




# Office of Inspector General

U.S. Small Business Administration

## MEMORANDUM

**DATE:** July 19, 2022

**TO:** Isabella Casillas Guzman  
Administrator

**FROM:** Hannibal "Mike" Ware  
Inspector General 

**SUBJECT:** SBA's COVID-19 EIDL Program Data Migration Challenges, Report 22-16

As the U.S. Small Business Administration (SBA) shifts its focus from processing applications to servicing and overseeing Coronavirus Disease 2019 (COVID-19) Economic Injury Disaster Loans (EIDL) and Targeted EIDL Advances, SBA is migrating data from its "software as a service" provider to its own data warehouse and systems. This service provider is an outside company contracted to provide cloud-based software solutions.

In February 2022, the Office of Inspector General (OIG) found that SBA had been migrating data from its software provider into SBA's custody since December 2021 without a data migration plan. This was an issue we found in 2019 when SBA migrated data to cloud platforms. We issued a report on SBA's need to improve its oversight of controls over data management regarding portability, interoperability, and documentation of service-level requirements with contractors so that data is efficiently transferred from contractors' systems.<sup>1</sup>

Although SBA updated its policies as a result of our 2019 review, management did not follow the policies when it began migrating COVID-19 EIDL program data from the service provider's cloud platform to SBA's data warehouse. Without advanced 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. On April 27, 2022, SBA finalized its migration plan; however, the plan did not provide a user acceptance testing plan and sufficient detail to ensure the data would migrate completely and be fully usable.

SBA must continue to take action to ensure it has accurate, available, and usable data to monitor, service, and oversee the \$385 billion COVID-19 EIDL loan and grant files. In addition to SBA's responsibilities for managing the program, this information is critical for OIG and other oversight agencies to conduct independent audits and investigations for fraud, waste, and abuse of SBA programs.

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<sup>1</sup> SBA OIG Report 19-10, *SBA's Cloud Migration and Oversight* (April 9, 2019).

## Background

To aid small businesses adversely affected by the COVID-19 pandemic, Congress substantially increased SBA's loan and grant making authority. SBA approved \$385 billion as of April 28, 2022 in COVID-19 EIDLs and EIDL advances to eligible small businesses adversely affected by the pandemic. SBA stopped accepting applications for new COVID-19 EIDLs on December 31, 2021 and accepted requests for increases, reconsiderations, and appeals through May 6, 2022.

COVID-19 EIDLs are made directly by SBA through a contracted service provider that received, reviewed, and made recommendations for SBA's final loan decision. SBA contracted with a service provider through June 30, 2022 as a short-term solution to disburse loan and grant funds quickly to meet the unprecedented need.

COVID-19 EIDL programs will continue to require SBA to manage and monitor the loans, as well as maintain records for many years to come. EIDLs are 30-year loans with a 2.5-year deferment period. Payments will be due monthly over the remaining 27.5 years. SBA is required to maintain records for COVID-19 EIDLs for 6 years and 3 months after maturity of the loan. The same record retention timeline is required for COVID-19 EIDL advances after the date of disbursement. As such, SBA needs to plan accordingly to maintain all EIDL data in order to effectively service these long-term loans.

## COVID-19 EIDL Data Migration Challenges

In our initial February 2022 data retention discussions, SBA did not have a documented data migration plan for the COVID-19 EIDLs and advances. Because the agency did not have a plan in advance, agency officials were reactionary in their approach to transferring the data from the service provider prior to the contract ending June 30, 2022. Specifically, data users alerted program officials of missing data elements that were overlooked, causing program officials responsible for the migration effort to hastily develop solutions before the contractor destroyed the data. These needs could have been better anticipated if program officials engaged with users earlier in the process. Also, program officials relied on data testing that was carried out on an ad hoc and limited basis because they did not define acceptance criteria for what would be considered accurate, complete, and usable data.

SBA is required to make and preserve records containing documentation of decisions and essential transactions made by the agency. Additionally, the agency must design the records to provide information necessary to protect the legal and financial rights of the federal government and persons directly affected by the agency's activities.<sup>2</sup> SBA relied on the service provider platform to process the unprecedented volume of loan and grant applications from COVID-19 EIDL relief programs. The agency did not plan to use the service provider platform for continued support after initial disbursements. Therefore, the data would have needed to be transferred to another SBA system upon completion of the contract. SBA, however, did not proactively develop a documented data migration plan to ensure the COVID-19 EIDL data would be usable and accessible after transferring to SBA's

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<sup>2</sup> 44 USC 3101 – Records management by agency heads; general duties.

data warehouse. A migration plan is an essential first step to effectively manage the transfer of program data from a contractor's system.

SBA's contract with the service provider stipulates it will provide all data and audit logs to SBA in a format that is readable and usable. Once SBA has successfully accepted the data and notified the service provider, the service provider will destroy and permanently eliminate any data received and created for this program. Thorough testing is important to prove that the data is received in full and usable prior to SBA signing off on acceptance of the data.

We alerted program management of the need to prepare a migration plan, which SBA took action to develop and finalized in April 2022. However, the plan was still missing usability acceptance criteria, which is necessary to confirm the data fully transferred and is usable in the new system. SBA still needs to identify what the agreed acceptance criteria is within the data migration plan. Once identified, the sufficiency of this testing can be assessed and the "definition of done" will be known.

SBA's *System Development Methodology* provides a framework for planning, managing, and overseeing SBA's information technology projects throughout the various stages of a project lifecycle.<sup>3</sup> Although compliance requirements can be scaled to meet complexities unique to each system project, there is an overarching principle to establish, validate, and verify data based on acceptance criteria so that deliverables from the system are what SBA expected. Further, it is an industry best practice to run usability tests frequently to ensure the final output meets expectations.<sup>4</sup> The *System Development Methodology* emphasizes the service provider and SBA must agree on acceptance criteria and what the "definition of done" for deliverables should be – specifically, the deliverable is the data from the retiring system.

SBA chose to rely on row counts provided by the contractor as a general way of reconciling the data transfer. This exercise may address acceptance testing for the volume of data, but not for the usability of data. We informed program officials about the importance of having usability testing, which SBA promptly added to the May 3, 2022 migration plan. Although SBA responded quickly to identify usability testing that would be completed, SBA did not identify what the agreed acceptance criteria were within the data migration plan. As a result, the sufficiency of this testing cannot be assessed because the "definition of done" is not known. Without defined criteria, SBA cannot assure it has taken adequate steps to preserve the COVID-19 EIDL data. SBA runs the risk that it may not detect if the data is incomplete or unusable until after the contractor destroys the original data at the conclusion of the contract.

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<sup>3</sup> SBA *System Development Methodology* published on SBA SharePoint, signed March 7, 2018. This version is not finalized and is part of open recommendations identified in SBA OIG Report 20-17, *Evaluation of Certify.SBA.gov* (July 30, 2020). In the absence of a finalized methodology, we reference it as a desk guide that must be followed by business sponsors, project managers, system developers, and management.

<sup>4</sup> U.S. Digital Services, *Digital Services Playbook*, available at <https://playbook.cio.gov>.

## Conclusion

As SBA shifts from reviewing applications to servicing loans and grants, the potential for identifying additional fraudulent loans increases significantly as borrowers default. The ability to recover funds and prosecute fraud relies on having continued access to loan and grant data, especially regarding evidential matter for audits and investigations.

SBA should adequately plan and provide oversight for all data migrations. By enforcing existing contract terms, SBA should be able to ensure efficient and comprehensive COVID-19 EIDL data transfer. The COVID-19 EIDL program has statutory requirements to ensure the data is preserved in its entirety with data integrity and accessibility long after the completion of the pandemic relief program.

Management should design the agency's information system and related internal controls to achieve objectives and respond to risks for potential loss of data. All COVID-19 EIDL data must be transferred in its entirety and be available for servicing and enforcement of loans as well as ongoing analysis to support audits, investigations, and law enforcement requirements.

We have found over \$84.3 billion in potentially fraudulent COVID-19 EIDLs.<sup>5</sup> SBA is also reviewing over 1.5 million complaints of identity theft in the COVID-19 EIDL program, as of December 19, 2021. In the face of potential fraud of this magnitude, it is imperative SBA ensure it implements a comprehensive migration plan and enforce contract requirements to preserve any evidence of wrongdoing and retain the data necessary for management and oversight of these programs.

## Suggested Actions

To address concerns about data migration challenges for SBA's COVID-19 EIDL pandemic relief program, we suggest the Administrator direct the Associate Administrator for the Office of Capital Access to:

1. 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.

## Analysis of Agency Response

SBA management provided formal comments that are included in their entirety in the Appendix. Management stated that the agency's current plans mitigate the identified concerns.

Management explained that it reduced risk by performing internal testing and providing stakeholders access to the new system. Management further stated they were working to modify the contract to ensure data will remain available for future litigation efforts.

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<sup>5</sup> SBA OIG Report 22-02, *Top Management and Performance Challenges Facing the Small Business Administration in Fiscal Year 2022* (October 15, 2021).

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.

## **Scope and Methodology**

We prepared this memorandum to bring attention to data migration challenges for SBA's COVID-19 EIDL pandemic relief program. We reviewed federal publications, regulations, and applicable guidance, as well as SBA's communications to the public regarding these programs. We also met with SBA officials to discuss their plans for the upcoming migration of the COVID-19 EIDL program data following the completion of each service provider contract. We reviewed a selection of data generated from SBA's systems and warehouse and compared it to the service providers' systems to test whether the information produced was accurate, complete, and timely. We did not observe test reports and data output being generated directly from SBA systems. Direct verifications would not have served a useful purpose since migration efforts are still in progress at this time.

We prepared this memorandum in alignment with OIG's quality control standards and the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Federal Offices of Inspector General*, which require that we conduct our work with integrity, objectivity, and independence.

If you have any questions, please contact me or Andrea Deadwyler, Assistant Inspector General for Audits, at (202) 205-6586.

cc: Arthur Plews, Chief of Staff, Office of the Administrator  
Therese Meers, Acting General Counsel  
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Patrick Kelley, Associate Administrator, Office of Capital Access  
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Michael Simmons, Attorney Advisor, Office of General Counsel  
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## **Appendix: Management Comments**

### **SBA Management Response to Memorandum**



U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, DC 20416

Date: July 5, 2022

To: Andrea Deadwyler  
Assistant Inspector General of Audits  
Office of Inspector General

From: Ronald Whalen  
Acting Director OPSM -  
Office of Capital Access

*Ronald J. Whalen*

Subject: Office of Inspector General (OIG) Draft Memorandum on Small Business Administration's (SBA's) COVID-19 EIDL Program Data Migration Challenges, Project 22010

The SBA team reviewed the OIG report regarding the migration of data from its "Data Analysis and Loan Application Recommendation Services" provider to SBA managed systems. SBA initiated data migration on April 15, 2022.

**OIG Suggested Action and Agency Response:** 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 Response:** SBA mitigated the risk in the OIG's report by performing internal testing, providing stakeholders with access to the migrated data, and modifying the contract to support SBA litigation.

- **Internal Testing:** The SBA validated the migrated functionality, queries, reports, row counts, and tables to the internal loan system. The test plan and results are available for the OIG to review.
- **Stakeholder Access:** The Office of Disaster Assistance (ODA) Fraud Review Team received access to the data to continue to collect investigative data to support mission critical processes. The OIG was granted front-end and back-end access to run independent data reviews. SBA will monitor access and data issues reported by the stakeholders. As of the publication of this memo, the ODA Fraud Review Team and OIG stakeholders have not reported issues with the data.
- **Contract Modification:** SBA is modifying the RER contract to ensure that the data is available for SBA litigation only.