVID-19 relief through the PPP.	Two individuals charged by criminal complaint.
OK	DL		Individual made misrepresentations to obtain an EIDL loan.	Individual indicted.
OR	DL		Individual used stolen identity to obtain EIDL loan in the amount of \$74,100.	SBA realized an administrative recovery of \$74,100.
RI	BL	FBI, FDIC/OIG, IRS/CI	Individuals fraudulently obtained two SBA guaranteed loans intended for COVID-19 relief through the PPP.	SBA realized an administrative recovery of \$279,710.
RI	BL	FDIC/OIG, FRB/OIG	Individual charged borrowers' impermissible fees that were not disclosed to SBA. In addition, submitted altered documents with SBA loan applications.	SBA realized an administrative recovery of \$467,497.

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RI	BL	FBI, FDIC/OIG, IRS/CI	Individuals fraudulently obtained four SBA guaranteed loans intended for COVID-19 relief through the PPP.	SBA realized an administrative recovery of \$442,881. In addition, two individuals were charged by criminal complaint.
SC	CC	AFOSI, Army/CID, DOE/OIG, USDA/OIG, VA/OIG	Individuals conspired to make false applications for SBA 8(a) contracts.	Individual entered into civil settlement in the amount of \$850,000.
TX	BL	USPIS	Individuals fraudulently obtained two SBA guaranteed loans intended for COVID-19 relief through the PPP.	SBA realized an administrative recovery of \$1,158,143. Individual was arrested pursuant to a criminal complaint.
TX	BL		Individuals fraudulently obtained two SBA guaranteed loans intended for COVID-19 relief through the PPP.	SBA realized an administrative recovery of \$3,006,200. Individual charged by criminal complaint.
TX	BL	ATF, DHS/HSI, TIGTA	Individuals fraudulently obtained SBA guaranteed loan intended for COVID-19 relief through the PPP.	SBA realized an administrative recovery of \$504,715. Individual arrested.
TX	BL	FDIC/OIG, FHFA/OIG, IRS/CI, TIGTA	Individual fraudulently obtained SBA guaranteed loans intended for COVID-19 relief through the PPP. Individual used funds to purchase luxury automobile, home mortgage payments and other personal expenses.	Individual indicted.
TX	BL		Individual submitted nine applications for PPP loans. The applications contained false documents and/or misrepresentations. Three loans were funded for a total of \$4 million.	Individual arrested pursuant to criminal complaint. In addition, SBA realized an administrative recovery of \$3,111,698.
TX	DL	USSS	Individual used stolen identity to obtain EIDL loan in the amount of \$406,000.	SBA realized an administrative recovery of \$406,000.
TX	DL	USSS	Individual used stolen identity to obtain EIDL loan in the amount of \$145,653.	SBA realized an administrative recovery of \$145,653.
TX	DL	DHS/OIG	Individual obtained SBA disaster loan for damage caused by Hurricane Harvey. Investigation determined the property received no damage and proceeds were used to pay off personal credit cards.	Individual sentenced to 3 years' probation and ordered to pay a \$100 special assessment.
TX	DL		Individual refused to schedule onsite loss verification inspection pursuant to SBA disaster loan terms and conditions.	SBA realized an administrative recovery of \$22,221.
TX	DL	DHS/HSI, FDIC/OIG	Individual fraudulently obtained SBA guaranteed loan intended for COVID-19 relief through the PPP.	SBA realized an administrative recovery of \$50,000.

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TX	DL		SBA employee applied for three EIDL loans, two were reviewed and obligated by the employee.	SBA realized an administrative recovery of \$130,900. SBA employee terminated.
UT	BL	FBI	Individual failed to disclose criminal history on PPP application.	Individual arrested and \$28,889 seized and returned to SBA.
UT	GC	AFOSI, Army/CI, DCIS, FBI	Individuals devised a scheme to obtain HUBZone set-aside contracts. Individuals submitted false documentation related to the location of their primary offices.	Two individuals charged by information.
VA	BL	FBI	Individuals fraudulently obtained SBA guaranteed loan intended for COVID-19 relief through the PPP.	Individuals pled guilty.
VA	GC	DCIS, NCIS, INS, DOS/OIG	Individuals conspired to obtain SDVOSB set-aside contracts to which the companies would not otherwise be entitled.	Seven individuals indicted.
VA	DL	FBI, IRS/CI, USPIS	Individual made misrepresentations to obtain an EIDL loan.	Individual indicted.
WA	GC	Army/CI, DCIS, DOC/OIG, DOJ/OIG, GSA/OIG, HHS/OIG, IRS/CI	Individuals conspired to create fictitious small businesses to obtain small business set-aside contracts to which the companies would otherwise be entitled.	Individual indicted.
WA	DL		Individual used stolen identity to obtain EIDL loan in the amount of \$159,900.	SBA realized an administrative recovery of \$159,900.
WA	DL	IRS/CI	Individual obtained a PPP loan by making false statements on his application.	SBA realized an administrative recovery of \$102,711.
WA	DL	FBI, FDIC/OIG, HHS/OIG, IRS/CI, TIGTA	Individual fraudulently submitted 26 SBA guaranteed loan applications intended for COVID-19 relief through the PPP and EIDL programs.	Individual charged by criminal complaint. SBA realized an administrative recovery of \$1,183,499.
WA	DL	DHS/OIG	Individual obtained a EIDL loan by making false statements on his application.	SBA realized an administrative recovery of \$149,900. Individual arrested.
WA	DL	FBI, TIGTA	Individual fraudulently obtained five SBA guaranteed loans intended for COVID-19 relief through the PPP and EIDL programs.	SBA realized an administrative recovery of \$10,000. Individual charged by criminal complaint.
WI	BL	FBI	Individual made false statements during a bankruptcy proceeding related to an SBA guaranteed loan.	Individual pled guilty and was sentenced to 12 months and 1 day in prison, 3 years supervised release, and ordered to pay \$2,466,550 in restitution.

Table Notes:

Legal Actions Summary Program Codes

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

Joint-investigation Agency Acronyms

Defense Criminal Investigative Service (DCIS)
Department of Commerce Office of Inspector General (DOC/OIG)
Department of Energy Office of Inspector General (DOE/OIG)
Department of Health and Human Services Office of Inspector General (HHS/OIG)
Department of Homeland Security Homeland Security Investigations (DHS/HSI)
Department of Homeland Security Immigration and Customs Enforcement (DHS/ICE)
Department of Homeland Security Office of Inspector General (DHS/OIG)
Department of Justice Office of Inspector General (DOJ/OIG)
Department of Justice Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF)
Department of State Office of Inspector General (DOS/OIG)
Department of Transportation Office of Inspector General (DOT/OIG)
Department of Treasury Inspector General for Tax Administration (TIGTA)
Department of Treasury Special Inspector General for the Troubled Asset Relief Program (SIGTARP)
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)
Federal Reserve Board Office of Inspector General (FRB/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)
State of California Employment Development Department (State of CA/EDD)
United States Airforce Office of Special Investigations (AFOSI)
United States Army/Criminal Investigation Division (Army/CID)
United States Department of Agriculture Office of Inspector General (USDA/OIG)
United States Naval Criminal Investigative Service (NCIS)
United States Postal Inspection Service (USPIS)
United States Secret Service (USSS)

Appendix F. Cosponsored and Other Activities

SBA’s authorization to cosponsor events requires OIG to report to Congress on the Administrator’s use of that authority semiannually. The following list of activities was provided by the Office of Strategic Alliances.

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
2020 National Small Business Week Awards Event	Utah DO - South Valley Chamber of Commerce, Salt Lake Chamber Women’s Business Center, Utah Small Business Development Center Network, SCORE Utah Chapter	World Wide Web Virtual	9/21/2020
Selling to the Government Training Series	Wyoming DO - Wyoming Procurement Technical Assistance Center	Virtual, Casper, Laramie, Cheyenne, Riverton, Jackson, Fort Washakie, WY	9/14/2020
Entrepreneur’s Education Collaborative	Nebraska DO - Better Business Bureau, Business Ethics Alliance, Catholic Charities Archdiocese of Omaha, Greater Omaha Chamber of Commerce, Nebraska Business Development Center, Nebraska Enterprise Fund, SCORE Greater Omaha Chapter 40	Virtual	8/24/2020
Spirit of Small Business Awards Program	Los Angeles DO - Pacific Coast Business Times	Virtual	8/19/2020
Small Business Webinars	Wichita DO - FranNet of Missouri, Kansas, Southern Illinois, and Eastern Iowa	Virtual	8/14/2020
SBA Military Spouse Entrepreneur Summit	HQ/Office of Government Contracting & Business Development - US Chamber of Commerce Foundation's Hiring Our Heroes	World Wide Web	7/23/2020
Small Business Basics Workshops	New York DO - The City of Newburgh	Newburgh, NY	3/18/2020
National Small Business Week 2020	HQ/Office of Communications and Public Liaison - SCORE Association, Various Cosponsors	World Wide Web Virtual	2/28/2020

Appendix G. External Peer Reviews

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

Audits Division

Generally accepted government auditing standards (Yellow Book) issued by GAO require that audit organizations performing audits and attestation engagements in accordance with the Yellow Book 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 U.S. Department of State OIG for the period ended March 31, 2018. In September 2018, SBA OIG received a peer review rating of "pass."

Similarly, the Council of the Inspectors General on Integrity and Efficiency requires that organizations that conduct inspections and evaluations under the Quality Standards for Inspection and Evaluation, or Blue Book, must have an external peer review at least once every 3 years. During FY 20, our Audits Division underwent a first for OIG, a Blue Book peer review conducted by the Department of Justice OIG. OIG generally met Blue Book standards.

In addition, in FY 20, our Audits Division reviewed the U.S. Department of Housing and Urban Development OIG against the Blue Book standards. We determined HUD generally met Blue Book standards.

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 2017, the U.S. Federal Deposit Insurance Corporation OIG reviewed our Investigations Division. The reviewers found the system of internal safeguards and management procedures for the investigative function of OIG was compliant with the quality standards established by the Council of the Inspectors General on Integrity and Efficiency and the applicable Attorney General Guidelines. (OIGs can be assessed as either compliant or noncompliant.) No recommendations were offered.

Appendix H. Office of Inspector General Reporting Requirements

Under the Inspector General Act of 1978, as amended, OIG provides independent, objective oversight to improve the integrity, accountability, and performance of SBA and its programs for the benefit of the American people.

Although SBA's programs are essential to strengthening America's economy, the agency faces several challenges in carrying out its mission. Access our annual report of the agency's top management and performance challenges here: <https://www.sba.gov/sites/default/files/2020-10/SBA%20OIG%20Report%2021-01.508.pdf>.

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 possess a high level of integrity. This is critical to the proper administration of SBA's programs because it helps ensure SBA resources are used by those who need them the most. Copies of OIG reports and other products are available at <https://www.sba.gov/office-of-inspector-general>.

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 September 30, 2019
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 September 30, 2019
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

Section	Reporting Requirement	Location
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 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