

# Semiannual Report to Congress

April 1, 2022 – September 30, 2022



# Message from the Inspector General

November 30, 2022



Hannibal "Mike" Ware  
Inspector General

I am honored to submit our *Semiannual Report to Congress* for the second half of fiscal year 2022. Every 6 months, we report to Congress our independent oversight of the U.S. Small Business Administration (SBA) as required by law.

Over 2 years after the start of the Coronavirus Disease 2019 (COVID-19) pandemic economic crisis, the SBA Office of Inspector General (OIG) continues to provide independent and objective oversight. We oversee the integrity, accountability, and performance of SBA and its programs for the benefit of the American people. OIG works to improve SBA programs by identifying key issues facing the agency, recommending corrective actions, and promoting a high level of integrity.

This fiscal year we are reporting an unprecedented statistic: \$4.8 billion in joint monetary recoveries and savings. Without a doubt, this achievement would not have been possible without our partner organizations.

## Pandemic Response Oversight

Since March 2020, our goal has been to set a standard of excellence in overseeing SBA pandemic response for America's small businesses. Independence and objectivity are critical in the oversight of taxpayer funds allocated by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and subsequent Congressional economic stimulus funds and mandates.

SBA has expended more than a trillion dollars in lending authority and entrepreneurial assistance in the wake of the pandemic. When SBA expedited relief to those in need, the agency relaxed internal controls, increasing the risk of program fraud, abuse, and improper payments.

As the landscape continues to unfold, we are collaborating across government to bring fraudsters to justice. OIG pandemic oversight and investigative work has resulted in 607 indictments and 362 convictions, as of October 2022. Leveraging finite supplemental resources provided by Congress, we have published 29 reports on pandemic oversight. We have issued dozens of recommendations for corrective action aimed at strengthening internal controls so eligible small businesses receive the economic aid promised by Congress, not fraudsters or other unscrupulous borrowers abusing taxpayer resources.

The true magnitude of fraud in SBA pandemic assistance programs will be coming to light for many more years as these programs move into new stages. We will continue to evaluate and recommend corrections for the most critical risks facing SBA, but oversight of pandemic relief funds and combating fraud in these programs will be a top priority for years to come and will require adequate oversight resources.

## Our Work this Period

During the 6-month period from April to September 2022, OIG issued 16 reports with 59 recommendations to improve SBA operations and reduce fraud and unnecessary losses in agency programs. We questioned \$54 million in audits, other reports, and follow-up activities. In addition, OIG investigations resulted in 141 indictments and 100 convictions.

Overall, OIG's investigations and audit work achieved monetary recoveries and savings of more than \$146 million during this semiannual period.

We are also keeping watch over government contractors for business ethics, integrity, honesty, and competency, ensuring taxpayer dollars are spent efficiently according to intent.



## OIG Staff Dedication and Success

I am proud that our OIG staff members are engaged change agents who set the standard for oversight excellence in support of American small businesses and entrepreneurs. We carry out our duties and responsibilities with integrity, never losing sight of this vision, committed to protecting the interests of all American taxpayers by promoting positive change within SBA and across government.



Hannibal "Mike" Ware  
SBA Inspector General

## Table of Contents

Pandemic Response Oversight .....	1
Audits, Inspections, and Evaluations .....	1
Evaluation of SBA’s Disaster Assistance Loan Recommendation Services (Report 22-10) .....	1
SBA’s Handling of Potentially Fraudulent Paycheck Protection Program Loans (Report 22-13) .....	2
SBA’s Award and Payment Practices in the Shuttered Venue Operators Grant Program (Report 22-15) .....	2
SBA’s COVID-19 EIDL Program Data Migration Challenges (Report 22-16) .....	3
SBA’s COVID-19 EIDL Applications Submitted from Foreign IP Addresses (Report 22-17) .....	3
COVID-19 and Disaster Assistance Information Systems Security Controls (Report 22-19) .....	4
Paycheck Protection Program Eligibility for Nonprofit Organizations (Report 22-21) .....	4
Follow-Up Inspection of SBA’s Internal Controls to Prevent COVID-19 EIDLs to Ineligible Applicants (Report 22-22) .....	5
SBA’s Guaranty Purchases for Paycheck Protection Program Loans (Report 22-25) .....	6
Notable Investigations .....	6
California Man Sentenced to Over 11 Years for \$27 Million PPP Fraud Scheme .....	6
DC man Sentenced to 10 Years for Attempting to Steal More than \$31 Million in COVID-19 Funds .....	6
Texas Man Sentenced to More Than 9 Years in COVID-19 Fraud and Money Laundering Scheme .....	7
Small Business Access to Capital .....	8
Inspection .....	8
SBA’s Actions to Improve the Management of the 7(a) Loan Guaranty Approval Process (Report 22-18) .....	8
Disaster Assistance Program .....	9
Investigations .....	9
Colorado Man Sentenced to 66 Months for EIDL and PPP fraud .....	9
Salt Lake City Man Charged in \$1.8 Million CARES Act Loan Fraud Scheme .....	9
Contracting and Counseling Programs .....	10
Audits, Inspections, and Evaluations .....	10
SBA’s Implementation of the Women-Owned Small Business Certification Program (Report 22-20) .....	10
SBA’s Protest Process (Report 22-24) .....	11
Investigations .....	11
Odyssey International Inc. and Former Officer of Company Convicted of Obtaining \$99 Million U.S. Government Contract .....	11
Construction Company Owner Convicted of Fraud in Securing Over \$240 Million in Contracts Intended for Service-Disabled Veterans .....	12
Agency Management .....	13
Audits, Inspections, and Evaluations .....	13
Fiscal Year 2021 Federal Information Security Modernization Act Review (Report 22-11) .....	13

# U.S. Small Business Administration | Office of Inspector General

Independent Auditors' Report on SBA's Fiscal Year 2021 Compliance with the Payment Integrity Information Act of 2019 (Report 22-12) .....	13
SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2022 and 2021 (Report 22-14) .....	14
SBA's Corrective Actions to Improve Monitoring District Offices' Customer Service Activities (Report 22-23) .....	14
Other Significant OIG Activities .....	15
Background Investigations Ensure Integrity .....	15
Debarment and Other Administrative Enforcement Actions .....	15
Stakeholder Presentations on PPP and EIDL Fraud .....	15
Reviews of Proposed Agency Regulations, Operating Procedures, and Other Initiatives Lead to Improved Program Controls .....	15
Approval of Small Business Development Center Surveys .....	15
Unprecedented Numbers .....	16
Organizational Overview .....	17
U.S. Small Business Administration .....	17
Office of Inspector General .....	18
Appendixes .....	20
Appendix A. Reporting Period Statistical Highlights .....	20
Summary of OIG Dollar Accomplishments .....	20
Efficiency and Effectiveness Activities Related to Audit, Other Reports, and Follow-up Activities .....	20
Indictments, Convictions, and Case Actions .....	20
SBA Personnel Actions Taken as a Result of Investigation .....	20
Program Actions Taken During the Reporting Period as a Result of OIG Action .....	21
Agency Legislative and Regulatory Proposals Reviewed .....	21
Appendix B. Full-Year Statistical Highlights, FY 2022 .....	22
Summary of OIG Dollar Accomplishments .....	22
Efficiency and Effectiveness Activities Related to Audit, Other Reports, and Follow-up Activities .....	22
Indictments, Convictions, and Case Actions .....	22
SBA Personnel Actions Taken as a Result of Investigations .....	22
Program Actions Taken During the Fiscal Year as a Result of OIG Action .....	23
Agency Legislative and Regulatory Proposals Reviewed .....	23
Appendix C. Reports, Recommendations, and Management Decisions .....	24
Reports Issued .....	24
Reports with Questioned Costs (dollars) .....	25
Reports with Recommendations that Funds Be Put to Better Use .....	25
Reports from Prior Periods with Overdue Management Decisions .....	26
Reports from Prior Periods with Open Recommendations as of September 30, 2022 .....	28

## U.S. Small Business Administration | Office of Inspector General

Significant Recommendations from Prior Reporting Periods without Final Action as of September 30, 2022 .....	29
Significant Recommendations from this Reporting Period.....	45
Significant Management Decisions – OIG Disagreement.....	51
Significant Revised Management Decisions .....	52
Federal Financial Management Improvement Act .....	52
Instances of Interference .....	52
Appendix D. Investigations Reporting Statistics .....	53
Investigative Reports Issued.....	53
Persons Referred for Prosecution.....	53
Pandemic-Related Investigative Statistics.....	53
Whistleblower Retaliation Cases .....	53
Investigations Involving a Senior Government Employee Where Misconduct Was Substantiated .....	53
Investigations Involving a Senior Government Employee That Is Closed and Not Disclosed to the Public.....	53
Appendix E. Legal Actions Summary .....	54
April 1, 2022 – September 30, 2022 .....	54
Appendix F. Cosponsored and Other Activities.....	59
Appendix G. External Peer Reviews .....	61
Audits Division.....	61
Investigations Division .....	61
Appendix H. Office of Inspector General Reporting Requirements.....	62
Reporting Requirements in the Inspector General Act of 1978, As Amended.....	62

# Summary of OIG Oversight Work

## Pandemic Response Oversight

To support businesses affected by the Coronavirus Disease 2019 (COVID-19) pandemic, Congress tasked SBA with lending \$470 billion in COVID-19 Economic Injury Disaster Loans (EIDL) and \$20 billion in COVID-19 emergency grants. Congress appropriated additional funds for new disaster assistance programs: \$35 billion for targeted and supplemental EIDL advances, \$16.25 billion for the Shuttered Venue Operators Grant (SVOG) program, and \$28.6 billion for the Restaurant Revitalization Fund (RRF).

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

The Consolidated Appropriations Act of 2021, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, extended the program through March 31, 2021, providing an additional \$147.5 billion in PPP funding. Lastly, the American Rescue Plan Act of 2021 provided an additional \$7.25 billion, which increased the total program funding to \$813.7 billion.

SBA's need to quickly provide relief to small businesses led to reduced controls on pandemic-related loans and grants, substantially increasing the fraud risk. It was immediately clear that pandemic relief efforts had drawn the attention of unscrupulous and greedy criminals. Complaints from lenders and allegations of misuse of funds overwhelmed OIG's Hotline. A growing national narrative told of widespread fraudulent activity involving funds intended to provide economic relief to qualifying small businesses and entrepreneurs. We launched investigations and audits to root out the fraud and abuse endangering these critical resources.

The following summarizes our pandemic oversight work this period.

## Audits, Inspections, and Evaluations

### Evaluation of SBA's Disaster Assistance Loan Recommendation Services (Report 22-10)



We evaluated the SBA's procedures to award a contract for data analysis and loan recommendation services for EIDL applications and Targeted EIDL Advance applications related to the COVID-19 pandemic. To increase loan processing capabilities and quickly disburse loans during the pandemic, SBA used an existing contract awarded to RER Solutions and its subcontractor Rocket Loans set aside for small businesses. SBA initially set a contract ceiling of \$100 million and then used emergency contracting authority to increase the contract ceiling to \$850 million.

SBA relied on an earlier 2018 contract but did not follow the proper procedures to ensure that contract provided the best value to the government. SBA awarded the contract for data analysis and loan recommendation services without adequately ensuring the contract prices were fair and reasonable in

accordance with Federal Acquisition Regulation and agency policy. SBA did not ensure the contractor complied with established size standards to be eligible for a small business set-aside award. SBA also did not ensure the contractor complied with subcontracting limitations, exceeding the limit by \$13 million. These awards are intended to help small businesses compete and win government contracts. Instead, the COVID-19 contract was noncompetitively awarded and largely performed by an affiliate of one of the nation's largest mortgage lenders.

We made six recommendations to strengthen SBA's procurement policies and enhance controls to ensure compliance with SBA's contracting program requirements. SBA agreed or partially agreed with all six recommendations.

Access this [evaluation report](#) on the SBA OIG Reports site.

## **SBA's Handling of Potentially Fraudulent Paycheck Protection Program Loans (Report 22-13)**



We found that SBA did not have an organizational structure with clearly defined roles, responsibilities, and processes to manage and handle potentially fraudulent PPP loans across the program. In addition, the agency did not establish a centralized entity to design, lead, and manage fraud risk. This problem occurred because the agency did not establish a sufficient fraud risk framework at the start

of and throughout PPP implementation. Management stated this was partly due to the speed of the delivery of PPP and the continuous and rapid discovery of different kinds of fraud schemes. Lenders also were not always clear on how to handle PPP fraud or recover funds obtained fraudulently from the PPP that remained in the borrower's account. SBA did not provide lenders sufficient specific guidance to effectively identify, track, address, and resolve potentially fraudulent PPP loans. During our review, SBA established a Fraud Risk Management Board.

To better mitigate fraud, we recommended SBA establish clearly defined and detailed roles, responsibilities, and processes and provide lenders formal guidance for managing and handling potentially fraudulent loans. SBA management generally agreed with the findings and agreed with both recommendations. Management plans to document the roles, responsibilities, and processes for all SBA offices responsible for managing and handling potentially fraudulent PPP loans. Management also plans to consolidate its existing guidance to lenders regarding fraud and provide new guidance as appropriate.

Access this [inspection report](#) on the SBA OIG Reports site.

## **SBA's Award and Payment Practices in the Shuttered Venue Operators Grant Program (Report 22-15)**



We inspected the SBA's award and payment practices used to administer the SVOG program. Even after determining multiple disbursements would better protect grant funds from fraud or misuse, SBA switched to a riskier single advance payment for all grantees. This payment method may have hastened award disbursement, but the agency removed internal controls that would have better protected taxpayer

funds. Multiple disbursements enable program officials to verify that grant recipients used award funds for allowable activities before disbursing additional funds. In our sample of 10 awards, to test SBA's



disbursement and budget approval practices, none had the proper documentation signed by an authorized government official. The authorizing agency signature on the notice of award demonstrates that the proper procedure has been followed and the obligation has been officially recorded.

Program officials did not ensure they had adequate support for the grant amounts in 3 of the 10 awards we reviewed. SBA awarded these three recipients \$2.6 million above amounts that were requested. The higher grant award amounts did not correspond to their budgets, nor was there supporting documentation to show why SBA awarded the higher amounts.

We made six recommendations for SBA management to ensure SBA properly safeguards program funds and improves disbursement and award procedures while administering the SVOG program. SBA management agreed or partially agreed with four recommendations and disagreed with two. Management's planned actions resolved all six recommendations.

Access this [inspection report](#) on the SBA OIG Reports site.

## **SBA's COVID-19 EIDL Program Data Migration Challenges (Report 22-16)**



OIG found that SBA had been migrating data from its software provider without a data migration plan. This software service provider is an outside company contracted to provide cloud-based software solutions. Without advance planning for data migration and defined acceptance criteria, SBA took reactive measures to prevent the loss of vital program data when the contract ended on June 30, 2022.

To address concerns about data migration challenges for SBA's COVID-19 EIDL pandemic relief program, we suggested the SBA design and implement a comprehensive migration plan for the COVID-19 EIDL program, to include defined acceptance criteria and robust testing, with detailed project milestones and defined areas of responsibility for program management, information technology, and procurement groups so that data is preserved to meet the needs of all stakeholders.

SBA managers stated they were working to modify the software service provider contract to ensure data will remain available for future litigation efforts. Management's plan to modify the contract would ensure data is preserved. Once the contract modification is complete, the risk of data loss will be mitigated. Safeguarding the data from destruction beyond the June 30, 2022 contract expiration will allow SBA to support legal proceedings for the immediate future.

Access this [memorandum report](#) on the SBA OIG Reports site.

## **SBA's COVID-19 EIDL Applications Submitted from Foreign IP Addresses (Report 22-17)**



We evaluated SBA's controls to flag or prevent potentially fraudulent COVID-19 EIDL applications submitted from foreign Internet Protocol (IP) addresses. We found that although the agency implemented several layers of controls to prevent or reduce fraud from foreign countries, foreign IP addresses were able to access the application system. SBA received millions of attempts to submit COVID-19 EIDL applications from foreign IP addresses and stopped most of them; however, the agency processed more

than 233,000 of these applications from March 20, 2020 to November 12, 2021, our review period. Of this amount, SBA approved and disbursed 41,638 COVID-19 EIDLs, advances, and grants for \$1.3 billion. The numerous applications submitted from foreign IP addresses are an indication of potential fraud that may involve international criminal organizations. OIG has ongoing investigations into international organized crime operations that applied for and stole pandemic relief funds. SBA officials were aware of and concerned about the potential fraud from overseas.

We recommended the agency thoroughly review the loans in our test sample and the \$1.3 billion disbursed to applicants from foreign IP addresses. The agency should stop any further or future disbursements to any applicants deemed to be ineligible or fraudulent. We also recommended SBA recover any disbursed loans and advances determined to be ineligible or fraudulent. Additionally, we recommended that the agency examine controls related to foreign IP addresses and ensure these controls are more effective in future disaster processing systems. Management partially agreed with recommendation 1 and agreed with recommendation 2.

Access this [evaluation report](#) on the SBA OIG Reports site.

## COVID-19 and Disaster Assistance Information Systems Security Controls (Report 22-19)



We found the agency's entity-level control environment was not designed in accordance with federal guidance at the beginning of the COVID-19 assistance programs. SBA needed information technology systems from third-party service providers that could improve the system efficiency and productivity to process high transaction volumes, transmit data between other information systems, and safeguard the integrity and confidentiality of the personally identifiable information processed by the programs. The agency allowed the third-party systems to be put into service without conducting the baseline assessments. With no baseline, the agency could not perform effective continuous monitoring. Also, we found that control processes did not identify, communicate, and capture privacy and identity risks on an enterprise-wide basis.

We made 10 recommendations to strengthen the agency's entity-level IT control environment. The areas addressed included cybersecurity risk and privacy controls, system development life cycle, continuous monitoring, and the supply chain risk management processes.

SBA management agreed with seven recommendations, disagreed with two recommendations, and stated one recommendation was specific to the pandemic and will not likely be repeated. While the agency agreed to implement seven recommendations, management's planned corrective actions did not fully address identified control issues.

Access this [audit report](#) on the SBA OIG Reports site.

## Paycheck Protection Program Eligibility for Nonprofit Organizations (Report 22-21)



Based on data analysis, we identified 179 PPP loans, totaling approximately \$684 million, made to potentially ineligible nonprofits that may have exceeded SBA's requirements for business size, known as size standards, at the time of application.

We also reviewed PPP loans for three large nonprofits, including Planned Parenthood of Illinois that received over \$3.8 million, Goodwill of Southwestern Pennsylvania that received over \$6 million, and YMCA of the Rockies that received over \$3.5 million. OIG included a Planned Parenthood organization to address concerns from some members of the U.S. Senate Committee on Small Business and Entrepreneurship. We determined that the Planned Parenthood organization met PPP loan eligibility requirements. The Goodwill organization was not eligible for a PPP loan at the time of application but subsequently became eligible for forgiveness due to updated PPP guidance. The YMCA organization we reviewed did not meet eligibility requirements because they exceeded the applicable size standard of no more than 500 employees at the time of application and forgiveness.

We also reviewed the three national organizations associated with the PPP loans to the aforementioned Planned Parenthood, Goodwill, and YMCA for potential affiliation with the PPP loan recipients. We found no affiliation between the national organizations and the loan recipients.

We recommended SBA review the 179 PPP loans, totaling approximately \$684 million, to ensure eligibility requirements were met and seek remedy or repayment for all loans deemed ineligible, and seek remedy or repayment of the PPP loan we reviewed for YMCA totaling \$3.5 million. SBA management partially agreed with recommendation 1 and agreed with recommendation 2.

Access this [inspection report](#) on the SBA OIG Reports site.

## **Follow-Up Inspection of SBA's Internal Controls to Prevent COVID-19 EIDLs to Ineligible Applicants (Report 22-22)**



We found SBA did not implement the tax transcript requirement in a timely manner, potentially disbursing COVID-19 EIDLs to ineligible entities. The CARES Act prohibited the agency from requiring tax return transcripts to prove eligibility. Congress eliminated this restriction 9 months later with the Consolidated Appropriations Act, 2021. For about 4 months after Congress removed the tax return prohibition, SBA made 133,832 COVID-19 EIDL disbursements, totaling about \$8.5 billion, without proving applicant eligibility using official tax information. Of that amount, more than \$92 million was disbursed to businesses with suspect Taxpayer Identification Numbers.

We reviewed 30 of these loans approved before SBA implemented the requirement for tax return transcripts and found that 16 of them, totaling about \$1.1 million, should not have been approved. Specifically, we found disbursements to 13 businesses that did not exist on or before January 31, 2020 or had an unknown start date. We also found three businesses that did exist on or before January 31, 2020, but had other red flags, including change of registered agent shortly before the application date, evidence of falsified documents, or evidence the applicant did not own the business.

We recommended SBA recover funds disbursed to ineligible applicants identified in our sample and review the remaining COVID-19 EIDL disbursements with suspect tax ID numbers to determine if the business applicant was legitimate and met CARES Act eligibility requirements. SBA agreed with our recommendations and plans to review the loans identified in the report to determine if the applicant business qualified for assistance under the COVID-19 EIDL eligibility criteria and attempt to recover funds provided to ineligible businesses.

Access this [inspection report](#) on the SBA OIG Reports site.

## SBA's Guaranty Purchases for Paycheck Protection Program Loans (Report 22-25)



In anticipation of a significant number of delinquent PPP loans that lenders will submit for guaranty purchase, we began reviewing SBA's process for approving PPP guaranty purchases. During our review, we identified concerns with SBA's decision to end collections on PPP loans with an outstanding balance of \$100,000 or less. We found that expedited management action is needed to determine whether it is cost effective to pursue collections on these loans. Management attention is needed to ensure effective stewardship of billions of dollars in potential funds owed to taxpayers. Ending collections could incentivize ineligible borrowers to obtain loans valued at \$100,000 or less in similar future loan programs. However, continuing to pursue collections will help ensure accountability from delinquent borrowers.

We recommended the SBA Administrator stay the April 27, 2022 decision to end collections on purchased PPP loans with an outstanding balance of \$100,000 or less until a comprehensive cost benefit analysis can be conducted. We recommended the agency explore alternative means of collections for PPP loans with an outstanding balance of \$100,000 or less. We also recommended conducting an initial and periodic cost benefit analysis on PPP purchase guarantees with comprehensive estimates to sufficiently assess whether the cost of collecting loans of \$100,000 or less is more than the recovery amount and pursue collections based on results of the analysis. Management disagreed with recommendations 1 and 2 and agreed with recommendation 3.

Access this [management advisory](#) on the SBA OIG Reports site.

## Notable Investigations

### California Man Sentenced to Over 11 Years for \$27 Million PPP Fraud Scheme



A Southern California man was sentenced to about 11 years and 3 months for submitting fraudulent applications seeking money from the PPP, submitting false statements to a financial institution, and money laundering. He submitted 27 PPP loan applications to four banks on behalf of eight companies and sought a total of \$27 million in forgivable PPP loans. In his fraudulent applications, he represented that each of his companies had 100 employees and average monthly payroll of \$400,000, even though he knew that the companies did not have any employees or payroll expenses. He used the funds for personal expenses, including cash withdrawals, payments on his personal credit cards, transfers to other personal and business accounts he controlled, and renting an ocean-front apartment in Santa Monica.

### DC man Sentenced to 10 Years for Attempting to Steal More than \$31 Million in COVID-19 Funds



A Washington, DC man was sentenced to 10 years for attempting to steal more than \$31 million and laundering the proceeds of the crime. The man succeeded in stealing \$2.4 million in PPP and EIDL funds. From July 2020 through May 2021, the man used his

company to fraudulently apply for at least 25 PPP loans totaling more than \$30 million. He also submitted at least four false EIDL applications totaling \$950,000. In support of his fraudulent applications, the man used stolen identities, stolen tax returns, and stolen financial records from a Washington, DC consulting company, which he doctored to appear to be tax returns and payroll records from his company. Once received, the man wired the loan proceeds of his scheme to at least 13 separate bank and brokerage accounts, purchased a Tesla Model 3, and converted at least \$288,000 of proceeds from fiat currency into multiple cryptocurrencies. Fiat currency is a national currency with value derived from a country's promise to back it, not from physical commodities like gold or silver. The man conducted over 2,000 transactions involving at least 43 different cryptocurrencies.

## **Texas Man Sentenced to More Than 9 Years in COVID-19 Fraud and Money Laundering Scheme**



A Texas man was sentenced to 110 months for his scheme to fraudulently obtain and launder proceeds from more than \$1.6 million in PPP loans. He pled guilty in September 2021 to charges of wire fraud and money laundering, submitting fraudulent PPP loan applications to two different lenders on behalf of three entities. Through these loan applications, he sought over \$2.6 million and obtained over \$1.6 million in PPP funds. He falsely represented the number of employees and payroll expenses in each of the loan applications. To support the fraudulent applications, he also submitted fraudulent tax records. He applied in the name of a person who died shortly before the application was submitted. With these taxpayer funds he purchased a Lamborghini Urus, a Ford F-350 truck, a Rolex watch, and paid off a loan on a residential property. The Department of Justice, along with law enforcement partners, seized over \$700,000 of the funds fraudulently obtained.

## Small Business Access to Capital

SBA provides small businesses with financial assistance through several key programs. SBA has a financial assistance portfolio of guaranteed and direct loans that totaled about \$240 billion as of March 2022, after the forgiveness of over \$700 billion in Paycheck Protection Program loans. 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.

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 several 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. The following summarizes our work this period.

### Inspection

#### SBA's Actions to Improve the Management of the 7(a) Loan Guaranty Approval Process (Report 22-18)



In a 2014 audit, we found significant opportunities existed to improve the management of the 7(a) loan guaranty approval process to mitigate its risk of loss and protect the integrity of the program. Specifically, the audit found that processing center management emphasized quantity over quality for 7(a) loan reviews, and processing center loan specialists were not provided adequate guidance and training to conduct their 7(a) loan review activities.

A verification inspection is a short review that focuses on closed recommendations from prior OIG reports. This inspection focused on recommendation 1, which recommended that SBA revise management reports to measure quality against established targets, ensure production credit is given for all loan review actions, and promote compliance with SBA requirements. We found SBA effectively implemented recommendation 1 by revising its management reports to include key factors for measuring the quality and complexity of loan reviews to promote compliance with SBA requirements.

Access this [inspection report](#) on the SBA OIG Reports site.

## Disaster Assistance Program

Disaster assistance has been part of the agency since its inception in 1953. SBA provides long-term, low-interest financial assistance to businesses of all sizes, private nonprofits, homeowners, and renters following a declared disaster. Each year, SBA approves hundreds of millions of dollars in disaster assistance loans.

The disaster assistance loan program is the only form of SBA assistance not limited to small businesses. The program's disaster assistance loans are the primary form of federal assistance for repairing and rebuilding nonfarm, private sector losses following a declared disaster.

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

- Home disaster loans
- Business disaster loans (includes PPP loans)
- Economic injury disaster loans (includes pandemic relief loans)
- Military reservist economic injury loans

The following summarizes our work this period.

## Investigations

### Colorado Man Sentenced to 66 Months for EIDL and PPP fraud



A Colorado man pled guilty and was sentenced to two concurrent 66-month terms and to pay \$367,552 in restitution to SBA. Between March and October 2020, he devised a scheme to defraud and obtain money by means of materially false representations on his EIDL and PPP loan applications. As a result of the scheme, he received two EIDLs totaling \$185,500, and one PPP loan for \$20,052.

### Salt Lake City Man Charged in \$1.8 Million CARES Act Loan Fraud Scheme



A Salt Lake City man was charged by a federal grand jury in the District of Utah with fraudulently obtaining more than \$1.8 million in EIDL funds. He submitted six fraudulent loan applications to SBA between March and June 2020 and obtained \$1.9 million in loan proceeds. He used the proceeds from these pandemic assistance loans to purchase a \$610,000 home in West Jordan, a \$518,000 house in Las Vegas, a Jaguar F-PACE SUV for \$16,058, a BMW M3 luxury car for \$26,723; and \$39,000 in cryptocurrency from Robinhood and Coinbase.

## Contracting and Counseling Programs

The U.S. government is the largest single purchaser of goods and services in the world, awarding over \$550 billion in prime contracts annually. SBA works to maximize opportunities for small businesses to receive these contract awards. As mandated by the Small Business Act, the government-wide goal is to award at least 23 percent of contract dollars to small businesses.

SBA has specific programs that focus on strengthening particular types of small businesses, like those owned by service-disabled veterans, Women-Owned Small Businesses (WOSB), as well as small businesses that are disadvantaged or located in historically underutilized 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 8(a) Business Development Program helps small businesses owned by socially and economically disadvantaged entrepreneurs gain business skills and access to federal contracting opportunities so that they can better compete in the open marketplace. The program offers free business development education, training workshops, and match-making opportunities with federal buyers.

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 mentoring network, Women's Business Centers, and Veterans Business Outreach Centers. SBA also started the Community Navigator Pilot Program, an American Rescue Plan initiative. The program will provide funding to organizations that will work with local community groups to improve access to SBA and government resources.

Additionally, SBA designed the Boots to Business program, providing transitioning service members interested in exploring business ownership or other self-employment opportunities with technical assistance and access to resources. These programs require effective and efficient management, outreach, and service delivery.

## Audits, Inspections, and Evaluations

### SBA's Implementation of the Women-Owned Small Business Certification Program (Report 22-20)



We found SBA had applicants provide documentation that demonstrates a woman owned and controlled the business in accordance with federal regulations, but SBA did not design a process that ensured analysts thoroughly and promptly reviewed the documentation.

Despite requirements that the business be considered small to be eligible for contracts set aside for WOSBs, SBA did not require that firms submit any documentation to ensure the business met federal size regulations. We also determined the agency did not have adequate staffing levels to support the program, nor did it ensure the database used to administer the eligibility reviews could fully support the certification program. And though SBA relies on the program eligibility decisions



that third-party certifiers make, SBA could not provide evidence that they effectively monitored third-party certifiers compliance with program regulations.

We made six recommendations for SBA to improve its oversight and management of the WOSB certification program. Management partially agreed with recommendations 1 and 6 and disagreed with recommendations 2, 3, 4, and 5. We did not reach resolution on recommendations 1, 2, and 4.

Access this [audit report](#) on the SBA OIG Reports site.

## SBA's Protest Process (Report 22-24)



We found SBA had effective controls in place to ensure protest decisions were properly enforced and used to monitor the protest process. The small business protest process was created to allow self-interested offerors to police themselves and prevent awards from going to ineligible businesses. The process was intended to protect the integrity of set-aside awards and of SBA's small business contracting certification programs.

We found that only 4 percent of the small businesses protested in FY 2021 did not update their proper status in their company profile after SBA found they did not qualify for set-aside awards. We also found program officials decided 80 percent of small business protests within the required 15 business days, or within extension dates approved by the contracting officer.

We made one recommendation for SBA management to strengthen controls to consistently document and monitor required protest information to ensure decisions are made in a timely manner. SBA Management agreed with the recommendation.

Access this [audit report](#) on the SBA OIG Reports site.

## Investigations

### Odyssey International Inc. and Former Officer of Company Convicted of Obtaining \$99 Million U.S. Government Contract



A federal jury found both Odyssey International Inc. and the president of the company guilty of conspiracy to commit wire fraud and major fraud. The business fraudulently claimed special status under an SBA program to obtain a \$99 million contract meant for a disadvantaged small business. Investigators found that in 2011, Odyssey fraudulently bid on a \$99 million HUBZone small business contract for work at the Fort Drum military base in New York. To qualify for a HUBZone contract, at least 35 percent of the small business's employees must reside in a HUBZone. The company did not qualify as a small business and 35 percent of its employees did not reside in a HUBZone.

## **Construction Company Owner Convicted of Fraud in Securing Over \$240 Million in Contracts Intended for Service-Disabled Veterans**



A federal jury in San Antonio, Texas convicted the owner of several construction companies and co-conspirators of defrauding the federal government in a long-running contracting scheme to obtain valuable government contracts. The defendants falsely claimed the ostensible owner of a general construction company was a service-disabled veteran, fraudulently benefiting from a contracting designation meant to support small veteran-owned businesses. The conspirators committed fraud against the United States to secure over \$240 million in government contracts.

## 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 this work, OIG coordinates 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

### Fiscal Year 2021 Federal Information Security Modernization Act Review (Report 22-11)



We tested a subset of systems in nine areas, called domains, and evaluated them using guidance for Federal Information Security Management Act metrics. The Act requires the information security program of every agency to be evaluated each year. In FY 2021, SBA faced new information security challenges under the weight of lending huge amounts during the pandemic.

Inspectors General are required to assess the effectiveness of information security programs on a maturity model spectrum. We rated SBA's overall program of information security as "not effective" because SBA achieved a maturity level rating of "managed and measurable" in only one of the nine domains.

We made 10 recommendations in five of the domains: three recommendations in risk management, three recommendations for configuration management, two for identity and access management, one recommendation for security training, and one for information security continuous monitoring. SBA management agreed with the recommendations.

Access this [evaluation report](#) on the SBA OIG Reports site.

### Independent Auditors' Report on SBA's Fiscal Year 2021 Compliance with the Payment Integrity Information Act of 2019 (Report 22-12)



Public accounting firm KPMG found the agency was compliant with 5 of the 10 reporting requirements under the Act and Office of Management and Budget (OMB) guidance. However, SBA is not in compliance with the Act because the agency did not conduct or update the improper payment risk assessment for each program with annual outlays greater than \$10 million. Also three of four reported areas did not publish an improper payment and unknown payment reduction target. The Disaster Direct Loan Program did not publish corrective action plans, demonstrate improvement to payment integrity or develop a plan to meet the improper payment and unknown payment reduction target, and the Disaster Direct Loan Program reported a gross improper payments and unknown payments rate exceeding 10 percent, which is higher than the amount allowed by law. In addition, KPMG found the agency needs to

improve the accuracy and appropriateness of improper payment reporting. The agency also needs to improve controls to prevent and reduce improper payments.

Access this [financial management report](#) on the SBA OIG Reports site.

### **SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2022 and 2021 (Report 22-14)**



We found that SBA complied with the 2021 Consolidated Appropriations Act, SBA regulations and policies regarding soliciting and accepting cash contributions for National Small Business Week 2021. SBA's Office of Communications and Public Liaison obtained proper approval from the Office of General Counsel for the 2021 National Small Business Week cosponsored activity.

We recommended the agency enhance the tracking system with alerts to ensure responsible officials close out all cosponsored activities within 90 days, as required. We also recommended the agency implement quality control procedures to ensure that required fiscal agent and SBA documents for future National Small Business Week cosponsored activities are timely, complete, accurate, and can be relied on. SBA management agreed with both of our recommendations.

Access this [compliance report](#) on the SBA OIG Reports site.

### **SBA's Corrective Actions to Improve Monitoring District Offices' Customer Service Activities (Report 22-23)**



We found SBA effectively implemented corrective actions for three of the four recommendations made by OIG in a past audit. A verification inspection is a short review that focuses on closed recommendations from a prior OIG report. Our objective was to determine the effectiveness of corrective actions SBA implemented to assess customer service at district offices and track and measure

customer service activities.

The corrective actions were implemented through the agency's Goals and Measures Activity Tracking Tool system, which records customer outreach activities. We determined this system has better functionality than the previous system, the Activity Contact Report. The new system also includes controls that allow for hierarchical reviews of recorded activities. Management enforced the policy for district office officials to record customer outreach activities in the system in a timely manner. However, program officials have not fully implemented a process to collect and analyze customer feedback.

We will track management's implementation by reopening the recommendation and will work with SBA to establish a target date for implementing corrective actions through the audit follow-up process.

Access this [inspection report](#) on the SBA OIG Reports site.

## Other Significant OIG Activities

### Background Investigations Ensure Integrity

During this reporting period, OIG initiated 49 background investigations and issued 3 security clearances for OIG employees and contractors. OIG adjudicated 23 background investigative reports.

### 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 persons who participate in SBA programs or otherwise do business with the government. During this reporting period, OIG sent 30 present responsibility referrals to SBA.

Present responsibility referrals can result in suspensions, debarments, and similar administrative enforcement actions. These actions protect taxpayer funds from program participants who are not a good risk for the government.

A typical OIG referral contains a summary of allegations and criminal, civil, administrative, or other evidence supporting the recommendation. 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.

### Stakeholder Presentations on PPP and EIDL Fraud

During this reporting period, SBA OIG conducted 109 presentations to internal and external stakeholders to raise awareness of fraud, waste, and abuse related to SBA programs. More than 2,570 participants attended these events.

### 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 60 proposed revisions of these program directives and submitted comments designed to improve 12 of these initiatives.

### Approval of Small Business Development Center Surveys

Section 21(a)(7) of the Small Business Act states that until 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. OIG must also include this approval in the semiannual report. SBA did not submit any surveys OIG review during this reporting period.

## OIG Hotline

OIGs have a hotline function that takes complaints from anyone who suspects waste, fraud, abuse, or serious mismanagement within an agency or its programs by employees, contractors, and the public. Hotline complaints may result in corrective actions, audits, or administrative, civil, or criminal investigations.

Our Hotline staff vets complaints and monitors the progress of matters referred to SBA program offices for action to ensure the agency has promptly followed up, adequately resolved allegations, and documented any corrective actions.



## Unprecedented Numbers



Hotline work has changed dramatically because of the COVID-19 pandemic. OIG’s Hotline team has been diligently working through a large backlog of complaints. The staff is addressing each complaint received via online submissions to the SBA OIG website, telephone, e-mail, posted mail, as well as referrals from banks and other agencies.

During this semiannual period, the OIG Hotline received more than 29,000 complaints of loan fraud and abuse, identity theft, and issues with SBA’s customer service. Hotline complaints may result in corrective actions, audits, or administrative, civil, or criminal investigations. Our Hotline staff monitors the progress of matters referred to SBA program offices for

action to ensure the agency has promptly followed up, adequately resolved allegations, and documented any corrective actions.

## Organizational Overview

### U.S. Small Business Administration

The mission of the 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 FYs 2022-26 has three key goals:

1. Ensure equitable and customer-centric design and delivery of programs to support small businesses and innovative startups
2. Build resilient businesses and a sustainable economy
3. Implement strong stewardship of resources for greater impact

SBA is organized around the areas of financial, contracting, entrepreneurial development, and disaster assistance. The agency also represents small businesses through an independent advocate and an ombudsman.

SBA headquarters is in Washington, DC. The agency has staff in 10 regional offices, 68 district offices and corresponding branch offices, and 4 disaster field offices. SBA also has 6 government contracting area offices and maintains a 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's mission is to provide independent, objective, and timely oversight to improve the integrity, accountability, and performance of SBA and its programs for the benefit of all Americans.

Our strategic plan for FYs 2022-27 has four goals. In addition to the Office of Counsel to the Inspector General, three divisions assist in carrying out the statutory responsibilities of the OIG: the Audits Division, Investigations Division, and the Management and Operations Division.

Our vision is to be valued and engaged change agents who set the standard for oversight excellence in support of America's small businesses.

We seek to demonstrate our values of integrity, commitment, and excellence as we deliver products and services of the highest quality defined by accuracy, timeliness, fairness, and usefulness.



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

The **Audits Division** performs and oversees audits and reviews to promote the economical, efficient, and effective administration of SBA programs and operations. Key areas of emphasis are SBA loan, disaster assistance, business development, and government contracting programs, as well as mandatory and other statutory audit

requirements involving information technology security, financial reporting, and other SBA program areas. The balance of the engagements is discretionary and focuses on high-risk activities and identified management issues.

The **Investigations Division** manages a program to detect and deter illegal and improper activities involving SBA's programs, operations, and personnel. The criminal investigations staff carries out a full range of traditional law enforcement functions. Within the division, the Hotline reviews allegations of waste, fraud, abuse, and severe mismanagement within SBA or its programs made by employees, contractors, and the public.

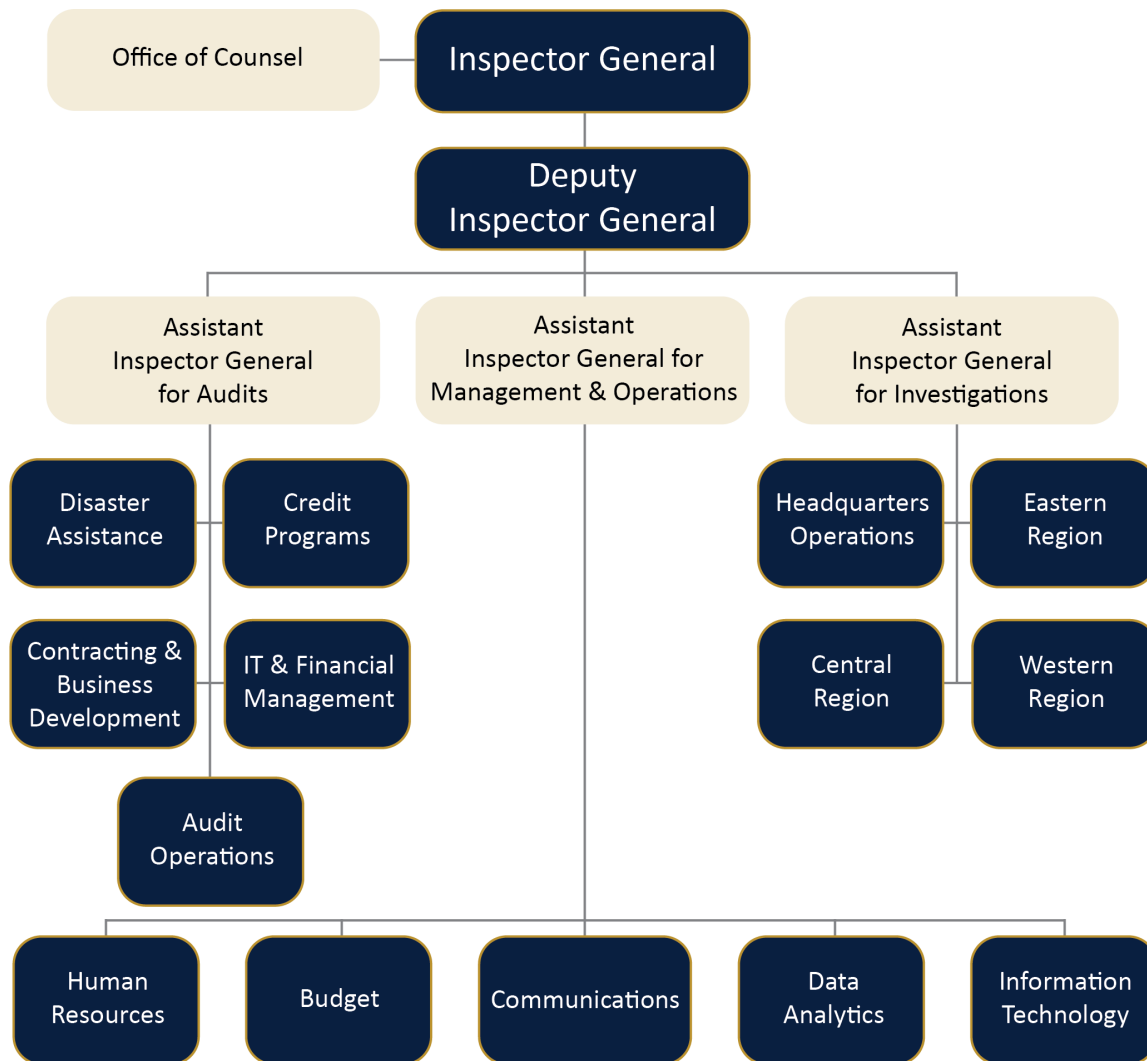
A preliminary review of all complaints is conducted to determine the appropriate course of action. As part of the review process, Hotline staff may coordinate reviews of allegations within OIG, SBA program



offices, or other government agencies. The Security Operations Staff within the division conducts required employee and contractor background investigations to achieve a high level of integrity in the agency's workforce. It makes adjudications on OIG employees and contractors for issuance of PIV cards pursuant to HSPD-12 background investigations requirements.

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

OIG's headquarters is in Washington, DC. Our field offices are in Atlanta, Georgia; Chicago, Illinois; Dallas-Fort Worth, Texas; Detroit, Michigan; Denver, Colorado; Herndon, Virginia; Houston, Texas; Los Angeles, California; Miami, Florida; New York, New York; Philadelphia, Pennsylvania; Federal Way, Washington; and Washington, DC.



## Appendixes

### Appendix A. Reporting Period Statistical Highlights

#### Summary of OIG Dollar Accomplishments

Dollar Accomplishments as a Result of Investigations and Related Activities	—
Potential Investigative Recoveries and Fines	\$89,678,059
Other Recoveries (e.g., administrative seizures with partner law enforcement agencies)	44,598,318
Asset Forfeitures Attributed to OIG Investigations	9,702,469
Loans/Contracts Not Approved or Canceled as a Result of Investigations	2,714,347
Investigations Subtotal	146,693,193
Dollar Accomplishments as a Result of Audit Activities	—
Disallowed Costs Agreed to by Management	0
Recommendations that Funds Be Put to Better Use Agreed to by Management	0
Audit Subtotal	0
Total OIG Dollar Accomplishments	\$146,693,193

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

Reports Issued	16
Recommendations Issued	59
Dollar Value of Costs Questioned	\$54,344,357
Dollar Value of Recommendations that Funds Be Put to Better Use	0
Recommendations with Management Decisions	40
Recommendations without a Management Decision	40
Collections as a Result of Questioned Costs	0

#### Indictments, Convictions, and Case Actions

Indictments from OIG Cases	141
Convictions from OIG Cases	100
Cases Opened	213
Cases Closed	133

#### SBA Personnel Actions Taken as a Result of Investigation

Dismissals	0
Resignations and Retirements	0
Suspensions	0
Reprimands	0

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

Present Responsibility Referrals to the Agency	30
Pending at the Agency as of September 30, 2022	25
Suspensions Issued by the Agency	7
Proposed Debarments Issued by the Agency	25
Final Debarments Issued by the Agency	15
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	60
Comments Provided by OIG to Improve Legislation, Regulations, Standard Operating Procedures, and Other Issuances	12

## Appendix B. Full-Year Statistical Highlights, FY 2022

### Summary of OIG Dollar Accomplishments

Dollar Accomplishments as a Result of Investigations and Related Activities	—
Potential Investigative Recoveries and Fines	\$184,925,326
Other Recoveries (e.g., administrative seizures with partner law enforcement agencies)	89,564,199
Asset Forfeitures Attributed to OIG Investigations	33,468,574
Loans and Contracts Not Approved or Canceled as a Result of Investigations	8,865,853
Investigations Subtotal	316,823,952
Dollar Accomplishments as a Result of Audit Activities	—
Disallowed Costs Agreed to by Management	4,500,000,000
Recommendations that Funds Be Put to Better Use Agreed to by Management	0
Audit Subtotal	4,500,000,000
Total OIG Dollar Accomplishments	\$4,816,823,952

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

Reports Issued	25
Recommendations Issued	129
Dollar Value of Costs Questioned	\$4,662,253,423
Dollar Value of Recommendations that Funds Be Put to Better Use	0
Recommendations with Management Decisions	105
Recommendations without Management Decisions	40
Collections as a Result of Questioned Costs	0

### Indictments, Convictions, and Case Actions

Indictments from OIG Cases	294
Convictions from OIG Cases	194
Cases Opened	559
Cases Closed	289

Investigations identified an additional number of indictments/convictions than previously reported in the Spring 2022 semiannual report.

### SBA Personnel Actions Taken as a Result of Investigations

Dismissals	0
Resignations and Retirements	0
Suspensions	0
Reprimands	0

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

Present Responsibility Referrals to the Agency	53
Pending at the Agency as of September 30, 2022	49
Suspension Issued by the Agency	7
Proposed Debarments Issued by the Agency	23
Final Debarments Issued by the Agency	15
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	142
Comment Memoranda Provided by OIG to Improve Legislation, Regulations, Standard Operating Procedures, and Other Issuances	24

## Appendix C. Reports, Recommendations, and Management Decisions

### Reports Issued

#### Agency Management

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
FY 2021 FISMA Review	22-11	4/28/2022	—	—
Independent Auditors' Report on SBA's Fiscal Year 2021 Compliance with the PIIA of 2019	22-12	5/17/2022	—	—
SBA's Controls Over Cash Contributions and Gifts Fiscal Years 2022 and 2021	22-14	6/15/2022	—	—
COVID-19 and Disaster Assistance Information Systems Security Controls	22-19	9/27/2022	—	—
SBA's Corrective Actions to Improve Monitoring District Offices' Customer Service Activities	22-23	9/30/2022	—	—
Program Subtotal	5	—	0	0

#### Credit/Capital Programs

Title	Report Number	Issue Date	Questioned Costs (dollars)	Funds for Better Use
SBA's Handling of Potentially Fraudulent PPP Loans	22-13	5/26/2022	—	—
The 7(a) Loan Guaranty Approval Process	22-18	9/20/2022	—	—
Paycheck Protection Program Eligibility for Nonprofit Organizations	22-21	9/26/2022	3,544,216	—
SBA's Guaranty Purchases for PPP Loans	22-25	9/30/2022	—	—
Program Subtotal	4	—	\$3,544,216	0

#### Disaster Assistance

Title	Report Number	Issue Date	Questioned Costs (dollars)	Funds for Better Use
SBA's COVID-19 EIDL Program Data Migration Challenges	22-16	7/19/2022	—	—
Evaluation of COVID-19 EIDL Applications Submitted from Foreign IP Addresses	22-17	9/12/2022	—	—
Follow-up Inspection of SBA's Internal Controls to Prevent COVID-19 EIDLs to Ineligible Applicants	22-22	9/29/2022	1,969,200	—
Program Subtotal	3	—	\$1,969,200	0

#### Contracting and Counseling Programs

Title	Report Number	Issue Date	Questioned Costs (dollars)	Funds for Better Use
Evaluation Of SBA's Contract for Disaster Assistance Loan Recommendation Services	22-10	4/14/2022	\$13,046,125	—
Inspection of SBA's Award and Payment Practices in the Shuttered Venue Operators Grant Program	22-15	7/5/2022	35,784,816	—
SBA's Implementation of the Women-Owned Small Business Certification Program	22-20	9/29/2022	—	—
SBA's Protest Process	22-24	9/30/2022	—	—
Program Subtotal	4	—	\$48,830,941	0

## Reports with Questioned Costs (dollars)

IG Act Reporting Requirement	Reports	Recommendations*	Questioned Costs** (dollars)	Unsupported Costs*** (dollars)
A. No management decision made by March 31, 2022	2	4	\$35,618,105	\$10,800,476
B. Issued during this reporting period	4	6	54,344,357	1,969,200
Subtotal (universe from which management decisions could be made in this reporting period)	6	10	89,962,462	12,769,676
C. Management decisions made during this reporting period	3	6	49,330,941	0
(i) Disallowed costs	0	0	0	0
(ii) Costs not disallowed	3	6	49,330,941	0
D. No management decision made by September 30, 2022	3	4	\$40,631,521	\$12,769,676

\* 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

IG Act Reporting Requirement	Reports	Recommendations	Recommended Funds for Better Use
A. No management decision made by March 31, 2022	—	—	—
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, 2022	—	—	—

## Reports from Prior Periods with Overdue Management Decisions

Report Number	Report Title	Issue Date	Recommendation	Reason for Delay	Timetable for Resolution
21-08	SBA's Use of Vendors Without a Contract	2/3/2021	Ratify the over \$10.8 million in payments in accordance with the FAR and 48 C.F.R. § 1.602-3.	SBA verbally agreed that ratification of unauthorized commitments was necessary but has not yet submitted a proposed management decision.	12/31/2022
22-06	COVID-19 EIDL Program Recipients on the Department of Treasury's Do Not Pay List	11/30/2021	Use Treasury's DNP analysis to systemically flag COVID-19 EIDL and Emergency EIDL grant recipients who were found in Treasury's DNP system and not previously reported by OIG. Review the applications and determine whether they are deemed ineligible. If the applicant is deemed ineligible, recover any disbursed funds, and flag the application.	We are working with the agency to determine if recovery actions are being undertaken for applications deemed ineligible	12/31/2022
22-06	COVID-19 EIDL Program Recipients on the Department of Treasury's Do Not Pay List	11/30/2021	For all COVID-19 EIDLs and Emergency EIDL grants identified and flagged as potentially ineligible above, include those transactions in SBA's 2021 improper payments estimation process.	We are working with the agency to determine how results of flagged transactions are being recorded with regard to improper payments.	12/31/2022
22-08	SBA's Business Development Assistance to 8(a) Program Participants	2/14/2022	Implement a standard process to approve initial business plans and monitor to ensure that business plans are reviewed annually, to include appropriate updates for specific targets, objectives, and goals for the business development of program participants, in accordance with 13 CFR 124.403(a) and section 7(j)(10)(D) of the Small Business Act.	OIG met with program officials and reached verbal agreement on corrective actions that would resolve the recommendations. Program officials submitted proposed management decision on 8/24/2022. OIG is reviewing the proposed actions.	10/30/2022



22-08	SBA's Business Development Assistance to 8(a) Program Participants 2/14/2022	Implement a standard process to capture, track, and recognize substantial achievement of the specific targets, objectives, and goals for the areas of finance, marketing, and management on 8(a) program participant business plans, in accordance with 13 CFR 124.112(f) and section 7(j)(10)(A) of the Small Business Act.	OIG met with program officials and reached verbal agreement on corrective actions that would resolve the recommendations. Program officials submitted proposed management decision on 8/24/2022. OIG is reviewing the proposed actions.	10/30/2022
22-08	SBA's Business Development Assistance to 8(a) Program Participants 2/14/2022	Implement a process to ensure the systematic collection of accurate and complete data on program results and operations to make sure all program reporting requirements are met, in accordance with section 7(j)(16)(A) of the Small Business Act and Standards for Internal Control in the Federal Government Principles for Information and Communication.	OIG met with program officials and reached verbal agreement on corrective actions that would resolve the recommendations. Program officials submitted proposed management decision on 8/24/2022. OIG is reviewing the proposed actions.	10/30/2022
22-08	SBA's Business Development Assistance to 8(a) Program Participants 2/14/2022	Implement requirements for management to monitor that Business Opportunity Specialists consistently assess program participant's development needs, counsel participants, conduct annual field visits, and maintain required documentation, as required by standard operating procedures.	OIG met with program officials and reached verbal agreement on corrective actions that would resolve the recommendations. Program officials submitted proposed management decision on 8/24/2022. OIG is reviewing the proposed actions.	10/30/2022

## Reports from Prior Periods with Open Recommendations as of September 30, 2022

Report Number	Title	Date Issued	Number of Open Recommendations	Aggregate Potential Cost Savings (dollars)
18-03	Independent Auditor's Report on the SBA's FY 2017 Financial Statements	11/14/2017	1	—
18-13	Evaluation of SBA 7(a) Loans Made to Poultry Farmers	3/6/2018	1	—
19-15	OIG High-Risk 7(a) Loan Review Program	7/10/2019	1	\$3,000,297
19-16	Office of Inspector General High-Risk 7(a) Loan Review Program	8/14/2019	1	1,367,417
19-17	Evaluation of SBA's All Small Mentor-Protege Program	9/17/2019	1	—
20-03	Audit of SBA's Oversight of High-Risk Lenders	11/12/2019	4	13,313,560
20-08	Audit of the SBA's Community Advantage Pilot Program	3/18/2020	5	51,472,944
20-20	Audit of SBA's Compliance with the Debt Collection Improvement Act, as Amended	9/30/2020	10	—
21-02	Inspection of SBA's Initial Disaster Assistance Response to the Coronavirus Pandemic	10/28/2020	4	—
21-07	Inspection of SBA's Implementation of the Paycheck Protection Program	1/14/2021	1	—
21-08	SBA's Use of Vendors Without a Contract	2/3/2021	3	—
21-09	Duplicate Loans Made Under the Paycheck Protection Program	3/15/2021	4	—
21-11	Evaluation of SBA's Award Procedures for the Coronavirus Aid, Relief, and Economic Security Act Entrepreneurial Development Cooperative Agreements	3/30/2021	2	—
21-14	Audit of SBA's Oversight of Women's Business Centers' Compliance with Cooperative Agreement Financial Requirements	5/4/2021	8	785,961
21-15	SBA's Handling of Identity Theft in the COVID-19 Economic Injury Disaster Loan Program	5/6/2021	2	—
21-16	SBA's FY 2020 Compliance with PIIA	5/12/2021	2	—
22-01	SBA's Emergency EIDL Grants to Sole Proprietors and Independent Contractors	10/7/2021	1	4,500,000,000
22-04	Independent Auditors' Report on SBA's Compliance with DATA Act Reporting	11/8/2021	1	—
22-05	Independent Auditors' Report on SBA's FY 2021 Financial Statements	11/15/2021	11	—
22-06	COVID-19 EIDL Program Recipients on the Department of Treasury's Do Not Pay List	11/30/2021	2	—
22-07	SBA's Oversight of the Grant Recipient's Implementation of the CARES Act Resource Partners Training Portal	1/18/2022	5	—
22-08	SBA's Business Development Assistance to 8(a) Program Participants	2/14/2022	8	—
22-09	SBA's Paycheck Protection Program Loan Review Processes	2/28/2022	1	—
—	Total	—	79	\$4,569,940,179

## Significant Recommendations from Prior Reporting Periods without Final Action as of September 30, 2022

Report Number	Date Issued	Number	Recommendation	Date of Management Decision	Final Action Target Date
18-03	11/14/2017	2	Monitor and perform procedures over the service organization's attestation report regarding user control considerations. This assessment should be performed annually.	1/10/2018	10/31/2022
18-13	3/6/2018	2	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	03/15/2023
19-15	7/10/2019	1	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	05/27/2022
19-16	8/14/2019	1	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	10/31/2022
19-17	9/17/2019	3	Recommend that the Administrator require the Associate Administrator for the Office of Government Contracting and Business Development to prioritize staff resources to ensure application reviews and annual evaluations are conducted in accordance with regulatory and program requirements.	2/4/2020	09/30/2022
19-17	9/17/2019	4	Ensure that certify.SBA.gov has the functionality needed for program officials to conduct application reviews and annual evaluations.	9/17/2019	09/30/2022
20-03	11/12/2019	1	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	12/30/2022

## U.S. Small Business Administration | Office of Inspector General

20-03	11/12/2019	2	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	09/30/2023
20-03	11/12/2019	6	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	09/29/2022
20-08	3/18/2020	1	Evaluate options that facilitate the Community Advantage (CA) pilot program's ability to effectively expand access to capital in underserved markets.	6/30/2020	09/30/2022
20-08	3/18/2020	2	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	09/30/2022
20-08	3/18/2020	4	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	09/30/2022
20-08	3/18/2020	5	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	09/30/2022
20-08	3/18/2020	6	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	06/30/2022
20-20	9/30/2020	1	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.	9/16/2020	12/15/2022

## U.S. Small Business Administration | Office of Inspector General

20-20	9/30/2020	10	Perform a cost benefit analysis to determine if SBA should begin assessing fees to offset the cost of processing and handling delinquent disaster loans.	9/16/2020	12/15/2022
20-20	9/30/2020	2	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.	9/16/2020	12/15/2022
20-20	9/30/2020	3	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.	9/16/2020	12/15/2022
20-20	9/30/2020	4	Establish requirements to provide annual training on Debt Collection Improvement Act requirements to all staff of the resolution center.	9/16/2020	4/29/2022
20-20	9/30/2020	5	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.	9/16/2020	4/29/2022
20-20	9/30/2020	6	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.	9/16/2020	12/15/2022
20-20	9/30/2020	7	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.	9/16/2020	12/15/2022
20-20	9/30/2020	8	Establish policies and procedures to require routine follow-up on delinquent loans to ensure full compliance with the Debt Collection Improvement Act.	9/16/2020	4/29/2022
20-20	9/30/2020	9	Reiterate the requirements for workout agreements to responsible personnel to ensure compliance with the Debt Collection Improvement Act.	9/16/2020	12/15/2022

## U.S. Small Business Administration | Office of Inspector General

21-02	10/28/2020	1	Review all loans that had a bank account number changed from that shown on the original application to determine if the changes were legitimate or fraudulent. If not legitimate, work to recover the funds, deobligate any undisbursed funds, and refer to the OIG.	12/8/2020	12/30/2022
21-02	10/28/2020	3	Review duplicate loans to Internet Protocol addresses, email addresses, business addresses, and bank accounts to determine if there are undisbursed funds that should be suspended until the duplicate loans are assessed for eligibility.	12/8/2020	12/30/2022
21-02	10/28/2020	5	Strengthen or establish controls to ensure multiple loans are provided only to eligible applicants and prevent the erroneous duplication of loans.	12/8/2020	12/30/2022
21-02	10/28/2020	6	Strengthen data integrity to make it possible to determine if the inaccurate information allowed loans to be made to ineligible entities and to strengthen SBA's ability to service loans appropriately.	12/8/2020	12/30/2022
21-07	1/14/2021	1	Review the loans identified as potentially ineligible to determine if the businesses met eligibility requirements. If not, take appropriate action related to loan guaranty and forgiveness.	1/14/2021	9/30/2022
21-08	2/3/2021	1	Require responsible personnel to execute a contract for foreclosure and real estate services to ensure the procurement of services are obtained and authorized in accordance with the Federal Acquisition Regulation requirements.	2/1/2021	04/30/2022
21-08	2/3/2021	2	Ensure that vendors used to provide foreclosure and real estate services are registered in SAM, as required.	2/1/2021	04/30/2022
21-08	2/3/2021	3	Ratify the over \$10.8 million in payments in accordance with the FAR and 48C.F.R. § 1.602-3.	—	—
21-09	3/15/2021	1	Review the OIG identified potential duplicate disbursements for eligibility and take action to recover any improper payments as applicable.	3/31/2021	09/30/2022
21-09	3/15/2021	2	Review SBA controls related to all PPP loan reviews to ensure that duplicate loans are not forgiven and not subject to an SBA guaranty, as appropriate.	3/31/2021	09/30/2022

## U.S. Small Business Administration | Office of Inspector General

21-09	3/15/2021	3	Strengthen E-Tran controls for future PPP type programs, which includes keeping E-Tran controls that align with program requirements on at all times.	3/23/2021	09/30/2022
21-09	3/15/2021	4	Review the issues that SBA identified involving the actions of lenders, such as providing incorrectly formatted data and submitting the same application through multiple platforms and determine how to strengthen controls and guidance as appropriate to ensure lenders meet program requirements for future PPP type programs.	3/23/2021	4/30/2022
21-11	3/30/2021	1	Enforce standard operating procedures requiring clearly defined performance goals and include performance targets in all future SBDC and WBC cooperative agreements and grants to objectively measure performance results.	3/24/2021	11/30/2021
21-11	3/30/2021	2	Collect and analyze the CARES Act entrepreneurial development cooperative agreement recipient's performance results and establish a framework for setting goals for technical assistance programs in response to future disasters. Retain the analysis in program files for future guidance.	03/24/2021	11/30/2021
21-14	05/04/2021	1	Implement financial oversight procedures for the Women's Business Center (WBC) program that ensure the program office enforces WBC cooperative agreement requirements. Program officials should ensure WBCs use federal funds only for allowable, allocable, and reasonable expenses, adhere to contract award procedures, and separate project costs by funding source.	05/04/2021	08/30/2022
21-14	05/04/2021	2	Remedy \$523,790 in unsupported matching funds, unsupported program income, and the resulting portion of the federal funds reimbursed for the unmet match, and \$186,537 in unsupported expenses.	05/04/2021	09/29/2024
21-14	05/04/2021	3	Recover \$31,215 for improperly awarded contracts and \$31,424 in unallowable or unallocable expenses.	05/04/2021	09/29/2024

## U.S. Small Business Administration | Office of Inspector General

21-14	05/04/2021	4	Implement policies and procedures for conducting thorough financial compliance reviews and coordinate with the Office of Field Operations to train field office personnel responsible for semiannual site visits	05/04/2021	08/31/2022
21-14	05/04/2021	5	Establish policies holding program officials accountable for promptly following up on financial examination results and enforcing cooperative agreement requirements.	05/04/2021	08/31/2022
21-14	05/04/2021	6	Require higher-level reviewers to clearly justify and document approving or denying disbursement of funds if the decisions differ from the recommendations of lower-level reviewers; justification documentation should be kept in the official cooperative agreement file.	05/04/2021	12/31/2021
21-14	05/04/2021	7	Review expenses for the \$28,089 reallocation of budget expenses we detailed in this report to ensure these costs are allowable and document the rationale for the reallocation or recover costs that are unallowable.	05/04/2021	09/29/2024
21-14	05/04/2021	8	Require program officials to enforce the cooperative agreement terms and conditions and deobligate or withhold payments if WBCs do not submit accurate financial reports on time.	05/04/2021	08/31/2022
21-15	05/06/2021	4	Develop a process to remove any fraudulent loans and related Uniform Commercial Code filing fees from its financial records.	03/03/2022	06/30/2022
21-15	05/06/2021	5	Review over 150,000 returned billing statements and resolve any that involve identity theft, then refer fraudulent loans to OIG.	03/03/2022	06/30/2022
21-16	05/12/2021	10	Collaborate with the Chief Financial Officer to ensure a timely and complete reconciliation is performed on the population subject to sampling for improper payment reviews.	08/06/2021	11/01/2022
21-16	05/12/2021	11	Coordinate with the Office of Disaster Assistance's statistician to ensure the estimated improper payment amounts are calculated consistently and the sampling methodology adequately describes the criteria for stratification.	08/06/2021	11/01/2022



## U.S. Small Business Administration | Office of Inspector General

22-01	10/07/2021	1	Review the applications of sole proprietors and independent contractors that included numbers of employees but no Employer Identification Number; and remedy the \$3.5 billion disbursed to sole proprietors and \$1 billion disbursed to independent contractors that exceeded the amount allowed by SBA's policy.	10/04/2021	12/15/2022
22-04	11/8/2021	2	KPMG recommends the Administrator coordinate with the Associate Administrator for Disaster Assistance to enforce that documentation is maintained to evidence changes to a loan and ensure that awarding actions are entered into the source systems in a timely manner.	09/01/2022	09/30/2023
22-05	11/15/2021	18	KPMG recommends the Administrator coordinate with the Associate Administrator of Capital Access to continually evaluate the established policy for Security Operation Center 1 reports that requires new service organizations to provide a SOC 1 report over the control environment that is relevant and significant to the processing and recording of SBA's transactions. If a SOC 1 report cannot be obtained, identify, and evaluate relevant controls at the service organizations that have an impact on SBA's internal controls over financial reporting.	01/10/2022	10/31/2022

22-05	11/15/2021	19	<p>KPMG recommends the Administrator coordinate with the Associate Administrator of Capital Access to assess the risk posed by the service organization’s control environment and obtain sufficient assurance over the operating effectiveness of relevant and significant controls to determine the integrity of transactions processed on behalf of and recorded by SBA. If a SOC 1 report is obtained for the relevant control environment at the service organization, determine and document the following:</p> <p>SOC 1 report is sufficiently scoped to cover transaction processing and related control activities performed by the service organization on behalf of SBA (e.g., that services, business applications and other information technology, service organization departments and locations, control objectives and activities, and other aspects of scope that are relevant to SBA’s internal controls over financial reporting are included in the scope of SOC 1 reports).</p> <p>All exceptions noted in the SOC 1 report – not just those described in the independent service auditor’s report – are evaluated to determine applicability to SBA’s internal controls over financial reporting, the potential impact to SBA’s financial statements, and mitigating controls other considerations made during their risk assessment.</p> <p>All complementary user entity controls described in the SOC 1 reports are evaluated using current information and with consideration to their applicability to SBA’s internal controls over financial reporting.</p> <p>Evaluation procedures performed to assess whether complementary user entity controls and other SBA-performed controls were tested and found effective and, if they are not, the impact of such deficiencies on SBA’s internal controls over financial reporting.</p> <p>All complementary subservice organization controls described in SOC 1 reports are evaluated to</p>	01/10/2022	10/31/2022
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determine whether they provided services and performed controls considered relevant to SBA's internal controls over financial reporting and, if relevant subservice organizations were identified, an evaluation is performed to obtain an understanding of the subservice organization(s) and their controls. SOC 1 reports cover the appropriate period or corresponding gap letters provide sufficient coverage to assess impacts on SBA's internal controls over financial reporting.

#### Service Organizations Used for Loan Guarantee Programs

Management did not obtain reasonable assurance on the operating effectiveness of internal controls in multiple service organizations' control environments relevant to the financial service providers for the 7(a) and 504 loan guarantee programs, and the PPP and Restaurant Revitalization program application intake platform. With regards to the financial service providers for the 7(a) and 504 loan guarantee programs, the relevant control environments include the facilitation, maintenance, and reporting of the account balances for the respective secondary market programs. With regards to the application intake platform, the relevant control environment includes the operation of the PPP loan forgiveness, PPP loan approval, and Restaurant Revitalization program modules, the data transmissions over the internet between the relevant modules and SBA systems used in the configured checks, the cloud-based infrastructure hosting provider, and the application controls within the application intake platform. In addition, management did not provide evidence of adequate monitoring activities performed over the relevant internal control environments at the respective service organizations, such as obtaining and reviewing an attestation report on the design, implementation, and operating effectiveness of controls at the

service organization. Management also did not provide evidence whether adequate user entity controls were designed, implemented, and operated effectively to complement the service organization's controls.

22-05	11/15/2021	20	<p>KPMG recommends the Administrator coordinate with the Associate Administrator of Capital Access to continually evaluate the established policy for SOC 1 reports that requires new service organizations to provide a SOC 1 report over the control environment that is relevant and significant to the processing and recording of SBA's transactions. If a SOC 1 report cannot be obtained, identify, and evaluate relevant controls at the service organizations that have an impact on SBA's internal controls over financial reporting.</p>	01/10/2022	10/31/2022
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22-05	11/15/2021	21	<p>KPMG recommends the Administrator coordinate with the Associate Administrator of Capital Access to assess the risk posed by the service organization’s control environment and obtain sufficient assurance over the operating effectiveness of relevant and significant controls to determine the integrity of transactions processed on behalf of and recorded by SBA. If a SOC 1 report is obtained for the relevant control environment at the service organization, determine and document the following:</p> <p>SOC 1 report is sufficiently scoped to cover transaction processing and related control activities performed by the service organization on behalf of SBA (e.g., that services, business applications and other information technology, service organization departments and locations, control objectives and activities, and other aspects of scope that are relevant to SBA’s internal controls over financial reporting are included in the scope of SOC 1 reports).</p> <p>All exceptions noted in the SOC 1 report – not just those described in the independent service auditor’s report – are evaluated to determine applicability to SBA’s internal controls over financial reporting, the potential impact to SBA’s financial statements, and mitigating controls other considerations made during their risk assessment.</p> <p>All complementary user entity controls described in the SOC 1 reports are evaluated using current information and with consideration to their applicability to SBA’s internal controls over financial reporting.</p> <p>Evaluation procedures performed to assess whether complementary user entity controls and other SBA-performed controls were tested and found effective and, if they are not, the impact of such deficiencies on SBA’s internal controls over financial reporting.</p> <p>All complementary subservice organization controls described in SOC 1 reports are evaluated to</p>	01/10/2022	12/31/2021
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determine whether they provided services and performed controls considered relevant to SBA's internal controls over financial reporting and, if relevant subservice organizations were identified, an evaluation is performed to obtain an understanding of the subservice organization(s) and their controls. SOC 1 reports cover the appropriate period or corresponding gap letters provide sufficient coverage to assess impacts on SBA's internal controls over financial reporting.

#### Service Organizations Used for Loan Guarantee Programs

Management did not obtain reasonable assurance on the operating effectiveness of internal controls in multiple service organizations' control environments relevant to the financial service providers for the 7(a) and 504 loan guarantee programs, and the PPP and Restaurant Revitalization program application intake platform. With regards to the financial service providers for the 7(a) and 504 loan guarantee programs, the relevant control environments include the facilitation, maintenance, and reporting of the account balances for the respective secondary market programs. With regards to the application intake platform, the relevant control environment includes the operation of the PPP loan forgiveness, PPP loan approval, and Restaurant Revitalization program modules, the data transmissions over the internet between the relevant modules and SBA systems used in the configured checks, the cloud-based infrastructure hosting provider, and the application controls within the application intake platform. In addition, management did not provide evidence of adequate monitoring activities performed over the relevant internal control environments at the respective service organizations, such as obtaining and reviewing an attestation report on the design, implementation, and operating effectiveness of controls at the

			service organization. Management also did not provide evidence whether adequate user entity controls were designed, implemented, and operated effectively to complement the service organization's controls.		
22-05	11/15/2021	24	KPMG recommends the Administrator coordinate with the Associate Administrator for Disaster Assistance to design and implement effective monitoring controls, to ensure that SVOG award recipients are complying with the program's terms and to ensure complete, accurate, and timely reporting for the use of the award.	01/10/2022	10/07/2022
22-05	11/15/2021	32	KPMG recommends the Administrator coordinate with the Associate Administrator for Capital Access to consider allocating resources to implement enforcement processes that ensure the accounts of separated users are removed timely from SBA systems.	01/10/2022	09/30/2022
22-05	11/15/2021	33	KPMG recommends the Administrator coordinate with the Associate Administrator for Capital Access to validate that the identified accounts of separated users were not utilized after separation had occurred.	01/10/2022	06/30/2022
22-05	11/15/2021	34	KPMG recommends the Administrator coordinate with the Associate Administrator for Capital Access to ensure suspects responsible for removing accounts of separated users are aware of the process and periodically sent reminders of their responsibilities.	01/10/2022	08/30/2022
22-05	11/15/2021	35	KPMG recommends the Administrator coordinate with the Associate Administrator for Capital Access to implement controls and a monitoring process to ensure that patches applied to the database and operating system and application changes are appropriately tested prior to being moved into the production environment.	01/10/2022	09/30/2002

## U.S. Small Business Administration | Office of Inspector General

22-05	11/15/2021	36	KPMG recommends the Administrator coordinate with the Associate Administrator for Capital Access to update the system configuration management plan to require internal control documentation for patch management and application changes as required by the Government Accountability Office's Standards for Internal Control in the Federal Government.	01/10/2022	09/30/2022
22-05	11/15/2021	37	KPMG recommends the Administrator coordinate with the Associate Administrator for Capital Access to periodically train personnel involved with the implementation of database and operating system patches, and the review and approval of application changes, to follow the respective controls and requirements of the patch management and application change management processes in accordance with existing policies.	01/10/2022	09/30/2022
22-06	11/30/2021	2	Use Treasury's DNP analysis to systemically flag COVID-19 EIDL and Emergency EIDL grant recipients who were found in Treasury's DNP system and not previously reported by OIG. Review the applications and determine whether they are deemed ineligible. If the applicant is deemed ineligible, recover any disbursed funds, and flag the application as ineligible	—	—
22-06	11/30/2021	3	For all COVID-19 EIDLs and Emergency EIDL grants identified and flagged as potentially ineligible above, include those transactions in SBA's 2021 improper payments estimation process.	—	—
22-07	01/18/2022	1	Require the grant recipient to enhance its marketing and outreach strategy to include plans to reach a greater number of small businesses and resource-partner counselors and mentors. The grant recipient should also set clear performance goals with realistic targets before SBA awards any additional funds for the COVID-19 resource and training portal, as required by CARES Act Section 1103(c)(2).	01/18/2022	06/30/2022



U.S. Small Business Administration | Office of Inspector General

22-07	01/18/2022	2	Implement procedures for enhanced financial oversight of the CARES Act Resource Partner Training Portal program to ensure the program office enforces the grant requirements and follows federal procurement standards when using noncompetitive contracting options. The requirements include a price or cost analysis for awards that exceed the simplified acquisition threshold. Another requirement ensures the grant recipient adheres to the terms in the Notice of Award.	01/18/2022	06/30/2022
22-07	01/18/2022	3	Evaluate whether the contract costs for web development services and media services are reasonable and remedy any violations.	01/18/2022	06/30/2022
22-07	01/18/2022	4	Assess and recover the amount spent on the unallowable contracted project management services expenses incurred during the performance of the grant	04/01/2022	08/01/2022
22-08	02/14/2022	1	Implement a standard process to approve initial business plans and monitor to ensure that business plans are reviewed annually, to include appropriate updates for specific targets, objectives, and goals for the business development of program participants, in accordance with 13 CFR 124.403(a) and section 7(j)(10)(D) of the Small Business Act.	—	—
22-08	02/14/2022	2	Implement a standard process to capture, track, and recognize substantial achievement of the specific targets, objectives, and goals for the areas of finance, marketing, and management on 8(a) program participant business plans, in accordance with 13 CFR 124.112(f) and section 7(j)(10)(A) of the Small Business Act.	—	—

## U.S. Small Business Administration | Office of Inspector General

22-08	02/14/2022	4	Implement a process that uses outcome-based performance goals for regular data-driven reviews and align program leaders' personal performance plans with the goals so program office leaders are held accountable for improving program data quality, identifying effective practices, and validating promising initiatives, that aligns with OMB Circular A-11 Part 6 – The Federal Performance Framework for Improving Program and Service Delivery guidance.	05/27/2022	06/03/2022
22-08	02/14/2022	5	Implement a process to ensure the systematic collection of accurate and complete data on program results and operations to make sure all program reporting requirements are met, in accordance with section 7(j)(16)(A) of the Small Business Act and Standards for Internal Control in the Federal Government Principles for Information and Communication.	—	—
22-08	02/14/2022	6	Implement requirements for management to monitor that Business Opportunity Specialists consistently assess program participant's development needs, counsel participants, conduct annual field visits, and maintain required documentation, as required by standard operating procedures.	—	—
22-08	02/14/2022	7	Ensure all employees performing Business Opportunity Specialist duties maintain a current Federal Acquisition Certification in Contracting Level 1 Certification within a year of appointment in accordance with section 4(g) of the Small Business Act.	02/14/2022	12/01/2022
22-08	02/14/2022	8	Use lessons learned from servicing 8(a) firms in an entirely virtual environment to coordinate district office resources and share best practices in order to equitably serve all 8(a) program participants. Align assigned Business Opportunity Specialist staffing levels accordingly to be consistent with ideal workload ratios as determined by the program office.	02/14/2022	12/01/2022

## Significant Recommendations from this Reporting Period

Report Number	Title	Date Issued	Recommendation
22-10	SBA's Contract Disaster for Assistance Loan Recommendation Services	4/14/2022	Implement procedures to ensure contracting officers use effective proposal analysis techniques to determine prices are fair and reasonable in accordance with FAR 15.404.
22-10	SBA's Contract Disaster for Assistance Loan Recommendation Services	4/14/2022	Implement procedures to require contracting officers to assess compliance with size requirements when small businesses propose using subcontractors to perform significant work requirements.
22-10	SBA's Contract Disaster for Assistance Loan Recommendation Services	4/14/2022	Request a formal size determination in accordance with FAR 19.302 to evaluate whether the loan processing contractor exceeded the size standard and remedy any violation in accordance with 15 U.S.C. 645(d).
22-10	SBA's Contract Disaster for Assistance Loan Recommendation Services	4/14/2022	Implement procedures to assess prospective firms' ability to comply with subcontracting limitations prior to contract award.
22-10	SBA's Contract Disaster for Assistance Loan Recommendation Services	4/14/2022	Implement procedures to monitor post-award compliance with subcontracting limitations.
22-10	SBA's Contract Disaster for Assistance Loan Recommendation Services	4/14/2022	Before exercising options or awarding additional task orders against the contract, assess alternative contracting actions, such as pursuing another contract using competitive procedures to ensure fair and reasonable prices. SBA should then document the determination in the award file.
22-11	Fiscal Year 2021 Federal Information Security Modernization Act Review	4/28/2022	Design and implement a quality assurance program to ensure that SBA system software inventory and contractor managed systems are maintained, as required by the National Institute of Standards and Technology (NIST) Special Publication 800-53.
22-11	Fiscal Year 2021 Federal Information Security Modernization Act Review	4/28/2022	Ensure the continuity of operations plan is tested annually, as required by Federal Continuity Directive 1.
22-11	Fiscal Year 2021 Federal Information Security Modernization Act Review	4/28/2022	Implement an agency-wide policy for the management of supply-chain risks associated with the development, acquisition, maintenance, and disposal of systems, system components, and system services. This policy should address key controls outlined in NIST 800-53, such as the procurement of third-party services, high-value asset identification, and counterfeit component prevention.
22-11	Fiscal Year 2021 Federal Information Security Modernization Act Review	4/28/2022	Ensure timelines are incorporated into policies requiring baseline scan vulnerabilities be remediated in a timely manner. Also, ensure these vulnerabilities are tracked appropriately through the Plan of Action and Milestones process as required by NIST 800-53.

## U.S. Small Business Administration | Office of Inspector General

22-11	Fiscal Year 2021 Federal Information Security Modernization Act Review	4/28/2022	Ensure systems under control undergo vulnerability scans and address identified vulnerabilities as part of the patch management process, as required by SOP 90 47 5.
22-11	Fiscal Year 2021 Federal Information Security Modernization Act Review	4/28/2022	Communicate and reinforce to program offices required system owner responsibilities to approve, establish, activate, modify, review, disable, and remove accounts in accordance with SOP 90 47 5.
22-11	Fiscal Year 2021 Federal Information Security Modernization Act Review	4/28/2022	Require audit logging of administrator activity so an independent reviewer can monitor and mitigate risks, as required by SOP 90 47 5.
22-11	Fiscal Year 2021 Federal Information Security Modernization Act Review	4/28/2022	Establish warning banners for systems that lack them to communicate user responsibilities and prevent unauthorized disclosure, as required by SOP 90 47 5.
22-11	Fiscal Year 2021 Federal Information Security Modernization Act Review	4/28/2022	Perform periodic reviews of users with administrator privileges to ensure risk designation of their position aligns with their duties, as required by SOP 90 47 5.
22-11	Fiscal Year 2021 Federal Information Security Modernization Act Review	4/28/2022	Create a business impact analysis incorporating all elements SOP 90 47 5 requires.
22-12	Independent Auditors' Report on SBA's Fiscal Year 2021 Compliance with the Payment Integrity Information Act of 2019	5/17/2022	Enhance existing procedures using the framework in GAO's 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, formalized risk assessment processes to ensure all programs are considered, and to ensure the sampling methodology documentation is consistent and updated annually with the population, sample results, and information in the payment integrity section of the AFR and accompanying materials.
22-12	Independent Auditors' Report on SBA's Fiscal Year 2021 Compliance with the Payment Integrity Information Act of 2019	5/17/2022	Provide training to responsible staff involved in the payment integrity reporting process regarding the updates to existing procedures.
22-12	Independent Auditors' Report on SBA's Fiscal Year 2021 Compliance with the Payment Integrity Information Act of 2019	5/17/2022	Ensure that there are adequate quality control reviews over improper payment disclosures in the AFR and the accompanying materials.

22-12	Independent Auditors' Report on SBA's Fiscal Year 2021 Compliance with the Payment Integrity Information Act of 2019	5/17/2022	Continue to provide training and collaborate with program office staff, as needed, to ensure the timely and complete reconciliation of the population of transactions used for estimating improper payments to the general ledger is performed.
22-12	Independent Auditors' Report on SBA's Fiscal Year 2021 Compliance with the Payment Integrity Information Act of 2019	5/17/2022	Formally document and implement additional preventative and monitoring controls to determine the eligibility of borrowers prior to approval and disbursement of loans.
22-12	Independent Auditors' Report on SBA's Fiscal Year 2021 Compliance with the Payment Integrity Information Act of 2019	5/17/2022	Ensure that the sampling and estimation methodology plan and results are updated and adequately describe the criteria for stratification of the population by disaster size, including how it was determined and whether it was consistently applied.
22-13	SBA's Handling of Potentially Fraudulent Paycheck Protection Program Loans	5/26/2022	Establish clearly defined and detailed roles, responsibilities, and processes for all SBA offices and officials responsible for managing and handling potentially fraudulent PPP loans to reduce the risk of ineligible applicants receiving PPP forgiveness and the risk of fraud and financial loss in the PPP and when implementing similar future programs.
22-13	SBA's Handling of Potentially Fraudulent Paycheck Protection Program Loans	5/26/2022	Provide lenders formal guidance to effectively and consistently handle potentially fraudulent PPP loans and ensure lenders have sufficient guidance when implementing similar future programs.
22-14	SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2022 and 2021	6/15/2022	Enhance the tracking system to include alerts to ensure the responsible program official timely coordinates with the fiscal agent to receive the final accounting report and uses the report to close out all cosponsored activities within 90 days, as required by SOP 90 75 5. In the event the fiscal agent receives cash contributions or pays expenses after submitting their final report to the responsible program official, the fiscal agent should amend their accounting report and submit their report to the responsible program official to amend the report and update the SBA Form 2299.
22-14	SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2022 and 2021	6/15/2022	Implement quality control procedures to ensure that required fiscal agent and SBA documents for future National Small Business Week cosponsored activities are timely, complete, accurate, and can be relied on.
22-15	SBA's Award and Payment Practices in the Shuttered Venue Operators Grant Program	7/5/2022	Establish procedures to use a risk-based approach for disbursing award funds for future disaster grant programs.

22-15	SBA's Award and Payment Practices in the Shuttered Venue Operators Grant Program	7/5/2022	Ensure all SVOG program notices of award are signed by an authorized government official and remedy awards that were not entered into by an authorized government official.
22-15	SBA's Award and Payment Practices in the Shuttered Venue Operators Grant Program	7/5/2022	Require the reconciliation of the grant recipient's budget to the final award amount prior to awarding a grant, including ensuring receipt of revised budgets, when changes are needed, prior to disbursing grant awards. Furthermore, discontinue the disbursement of grant awards prior to the receipt of a revised budget.
22-15	SBA's Award and Payment Practices in the Shuttered Venue Operators Grant Program	7/5/2022	Reassess SBA's flexibility in allowing waivers for budget changes between line items or implement monitoring procedures to mitigate risks of recipients using funds for unallowable expenses during the grant performance period.
22-17	COVID-19 Economic Injury Disaster Loan Applications Submitted from Foreign IP Addresses	9/12/2022	Thoroughly review each COVID-19 EIDL, grant, and advance application submitted from foreign IP addresses that were approved and funded and verify eligibility. If ineligibility or evidence of potential fraud is found, SBA should stop any further or future disbursements, recover any disbursed funds, and refer fraudulent loans to OIG for investigation.
22-17	COVID-19 Economic Injury Disaster Loan Applications Submitted from Foreign IP Addresses	9/12/2022	Examine controls related to foreign IP addresses and ensure these controls are more effective in future disaster processing systems.
22-19	COVID-19 and Disaster Assistance Information Systems Security Controls	9/27/2022	Ensure the existing SBA System Development Methodology is updated to include supply chain risk-management practices as required by OMB Circular A-130 and high-value asset system designation guidance. Also, ensure high-value asset system risks are incorporated into the enterprise risk management framework, as recommended by OMB M-19-03 and SBA SOP 90 47 6.
22-19	COVID-19 and Disaster Assistance Information Systems Security Controls	9/27/2022	Communicate and enforce the SBA System Development Methodology in which a traceability matrix is used to ensure that system requirements can be tested and demonstrated in the operational system. Ensure all requirements are aligned with the contractual acceptance criteria.
22-19	COVID-19 and Disaster Assistance Information Systems Security Controls	9/27/2022	Implement in updated agency guidance, the requirements of OMB Circular No. A-123 that stipulate a SOC 1 Type 2 report is needed for all new and existing financial systems. This guidance should also require confirmation at least annually that the controls are functioning as designed.
22-19	COVID-19 and Disaster Assistance Information Systems Security Controls	9/27/2022	Enforce the requirement to establish and implement internal controls to ensure appropriate program officials perform and document contract reviews to ensure that information security is appropriately addressed in the contracting language, as required by OMB Circular A-130 and SBA SOP 90 47 6.
22-19	COVID-19 and Disaster Assistance Information Systems Security Controls	9/27/2022	In conjunction with the Enterprise Risk Management Board, implement enterprise-wide privacy risk mitigation practices that can be assimilated into new and existing system program designs.
22-19	COVID-19 and Disaster Assistance Information Systems Security Controls	9/27/2022	Complete an initial assessment and authorization for each information system and all agency-designated common controls before operation.

22-19	COVID-19 and Disaster Assistance Information Systems Security Controls	9/27/2022	Transition information systems and common controls to an ongoing authorization process (when eligible for such a process) with the formal approval of the respective authorizing officials or reauthorize information systems and common controls as needed, on a time or event-driven basis in accordance with agency risk tolerance, as required by OMB Circular No. A-130 and SOP 90 47 6.
22-19	COVID-19 and Disaster Assistance Information Systems Security Controls	9/27/2022	Review and update POA&Ms at least quarterly as required by SOP 90 47 6.
22-19	COVID-19 and Disaster Assistance Information Systems Security Controls	9/27/2022	Ensure data-sharing agreements are reviewed annually as required by SBA SOP 90 47 6.
22-19	COVID-19 and Disaster Assistance Information Systems Security Controls	9/27/2022	Implement an automated process to document and monitor system changes as recommended by NIST SP 800-53 Rev. 5.
22-20	SBA's Implementation of the Women-Owned Small Business Certification Program	9/29/2022	Update application instructions and require WOSB applicants to submit documentation for program officials to verify the business meets small business size standards.
22-20	SBA's Implementation of the Women-Owned Small Business Certification Program	9/29/2022	Assess the technological resources, staffing levels, and service contracts needed to reduce application wait time and ensure application reviews are conducted in a prompt manner in accordance with regulatory requirements in 13 CFR 127.300. Use the results of the assessment to improve processing times.
22-20	SBA's Implementation of the Women-Owned Small Business Certification Program	9/29/2022	Develop standard operating procedures to ensure program officials assess third-party certifications, establish a risk-based sampling plan for selecting files to review, and document the results of the compliance reviews.
22-21	Paycheck Protection Program Eligibility for Nonprofit Organizations	9/26/2022	Review the 179 PPP loans, totaling approximately \$684 million, for compliance with affiliation and size standards to ensure eligibility requirements were met and seek remedy or repayment for all loans deemed ineligible.
22-21	Paycheck Protection Program Eligibility for Nonprofit Organizations	9/26/2022	Seek remedy or repayment of a PPP loan in the amount of \$3.5 million.
22-22	Follow-up Inspection of SBA's Internal Controls to Prevent COVID-19 EIDLs to Ineligible Applicants	9/29/2022	Review the 20 loans identified in this report as ineligible for the COVID-19 EIDL that the applicants received and recover approximately \$2 million improperly disbursed to the applicants.

22-22	Follow-up Inspection of SBA's Internal Controls to Prevent COVID-19 EIDLs to Ineligible Applicants	9/29/2022	Review the COVID-19 EIDL disbursements with suspect Taxpayer Identification Numbers made after December 27, 2020 to determine if the loan file contains conclusive evidence that the applicant business existed on January 31, 2020, and therefore, met the CARES Act eligibility requirements. If not, flag the borrower as ineligible and recover the funds.
22-25	SBA's Guaranty Purchases for PPP Loans	9/30/2022	Stay the April 27, 2022 decision to end collections on purchased PPP loans with an outstanding balance of \$100,000 or less until a comprehensive cost benefit analysis is conducted.
22-25	SBA's Guaranty Purchases for PPP Loans	9/30/2022	Explore alternative means of collections for PPP loans with an outstanding balance of \$100,000 or less.
22-25	SBA's Guaranty Purchases for PPP Loans	9/30/2022	Conduct an initial and periodic cost benefit analysis on PPP purchase guarantees with comprehensive estimates to sufficiently assess whether the cost of collecting loans of \$100,000 or less is more than the recovery amount and pursue collections based on results of the analysis.



## Significant Management Decisions – OIG Disagreement

There was one significant management decision OIG disagreed with during this reporting period regarding *SBA's Guaranty Purchases for Paycheck Protection Program Loans* (Report 22-25), September 30, 2022.

**Summary:** OIG issued this management advisory to express concerns regarding SBA's decision to end collections on purchased PPP loans with an outstanding balance of \$100,000 or less. We began reviewing SBA's process for approving PPP guaranty purchases in anticipation of the significant number of delinquent PPP loans that lenders will be submitting for guaranty purchase. A guaranty purchase is defined as SBA's purchase of the guaranteed portion of a loan. During the review, we learned of SBA's decision to end collections on these loans and found that expedited management action was needed to determine whether it is cost effective to pursue collections on these loans. We believe management attention is needed to ensure effective stewardship of billions of dollars in potential funds owed to taxpayers. Further, ending collections could incentivize ineligible borrowers to obtain loans valued at \$100,000 or less in similar future loan programs. We made three recommendations. Management disagreed with recommendations 1 and 2 and agreed with recommendation 3. The following is a summary of the recommendations with which SBA management disagreed.

**Recommendation 1:** We recommended the Administrator stay the April 27, 2022 decision to end collections on purchased PPP loans with an outstanding balance of \$100,000 or less until a comprehensive cost benefit analysis is conducted.

SBA managers disagreed, stating their decision to end collection on these loans complied with the Debt Collection Improvement Act, that it does not require the agency to conduct a comprehensive cost benefit analysis. It only requires that the agency demonstrate "the cost of collecting the claim is likely to be more than the amount recovered," which SBA stated they have completed.

Although SBA provided documentation of its analysis to show it complied with the Act requirement that the costs of collecting the claim is likely to be more than the amount recovered, OIG believes the analysis was not comprehensive and did not sufficiently support SBA's conclusion that the costs to collect would exceed recoveries for PPP.

Notwithstanding, we closed this recommendation because SBA agreed with OIG recommendation 3 to conduct an initial and periodic cost benefit analysis on PPP purchase guarantees with comprehensive estimates to sufficiently assess whether the cost of collecting loans of \$100,000 or less is more than the recovery amount and pursue collections based on results of the analysis. In the interim, absent a comprehensive cost benefit analysis, there is risk that key factors affecting costs and recovery amounts may be missing in SBA's assessment.

**Recommendation 2:** We recommended the Administrator explore alternative means of collections for PPP loans with an outstanding balance of \$100,000 or less.

Management disagreed, stating that alternative means of enforced collection would not be cost effective due to the lack of collateral and personal guaranties. However, management did not provide supporting evidence for its conclusion. In accordance with our audit follow-up policy, we will attempt to reach agreement with management on this unresolved recommendation. If agreement is not reached, we will elevate the disputed issue to the designated audit follow-up official.

## **Significant Revised Management Decisions**

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

## **Federal Financial Management Improvement Act**

The OIG's Independent Public Accountant, KPMG, did not render an opinion on the compliance with the Federal Financial Management Improvement Act, but their test work in the FY 2021 financial statement disclosed instances in which SBA's financial management systems did not substantially comply with federal financial management systems requirements and applicable federal accounting standards. The results disclosed no instances in which SBA's financial management systems did not substantially comply with the United States Standard General Ledger at the transaction level.

## **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	95
Preliminary Case Closing Reports of Investigation	—
Total	95

### Persons Referred for Prosecution

Referred To	Number of Persons
Department of Justice	113
State Attorney	0
Local Attorney	1
Total	114*

\*Number includes persons and entities referred for prosecution

### Pandemic-Related Investigative Statistics

SBA OIG	Investigations	Indict/Complaint	Arrests	Convictions
PPP/EIDL/SV/RFF*	203	123	119	93
Investment Fraud	6	18	10	7
Total	209	141	129	100

\*PPP stands for Paycheck Protection Program. EIDL stands for Economic Injury Disaster Loan. RFF stands for Restaurant Revitalization Fund

### 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 was one OIG investigation involving a senior government employee where misconduct was substantiated during the reporting period. We investigated and substantiated an allegation that a Deputy District Director violated ethical standards by utilizing their position in SBA to influence the Economic Injury Disaster Loan (EIDL) application process for a law firm. On February 9, 2022, this matter was presented to the Offices of the U.S. Attorneys, Southern District of Florida, for prosecution, where it was declined in lieu of available administrative remedies. OIG referred the matter to SBA managers for their determination as to the relevance of OIG’s findings. OIG is pending SBA management response.

### 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, 2022 – September 30, 2022

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
OH	BL	FHFA/OIG, FBI, IRS/CI, FRB/OIG	As part of the scheme, suspects conspired to submit over 34 fraudulent loan applications and obtained over \$15 million in CARES Act funds. Suspects purchased luxury homes, diamonds, jewelry, and cryptocurrency.	Suspect 1 was sentenced to 120 months incarceration and 3 years of supervised release. Suspect 2 was sentenced to 78 months incarceration and 3 years supervised release. Suspect 3 was sentenced to 24 months incarceration and 2 years supervised release. Suspect 4 was sentenced 3 years supervised release. Suspects were ordered to pay \$21.9 million in restitution.
OR	BL/DL	FBI, TIGTA	Suspect defrauded SBA and financial institutions for over \$900,000 in loans through the PPP and EIDL programs. Suspect misused proceeds for personal use such as gambling, vacations, and the purchase of illegal narcotics.	Suspect was sentenced to 21 months incarceration, 5 years of supervised release, and ordered to pay \$910,733 in restitution.
CA	BL/DL	FRB/OIG, IRS/CI, TIGTA	As part of the scheme, subject submitted six fraudulent PPP loan applications to two banks on behalf of four companies. Subject successfully obtained over \$1.5 million in fraudulent funds. Subject submitted falsified bank records, phony lease agreements, altered incorporation records, fake IRS records and bogus employee information.	Subject was sentenced to 30 months incarceration, 3 years of supervised release, and ordered to pay \$1.5 million in restitution.
MD	BL	FDIC/OIG, FBI, IRS/CI	Suspect made material misrepresentations to a financial institution to gain approval for PPP loans and obtained over \$300,000. Suspect purchased a luxury car, furniture, and other personal items.	Suspect was sentenced to 6 months incarceration, 3 years of supervised release, and ordered to pay \$305,854 in restitution.
TN	DL	IRS/CI, TIGTA	Suspects defrauded and conspired to submit over 400 EIDL loans securing over \$1.1 million by using false payroll information and providing materially false information on loan applications.	Suspect 1 was sentenced to time served and 1 year of supervised release. Suspect 2 was sentenced to 18 months incarceration and 2 years of supervised release. Suspect 3 was sentenced to 24 months incarceration and 2 years of supervised release. Suspects were ordered to pay \$38,900 in restitution and a \$10,000 fine.
MN	BL	FBI, FDIC/OIG, IRS/CI	Subject made false statement in the attempt to obtain multiple PPP loans totaling over \$1 million. Subject made several false statements and manipulated bank statements within the application.	Subject was sentenced to 81 months incarceration, 3 years of supervised release, and ordered to pay \$23,491 in restitution.

## U.S. Small Business Administration | Office of Inspector General

ID	GC	DCIS, GSA/OIG	Suspect participated in a fraud scheme and conspired in obtaining over \$11 million in government contracts for a set-aside service-disabled veteran-owned small business. Suspect falsified the designation to obtain the contract.	Suspect was sentenced to 14 months incarceration, 3 years supervised release, and ordered to pay \$480,039 in restitution, and a \$7,500 fine.
SC	GC	DCIS, USDA, AFOSI	Suspect created fictitious certifications, which were submitted to SBA to remain in the 8(a) program. Suspect received over \$85 million in contracts, primarily from the US Air Force.	Suspect was sentenced to 12 months' probation.
WA	GC	DCIS, Army/CID, AFOSI, DHS/HSI, DOJ/OIG, GSA/OIG	Suspect falsely represented as a government employee/contracting officer, and sub-contracted several jobs awarded to their company (who was previously debarred). Suspect forged a US Navy contracting officer's signature and filed false and fictitious US Army contracts in which he could claim compensation for payment of work that was in fact completed by the sub-contractors.	Suspect was sentenced to 40 months in incarceration and 3 years of supervised release.
AL	BL	TIGTA, DHS/HSI	Suspects made multiple false statements and obtained over 10 PPP loans over \$500,000.	Suspect 1 was sentenced to 9 months incarceration and 3 years supervised release. Suspect 2 was sentenced to time served and 3 years of probation. Suspect 3 was sentenced to time served and 3 years of probation. Suspects were ordered to pay \$23,332 in restitution.
FL	DL	FBI, USSS	Subject submitted 13 EIDL applications to SBA seeking over \$100,000 in COVID-19 relief funds.	Subject was sentenced to 2 months incarceration, 18 months supervised release, and was ordered to pay \$115,063 in restitution.
MA	BL/DL	IRS/CI	Subject devised a scheme and applied for over \$2 million in PPP loans through SBA-approved lenders. Subject misrepresented the number of employees and payroll expenses.	Subject was sentenced to 39 months incarceration, 3 years supervised release, and was ordered to pay \$2 million dollars in restitution.
OK	BL	FRB/OIG	Suspect made false assertions and certifications concerning PPP loans totaling \$5.4 million.	Suspect was sentenced to 48 months of confinement, 5 months of supervised release, and ordered to pay \$150,000 in restitution.
NH	GC	VA/OIG, FBI	Suspect participated in a fraud scheme with the SBA-guaranteed loan program by providing false information to the banks about his businesses and personal income.	Suspect was sentenced to 48 months incarceration, 2 years of supervised release, and ordered to pay \$2.4 million in restitution.
OR	BL	TIGTA, FBI	Subject submitted false information about his employment as an independent contractor and revenue.	Subject was sentenced to 18 months' probation and was ordered to pay \$18,750 in restitution.

## U.S. Small Business Administration | Office of Inspector General

FL	BL	FBI, FDIC/OIG, USSS, SSA/OIG, USPIS	Subjects conspired with others to defraud various financial institutions by creating over 700 bank accounts and shell companies with stolen and synthetic identities. The defendant and co-conspirators filed hundreds of fraudulent PPP loan applications totaling over \$11 million dollars for a fee on behalf of other suspects.	Subject 1 was sentenced to 60 months incarceration and 3 years of supervised release. Subject 2 was sentenced to 12 months incarceration and 3 years supervisor release. Subjects were ordered to pay \$11.3 million in restitution.
FL	BL	FBI, FDIC/OIG	Suspects submitted multiple fraudulent PPP loan applications totaling over \$300,000, including falsified supporting documentation, for companies they owned and/or controlled.	Suspect 1 was sentenced to 60 months of incarceration, 2 years supervised release, and ordered to pay \$136,285 in restitution. Suspect 2 was sentenced to 30 months of incarceration, 2 years supervised release, and ordered to pay \$135,285 in restitution.
FL	BL	IRS/CI, USSS	Suspect submitted false and fraudulent PPP applications and received over \$700,000.	Suspect was sentenced to 27 months incarceration, 3 years of supervised release, and ordered to pay \$730,585 in restitution.
AR	BL	FBI, DOL/OIG	Suspect made false assertions and certifications concerning PPP loans and PUA benefits totaling over \$500,000.	Suspect was sentenced to 27 months incarceration, 5 years supervised release, and ordered to pay \$469,082 in restitution.
MN	DL	USPIS	Suspect participated in a fraud scheme and conspired to obtain EIDL funds and over 15 state unemployment benefits using stolen identities.	Suspect was sentenced to 78 months in incarceration, 3 months supervised release, and was ordered to pay \$284,355 in restitution.
MI	DL	FBI	Suspect used a position within SBA to access the SBA database to retrieve Personally Identifiable Information to apply for EIDLs. Suspect used the information to secure funds then spent on lavish personal purchases such as a Land Rover.	Suspect was sentenced to 75 months incarceration, 3 years supervised release, and ordered to pay \$18,606 in restitution.
NY	BL/DL	FBI, IRS/CI	Suspect made material misrepresentations to a financial institution and filed 15 fraudulent loan applications seeking more than \$13 million dollars in forgivable loans through the PPP under the CARES Act.	Suspect was sentenced to 24 months incarceration, 3 years of supervised release, and ordered to pay over \$1.3 million in restitution.
GA	DL	FBI	Subject submitted fraudulent EIDL applications and obtained over \$300,000 in CARES Act funds.	Subject was sentenced to 18 months incarceration, 1 year of supervised release, and ordered to pay \$319,000 in restitution.
GA	BL	IRS/CI	Subject made multiple false statements and attempted to obtain multiple PPP loans over \$500,000.	Subject was sentenced to 24 months incarceration, 3 years of supervised release, and ordered to pay \$507,800 in restitution.
GA	DL	FBI, TIGTA, USSS	Subject made multiple false statements and attempted to obtain 184 fraudulent EIDL loans over \$2.5 million.	Subject was sentenced to 480 months in incarceration for violation of the RICO.

## U.S. Small Business Administration | Office of Inspector General

CA	BL	IRS/CI	Subject conspired to submit over three fraudulent loan applications and obtained over \$940,000 in CARES Act funds.	Subject was sentenced to 41 months incarceration, 5 years of supervised release, and ordered to pay \$306,415 in restitution.
CA	BL	FBI, FDIC/OIG, TIGTA	Subject submitted false and fraudulent PPP applications and received over \$3 million in loan proceeds.	Subject was sentenced to 135 months incarceration, 5 years of supervised release, and ordered to pay \$3 million in restitution.
FL	BL	FBI, FHFA/OIG	Suspect submitted false and fraudulent PPP applications and received over \$100,000 in loan proceeds.	Suspect was sentenced to 24 months incarceration, 3 years of supervised release, and ordered to pay \$121,659 in restitution.
CO	BL	TIGTA	Suspect defrauded the government of over \$1 million in PPP funds by providing materially false representation of 10 shell companies.	Suspect was sentenced to 19 months incarceration, 3 years of supervised release, and ordered to pay \$916,653 in restitution.
WA	DL	FBI, TIGTA	Suspect created fraudulent documents, businesses and false identities and received over \$50,000 in loan proceeds.	Suspect was sentenced to 5 years of supervised release and ordered to pay \$54,900 in restitution.
GA	BL	ATF, FBI, IRS/CI, USSS	Subject made false statement and fraudulently applied for 120 PPP loans and received more than \$2.3 million in PPP. Subject received unlawful kickbacks of more than \$300,000 from co-conspirators and used the proceeds to purchase luxury vehicles and jewelry.	Subject was sentenced to 60 months incarceration, 3 years of supervised release, and ordered to pay \$2.5 million in restitution.
VA	BL/DL	FBI	Suspects made multiple false statements and attempted to obtain multiple PPP and EIDL loans over \$1.5 million.	Suspect 1 was sentenced to 33 months incarceration and 3 years of supervised release. Suspect 2 was sentenced to 12 months incarceration and 3 years supervised release. Suspect 3 was sentenced to 14 months incarceration and 3 years of supervised release. Suspects were ordered to pay over \$1.5 million in restitution.
AL	DL	USSS	Subject made multiple false statements and attempted to obtain an EIDL loans over \$20,000.	Subject was sentenced to 48 months incarceration, 5 years of supervised release, and ordered to pay \$23,333 in restitution.
IA	BL	FBI, IRS/CI, TIGTA	Subject submitted fraudulent PPP applications and obtained over \$1.2 million in CARES Act funds.	Subject was sentenced to 40 months incarceration, 2 years of supervised release, and ordered to pay over \$1 million in restitution.

## U.S. Small Business Administration | Office of Inspector General

IA	GC	FRB/OIG, FDIC/OIG	Subjects originated SBA loans on behalf of various financial institutions and fraudulently obtained guarantees for loans that the SBA deemed ineligible and provided false information in connection with SBA loan originations to make them appear eligible.	Subject 1 was sentenced to 14 months incarceration and 3 years of supervised release. Subject 2 was ordered to pay a \$500 fine. Suspects were ordered to pay \$4.5 million in restitution.
MS	GC	DCIS, USDA, GSA/OIG, VA/OIG	Suspect participated in a fraud scheme and conspired to operated companies with straw owners who qualified as socially and economically disadvantaged suspects and service-disabled veterans, but who did not actually control the companies.	Suspect was sentenced to 36 months incarceration, 1 year of supervised release, and ordered to pay \$698,551 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.

<b>Name/Subject of Event</b>	<b>Name of Cosponsor(s)</b>	<b>Event Location</b>	<b>Date Fully Executed</b>
The Bottom Line: Timely Resources and Information for America’s Small Businesses	HQ/Office of Communications & Public Liaison - Small Business Majority	Virtual	9/28/2022
National Small Business Week 2023	HQ/Office of Communications & Public Liaison - Service Corp of Retired Executives Inc. Associations, DBA SCORE	Virtual/Nationwide	9/28/2022
Small Business Outreach	Hawaii District Office - Better Business Bureau - Great West and Pacific	Virtual/Nationwide	9/26/2022
2022 Small Business Saturday (SBS) Campaign	HQ/Office of Communications & Public Liaison - American Express Travel Related Services Co. Inc., Women Impacting Public Policy Inc.	Virtual/Nationwide	9/22/2022
The Small Business Resiliency Initiative	San Francisco District Office - U.S. Resiliency Council	Virtual/Nationwide	9/16/2022
Business Bridge Webinar Series	Utah District Office - Utah Governor’s Office of Economic Opportunity	Virtual Webinars	9/11/2022
Regional SBA Lender Training Event	Rhode Island District Office - South Eastern Economic Development Corporation, Rhode Island Society of Certified Public Accountants	Middletown, RI	9/11/2022
Selling to the Government Training Series	Wyoming District Office - Wyoming Procurement Technical Assistance Center	Virtual/Wyoming Statewide	9/11/2022
Spirit of Small Business Awards	Los Angeles District Office - Pacific Coast Business Times	Santa Barbara, CA	8/25/2022
Small Business Workshop Series	Nebraska District Office - Lincoln City Libraries	September 1, 8, 15, 22, 2022	8/8/2022
Senator Leahy’s 25th Annual Women’s Economic Opportunity Conference	Vermont District Office - The Office of U.S. Senator Patrick Leahy, Vermont Small Business Development Center, Vermont Technical College, Vermont Agency of Transportation, Vermont Community Loan Fund, Vermont Procurement Technical Assistance Center, Vermont Department of Labor, Vermont Manufacturing Extension Center, Vermont Agency of Human Services Office of Economic Opportunity, The Vermont Women’s Fund, The Center for Women & Enterprise, Vermont Center for Emerging Technologies, SCORE Vermont, Community Capital of Vermont, U.S. Department of Agriculture Rural Development, Vermont Network Against Domestic and Sexual Violence, Vermont Works for Women	Randolph Center, VT	8/3/2022
Conversation Series with Surdna Foundation	HQ/Office of Women’s Business Ownership - Surdna Foundation	Virtual	7/21/2022
ChallengeHer Campaign	HQ/Office of Government Contracting - Women Impacting Public Policy Inc.; American Express Travel Related Services Company Inc.	Virtual	6/15/2022
2022 Small Business Breakfast and Awards Ceremony	Puerto Rico & Virgin Islands DO - Puerto Rico Bankers Association	Carolina, PR	5/10/2022
Business Education and Resiliency Boot Camp Series	Washington Metro District Office - Greater Washington Hispanic Chamber of Commerce	Washington, DC	5/4/2022

## U.S. Small Business Administration | Office of Inspector General

2022 Vermont Small Business Awards Ceremony	Vermont District Office - Vermont Business Magazine	Waterbury, VT	4/21/2022
Infrastructure Bill Preparation Program	Illinois District Office - Illinois Procurement Technical Assistance Center	Virtual	4/19/2022
2022 Hawaii National Small Business Week Awards Event	Hawaii District Office - Maui Chamber of Commerce, Patsy T Mink Center for Business & Leadership Women's Business Center	Honolulu, HI	4/19/2022
2022 Small Business Week Awards Program	Maine District Office - New Hampshire Bankers Association	Bedford, NH	4/19/2022
Connecticut's Celebration of National Small Business Week 2022	Connecticut District Office - Connecticut Department of Community and Economic Development	New Haven, CT	4/14/2022
National Small Business Week 2022	HQ/Office of Communications and Public Liaison - Google LLC, T-Mobile USA Inc.	Virtual	4/14/2022
National Small Business Week - Salute to Small Business Awards Luncheon	Rhode Island District Office - Rhode Island Society of Certified Public Accountants	North Kingstown, RI	4/8/2022

## 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

The *Government Auditing Standards*, or Yellow Book, issued by the Comptroller General of the United States requires 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 National Science Foundation OIG for the period ending March 31, 2021. SBA OIG received a peer review rating of pass.

Similarly, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) 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 2020, our Audits Division underwent a Blue Book peer review conducted by the Department of Justice OIG. OIG 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 CIGIE 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 on our [OIG Reports web page](#).

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 our [OIG Reports web page](#).

### 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
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