



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

April 22, 2015

OIG-CA-15-013

MEMORANDUM FOR JESSICA MILANO
DEPUTY ASSISTANT SECRETARY FOR SMALL BUSINESS,
COMMUNITY DEVELOPMENT AND AFFORDABLE
HOUSING POLICY

FROM: Lisa Carter /s/
Acting Special Deputy Inspector General
Office of Small Business Lending Fund Program Oversight

SUBJECT: Audit Termination Memorandum – State Small Business
Credit Initiative: Effectiveness of the State Small Business
Credit Initiative

In March 2013, we initiated an audit of the Effectiveness of the State Small Business Credit Initiative (SSBCI). Our audit objectives were to assess the effectiveness of the SSBCI in increasing access to capital for small businesses and evaluate whether Treasury's stewardship of the SSBCI was adequate to ensure program effectiveness. For the reasons discussed below, we are terminating this audit.

Fieldwork on this audit was completed and a discussion draft report was issued in July 2014; however, we did not issue a formal draft report as our resources were focused on other audit priorities. These priorities included audits of States' compliance with SSBCI program requirements in New York, New Hampshire, Arkansas, Oregon, and Rhode Island.

Our fieldwork found that States reported to Treasury, on a quarterly and annual basis, the following information: (1) SSBCI funds obligated, expended and invested; (2) jobs created and retained; and (3) SSBCI funds used for administrative costs. Treasury used the States' self-reported information to prepare and publish both quarterly and annual program reports. For example, in the *State Small Business Credit Initiative: A Summary of States' 2013 Annual Reports*,¹ Treasury reported that the program had leveraged over \$4 billion of increased capital to local

¹ Report dated September 29, 2014. Treasury expects to publish the *State Small Business Credit Initiative: A Summary of States' 2014 Annual Reports* by the fall of 2015.

businesses. Quarterly and annual program reports are available on Treasury's website.

Regarding its stewardship of the SSBCI program, Treasury issued policy guidelines, national standards and frequently asked questions to participating States, including:

- *Guidelines for State Small Business Credit Initiative*, (Issued April 2011, revised October 2011, January and April 2014).
- *SSBCI National Standards - Compliance and Oversight for Participating States*, (Issued May 2012, revised January and June 2014).
- *State Small Business Credit Initiative Frequently Asked Questions (FAQs)*, (Issued June 2011, revised through December 2014).

Additionally, Treasury monitored States' compliance with SSBCI program requirements by periodically reviewing a sample of loans and investments enrolled in state programs that received SSBCI funds.

Finally, we note that the Government Accountability Office (GAO) is required by the *Small Business Jobs Act of 2010*² to perform an annual audit of the SSBCI program and issue a report to Congress containing the results of such audits. In December 2014, GAO reported that Treasury had established targets for selected measures to monitor program performance and taken steps to enhance the design of its planned program evaluation.³

In consideration of the above actions, we believe that issuing a final report based on the fieldwork performed will not significantly enhance Treasury's stewardship of the SSBCI program, nor will it provide new information regarding the effectiveness of the SSBCI program in increasing access to capital for small businesses. Accordingly, we are terminating this audit.

Should you have any questions, please contact me at (202) 927-6236 or Theresa Cameron, Director, Office of Small Business Lending Fund Oversight, at (202) 927-1011.

cc: Timothy Colon, SSBCI Senior Policy Advisor

² Public Law 111-240 (Sep. 27, 2010).

³ GAO-15-105, *Small Business Credit Programs: Treasury Continues to Enhance Performance Measurement and Evaluation but Could Better Communicate and Update Results* (Dec. 2014).