



**OFFICE OF INSPECTOR GENERAL
U.S. SMALL BUSINESS ADMINISTRATION**

MEMORANDUM

DATE: May 15, 2025

TO: Kelly Loeffler
Administrator

FROM: Sheldon Shoemaker
Deputy Inspector General

A handwritten signature in black ink that reads "Sheldon Shoemaker".

SUBJECT: Independent Auditors' Report on SBA's Fiscal Year 2024 Compliance with the Payment Integrity Information Act of 2019 (Report 25-15)

This independent auditors' report on the U.S. Small Business Administration's (SBA) improper payment reporting is required by the Payment Integrity Information Act of 2019. We contracted with the independent certified public accounting firm KPMG LLP to conduct a performance audit of SBA's fiscal year (FY) 2024 compliance with the Act. The auditor was engaged to review the payment integrity section of SBA's *Agency Financial Report Fiscal Year 2024* and accompanying materials to determine whether the agency complied with the reporting requirements under the Act.

KPMG was engaged to conduct the audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and applicable American Institute of Certified Public Accountants standards. The audit also complied with the Council of the Inspectors General on Integrity and Efficiency's *Guidance for Payment Integrity Information Act Compliance Reviews*.

In the report, KPMG auditors found SBA was not compliant with reporting requirements under the Act and Office of Management and Budget (OMB) guidance. Specifically, SBA is not compliant with the Act because it did not:

- Publish improper and unknown payment estimates within the FY 2024 *Agency Financial Report* and accompanying materials for the Shuttered Venue Operators Grant and the payments for covered loans in the 7(a) and 504 loan guaranty programs under the Debt Relief Program (Section 1112 Payments).
- Design and implement adequate review procedures to produce reliable sample results that were used to develop and publish accurate improper and unknown payment estimates for the 7(a) loan guaranty purchases, disaster assistance loans, Paycheck Protection Program (PPP) loan forgiveness, and PPP loan guaranty purchases programs.

- Publish effective corrective action plans for the PPP loan forgiveness and PPP loan guaranty purchases and did not publish corrective action plans for the Section 1112 payment programs and activities. Also, the reduction targets were not published for the Section 1112 payments. Moreover, SBA did not appropriately disclose the root causes of improper payments for the disaster assistance loans program in the accompanying materials.
- Improve payment integrity for the 7(a) loan guaranty approvals and 504 Certified Development Company loan approvals programs and activities as demonstrated by the increase in improper payment estimates between FYs 2023 and 2024.
- Achieve an improper and unknown payment estimate of less than 10 percent for the PPP loan forgiveness, PPP loan guaranty purchases, and Restaurant Revitalization Fund programs and activities.

In connection with the contract, we reviewed KPMG's report and related audit documentation and spoke with KPMG staff. Our review, as differentiated from an audit in accordance with the *Government Auditing Standards*, was not intended to enable us to express, and we do not express, opinions on SBA's compliance with the Act or internal controls over improper payment reporting. KPMG is responsible for the attached auditors' report dated May 15, 2025 and the conclusions expressed.

Our oversight protocols include evaluation of major work products, attendance at critical meetings, review of significant findings, and examination of related evidential matter. Our review disclosed no instances where KPMG did not comply in all material respects with *Government Auditing Standards*.

SBA concurred with the recommendations and indicated that it is committed to reducing the dollar amount of improper payments, ensuring program integrity, and continuing to implement effective risk management procedures in accordance with improper payment legislation, as well as guidance prescribed in OMB Memorandum M-21-19, Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement.

We appreciate the cooperation and assistance of SBA and KPMG during the audit. Should you or your staff have any questions, please contact me or Andrea Deadwyler, Assistant Inspector General for Audits, at (202) 205-6586.

cc: Wesley Coopersmith, Chief of Staff, Office of the Administrator
Nathan Davis, Chief Financial Officer and Chief Risk Officer, Office of Performance Planning,
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Thomas Kimsey, Associate Administrator, Office of Capital Access
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Wendell Davis, General Counsel, Office of General Counsel
Michael Simmons, Attorney Advisor, Office of General Counsel

Attachment



Performance Audit of the U.S. Small Business Administration's Fiscal Year 2024 Compliance with the Payment Integrity Information Act of 2019

Prepared for: U.S. Small Business Administration, Office of Inspector General

Date: May 15, 2025

KPMG LLP
1801 K Street NW, Suite 12000
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KPMG LLP
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Administrator
Inspector General
U.S. Small Business Administration

This report presents the results of our performance audit related to the U.S. Small Business Administration's (SBA's) compliance with the requirements contained in the Payment Integrity Information Act of 2019 (PIIA), section 3351(2). We performed our work between December 12, 2024, and May 15, 2025, and our results are as of May 15, 2025.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In addition to GAGAS, we conducted this performance audit in accordance with the Statements on Standards for Consulting Services established by the American Institute of Certified Public Accountants (AICPA). This performance audit did not constitute an audit of SBA's financial statements, or an attestation level report as defined under GAGAS and AICPA standards for attestation engagements.

We used the Council of the Inspectors General on Integrity and Efficiency Guidance (CIGIE) for Payment Integrity Information Act Compliance Reviews dated October 19, 2023, which provides guidance regarding the fieldwork and reporting related to the performance audit objective. The objective of our performance audit was to determine whether SBA complied with the PIIA for fiscal year (FY) 2024.

Based on the results of our performance audit procedures, we have met our audit objective.

We determined that SBA was not compliant with PIIA due to the following:

- SBA did not publish improper and unknown payment estimates within the FY 2024 Agency Financial Report (AFR) and accompanying materials for the Shuttered Venues Operator Grant (SVOG), and the payments for covered loans in the 7(a) and 504 loan guaranty programs under the Debt Relief Program (Section 1112 payments). As a result, these programs and activities did not comply with the requirement to report improper and unknown payment rate estimates of less than 10 percent.
- SBA did not design and implement adequate review procedures to produce reliable sample results that were used to develop and publish accurate improper and unknown payment estimates for the 7(a) Loan Guaranty Purchases, Disaster Assistance Loans, Paycheck Protection Program (PPP) Loan Forgiveness, and PPP Loan Guaranty Purchases programs.



- SBA did not publish effective corrective action plans for the PPP Loan Forgiveness and PPP Loan Guaranty Purchases and did not publish corrective action plans for the Section 1112 payment programs and activities. Also, the reduction targets were not published for the Section 1112 payments. Moreover, SBA did not appropriately disclose the root causes of improper payments for the Disaster Assistance Loans program in the accompanying materials.
- SBA did not improve their payment integrity for the 7(a) Loan Guaranty Approvals and 504 Certified Development Loan Approvals programs and activities as demonstrated by the increase in improper payment estimates between FYs 2023 and 2024.
- SBA did not report an improper and unknown payment estimate of less than 10 percent for the PPP Loan Forgiveness, PPP Loan Guaranty Purchases, and Restaurant Revitalization Fund (RRF) programs and activities.

See Table 1 for a summary of SBA’s compliance with the PIIA for FY 2024 for programs and activities reported by SBA in the FY 2024 AFR or accompanying materials.

Table 1. Summary of SBA’s PIIA Compliance

Program or Activity	1a) Published Payment Integrity Information within the AFR	1b) Posted the AFR and Accompanying Materials on the Agency Website	2a) Conducted Risk Assessment	2b) Adequately Concluded from Risk Assessment	3) Published Improper Payment Estimates	4) Published Corrective Action Plans	5a) Published Reduction Target	5b) Demonstrated Improvements to Payment Integrity	5c) Developed a Plan to Meet the Reduction Target	6) Reported Improper Payment and Unknown Payment Estimate of Less Than 10 Percent
7(a) Loan Guaranty Approvals	Compliant	Compliant	Not Applicable	Not Applicable	Compliant	Compliant	Not Compliant	Not Compliant	Compliant	Compliant
7(a) Loan Guaranty Purchases	Compliant	Compliant	Not Applicable	Not Applicable	Not Compliant	Compliant	Not Compliant	Compliant	Compliant	Compliant
504 Certified Development Loan Approvals	Compliant	Compliant	Not Applicable	Not Applicable	Compliant	Compliant	Not Compliant	Not Compliant	Compliant	Compliant
Disaster Assistance Loans	Compliant	Compliant	Not Applicable	Not Applicable	Not Compliant	Not Compliant	Not Compliant	Compliant	Compliant	Compliant
Paycheck Protection Program (PPP) Loan Forgiveness	Compliant	Compliant	Not Applicable	Not Applicable	Not Compliant	Not Compliant	Not Compliant	Compliant	Not Compliant	Not Compliant
Paycheck Protection Program (PPP) Loan Guaranty Purchases	Compliant	Compliant	Not Applicable	Not Applicable	Not Compliant	Not Compliant	Not Compliant	Compliant	Not Compliant	Not Compliant
Restaurant Revitalization Fund (RRF)	Compliant	Compliant	Not Applicable	Not Applicable	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Compliant
Shuttered Venues Operator Grant (SVOG)	Not Compliant	Not Compliant	Not Applicable	Not Applicable	Not Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Compliant



Program or Activity	1a) Published Payment Integrity Information within the AFR	1b) Posted the AFR and Accompanying Materials on the Agency Website	2a) Conducted Risk Assessment	2b) Adequately Concluded from Risk Assessment	3) Published Improper Payment Estimates	4) Published Corrective Action Plans	5a) Published Reduction Target	5b) Demonstrated Improvements to Payment Integrity	5c) Developed a Plan to Meet the Reduction Target	6) Reported Improper Payment and Unknown Payment Estimate of Less Than 10 Percent
Section 1112 payments	Not Compliant	Not Compliant	Compliant	Compliant	Not Compliant	Not Compliant	Not Compliant	Not Applicable	Not Compliant	Not Compliant

The compliance requirements 2a and 2b are not applicable for programs and activities in the second of two review phases for improper and unknown payments reporting (i.e., Phase 2) because the risk assessments performed indicated that the programs were likely to make IPs and UPs above the statutory threshold, as defined by the Office of Management and Budget (OMB) Memorandum M-21-19, *Transmittal of Appendix C to OMB Circular No. A-123, Requirements for Payment Integrity Improvement* (OMB Memorandum M-21-19). During our testing, we found that the programs and activities included in Table 1 were in Phase 2 of review. Additionally, we found that a risk assessment was performed for the Growth Accelerator Fund Competition (GAFC) Program and SBA reasonably concluded that the program was not susceptible to improper and unknown payments and was compliant with requirements 2a and 2b during the current fiscal year, and therefore is not included in Table 1. The GAFC Program provides funding to parties and organizations that offer entrepreneurial support to science, technology, engineering, and mathematical (STEM) and research and development (R&D) entrepreneurs. We noted that GAFC exceeded \$10M in disbursements during the FY2024 PIIA cycle, thus triggering the requirement for SBA to perform a risk assessment for the program.

During our current year testing, we found that an updated risk assessment was conducted for Section 1112 payments, and the program was deemed susceptible to improper and unknown payments above or below the statutory threshold. We noted that an updated risk assessment for Section 1112 payments should have been conducted in the prior fiscal year (i.e. FY 2023) based on the SBA’s plan to revise the risk assessment process to ensure consideration for each risk factor was adequate and fair. Given SBA’s conclusions, the program would have entered into Phase 2 in the prior fiscal year and should have reported improper and unknown payments in the current fiscal year to satisfy PIIA compliance requirement 3.

The compliance requirements for 4, 5a, and 5c are not applicable for the RRF, and SVOG programs and activities since payments for these programs ended as of the FY 2024 reporting period.

The compliance requirement 5b is not applicable for the RRF, SVOG, and Section 1112 payments programs and activities because the improper and unknown payment rate estimates were not reported in the prior fiscal year for these programs and activities.

Our findings, identified internal control deficiencies, and related recommendations are detailed in Section IV.



We caution that projecting the results of our performance audit, as described above, to future periods is subject to the risks that controls may become inadequate due to changes in conditions or compliance with controls may deteriorate.

SBA's response to the findings identified in our performance audit is presented in Appendix I. SBA's response was not subjected to the auditing procedures applied in this performance audit and, accordingly, we are unable to determine if management's response provides a reasonable basis for our findings and conclusions based on our audit objective.

This report is intended solely for the use of the U.S. Small Business Administration and Inspector General, Comptroller General, the Office of Management and Budget, and relevant congressional committees; and is not intended to be and should not be relied upon by anyone other than these specified parties.

KPMG LLP

May 15, 2025

I. BACKGROUND

The Payment Integrity Information Act of 2019 (PIIA) Public Law (P.L.) 116-117 repealed the Improper Payments Elimination and Recovery Act of 2010 (IPERA) P.L. 111-204 (and other laws) but set forth similar improper payment reporting requirements, including an annual compliance report by Inspectors General.

PIIA requires an annual compliance report by an agency's Inspector General and defines what constitutes compliance with the requirements. An agency has met the PIIA compliance requirements if they:

- published improper payments information within an agency financial report (AFR) or performance and accountability report (PAR) for the fiscal year ended September 30, 2024, and posted that report and any accompanying materials required by OMB on the agency website;
- conducted a program specific risk assessment for each program that conforms with section 3352(a) of PIIA (if required);
- published improper payment estimates for all programs identified as susceptible to significant improper payments under its risk assessment under section 3352(a) of PIIA (if required);
- published programmatic corrective action plans under section 3352(d) of PIIA in the AFR or PAR or the accompanying materials (if required);
- published reduction targets under section 3352(d) of PIIA, developed a plan to meet the reduction targets, and demonstrated improvements for each program assessed to be at risk and estimated for improper payments (if required and applicable); and
- reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was published under section 3352(c) of PIIA.

If an agency does not meet one or more of the six requirements above, then it is not compliant under PIIA.

On March 5, 2021, OMB issued Memorandum M-21-19, *Transmittal of Appendix C to OMB Circular No. A-123, Requirements for Payment Integrity Improvement* (OMB Memorandum M-21-19), as updated implementation guidance to federal agencies. OMB Memorandum M-21-19 requires agencies to identify susceptible programs with an improper payment risk assessment, report improper payment estimates, identify root causes of the improper payments, develop, implement, and monitor corrective actions, and recapture improper payments identified.

We performed our fiscal year (FY) 2024 compliance review using the requirements set forth in OMB Memorandum M-21-19, OMB Circular No. A-136, *Financial Reporting Requirements* dated May 19, 2023, OMB Annual Data Call Instructions, OMB Payment Integrity Question and Answer Platform, and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Guidance for Payment Integrity Information Act Compliance Reviews.

II. OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

We conducted this performance audit to determine whether SBA complied with the PIIA for FY 2024.

Scope

The scope of our performance audit was SBA's FY 2024 improper payments and reporting data in the payment integrity section of the agency's FY 2024 AFR and any accompanying materials. The accompanying materials to the AFR are the payment integrity information published on paymentaccuracy.gov.

Methodology

During our planning and testing phases, we performed the following to achieve our objective:

- interviewed staff from SBA's Offices of Performance, Planning, and the Chief Financial Officer and Capital Access that performed the improper payment reviews;
- collected and inspected SBA provided documentation and evidence, and
- participated in process and control walkthroughs with SBA staff responsible for the programs identified as susceptible to significant improper payments.

Our detailed procedures consisted of, but were not limited to, the following:

- obtained an understanding of SBA's improper payments reporting process and relevant controls through inquiries with management;
- reviewed SBA's policies and procedures over the improper payments reporting process;
- reviewed management's risk assessment for agency programs identified as susceptible to significant improper payments;
- reviewed related legislation for significant changes or increases in funding levels for each program;
- reviewed and evaluated the statistically determined improper payment and unknown payment estimates for each program deemed susceptible to improper payments in consultation with a statistician;
- reviewed and evaluated the population of outlays for each program for completeness and accuracy;
- reviewed and evaluated SBA's payment integrity section in the AFR and accompanying materials for completeness and accuracy;
- evaluated the corrective actions published and determined whether they focus on the true root cause, and were implemented;
- evaluated the root cause category classifications and determined whether SBA accurately classified the true root causes of improper payments, and
- obtained OMB waivers/exemptions for improper payments reporting (if applicable).

We used the CIGIE Guidance for Payment Integrity Information Act Compliance Reviews, as it provides guidance regarding the fieldwork and reporting related to the performance audit objective.

We obtained sufficient and appropriate evidence to provide a reasonable basis for our conclusions related to the audit objective.

III. RESULTS AND CONCLUSIONS

We determined that the SBA was not compliant under PIIA based on our audit procedures performed. See below for additional details of our results.

Requirement 1a – Determine if SBA published payment integrity information within the AFR for the fiscal year ended September 30, 2024.

- Not Compliant. SBA did not publish payment integrity information in its FY 2024 AFR for the Shuttered Venues Operator Grant (SVOG), and the payments for covered loans in the 7(a) and 504 loan guaranty programs under the Debt Relief Program (Section 1112 payments).

Requirement 1b – Determine if SBA posted the AFR and any accompanying materials required by OMB on the agency website.

- Not Compliant. SBA did not publish payment integrity information in the AFR or any accompanying materials for the SVOG, and the Section 1112 payments on the agency's website.

Requirement 2a – Determine if SBA conducted a program specific risk assessment for each program with annual outlays greater than \$10 million at least once in the last three years.

- Compliant. SBA performed risk assessments for the Growth Accelerator Fund Competition Program and Section 1112 payments in FY 2024. During FY 2022 and FY2023, SBA conducted risk assessments for all other programs with annual outlays greater than \$10 million at least once every three years, or earlier if a program experiences a significant change in legislation or a significant increase in funding level in accordance with OMB Memorandum M-21-19.

Requirement 2b – Determine if SBA adequately concluded whether the program is likely to make improper payments and unknown payments above or below the statutory threshold.

- Compliant. SBA adequately concluded that the Growth Accelerator Fund Program was not likely to, and correspondingly, the Section 1112 payments were likely to, make improper payments and unknown payments above or below the statutory threshold in accordance with the PIIA reporting requirements.

Requirement 3 – Determine if SBA published improper payment and unknown payment estimates for all programs identified as susceptible to significant improper payments and unknown payments in the accompanying materials to the AFR.

- Not Compliant. SBA did not design and implement adequate review procedures over the documentation of the sample results used to produce the programs' improper and unknown payment estimates to ensure that the procedures could be reperformed and the results independently validated for the 7(a) Loan Guaranty Purchases, Disaster Assistance Loans, PPP Loan Forgiveness, and PPP Loan Guaranty Purchases programs and activities. The improper payment amount was incorrectly reported for several 7(a) Loan Guaranty Purchases and PPP loan Forgiveness transactions, and the

improper payment type (e.g. underpayment or overpayment) was incorrectly reported for several Disaster Assistance Loans. Additionally, the interest portion for each PPP Loan Forgiveness and PPP Loan Guaranty Purchases sample payment was not tested for accuracy as part of the review procedures for the activities.

SBA did not report improper and unknown payment estimates for SVOG and Section 1112 payments. In prior years, SBA did not adequately perform risk assessments for these programs to ensure PIIA compliance. Also, SBA did not adequately perform their responsibility to review the criteria for reporting to ensure compliance for these programs in FY 2024.

Requirement 4 – Determine if SBA published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AFR.

- Not Compliant. SBA did not publish corrective actions for the Section 1112 payments. Further, the published corrective action plans for the PPP Loan Forgiveness and PPP Loan Guaranty Purchases activities did not adequately address the root causes of the improper and unknown payments. Therefore, these corrective actions would not be effective in reducing the improper and unknown payment rates.

Additionally, the root causes for the Disaster Assistance Loans program improper payments were not accurately reported in the accompanying materials.

Requirement 5a – Determine if SBA published improper payment and unknown payment reduction targets for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AFR.

- Not Compliant. SBA did not accurately disclose the reduction targets in the AFR for all reported and applicable programs.

Requirement 5b – Determine if SBA demonstrated improvements to payment integrity or reached a tolerable improper payment and unknown payment rate.

- Not Compliant. SBA did not improve the payment integrity for 7(a) Loan Guaranty Approvals and 504 Certified Development Loan Approvals as demonstrated by the increase to the improper and unknown payment estimates between FYs 2023 and 2024.

Requirement 5c – Determine if SBA developed a plan to meet the improper payment and unknown payment reduction target.

- Not Compliant. SBA did not meet the reduction targets established for PPP Loan Forgiveness, and PPP Loan Guaranty Purchases activities. Additionally, SBA did not develop improper payment and unknown payment reduction targets and a plan to meet reduction targets for the Section 1112 payments.

Requirement 6 – Determine if SBA reported an improper payment and unknown payment rate estimate of less than 10 percent for each program for which an improper payment estimate was published in the accompanying materials to the AFR.

- Not Compliant. SBA published improper payment and unknown payment rate estimates greater than 10 percent for the PPP Loan Forgiveness, PPP Loan Guaranty Purchases and Restaurant Revitalization Fund (RRF) programs and activities. Additionally, SBA did not report improper and unknown payment rate estimates for the SVOG, and Section 1112 payments.

Our findings identified internal control deficiencies, and related recommendations for each requirement are detailed in Section IV below.

IV. FINDINGS

See Section III. RESULTS AND CONCLUSIONS (above). Refer to Section IV.A and IV.B for details on the identified internal control deficiencies, and related recommendations.

A. DEFICIENCIES IN INTERNAL CONTROL

In planning and performing our performance audit of SBA’s FY 2024 compliance with PIIA reporting, we considered internal controls that were relevant to our audit objective by obtaining an understanding of those controls and assessing control risk for the purposes of achieving our objective.

The objective of our audit was not to provide assurance on internal controls; therefore, we did not express an opinion on internal controls. Our consideration of SBA’s internal controls relevant to our audit objective would not necessarily disclose all deficiencies that might be significant within the context of the audit objective.

As a result of our assessment of internal controls relevant to the audit objective and our compliance test work, we identified the following deficiencies in internal control:

Program or Activity	Control Deficiencies
PPP Loan Forgiveness PPP Loan Guaranty Purchases RRF	1. The preventative controls implemented to reduce improper payments for the PPP programs and activities, and the procedures implemented to obtain sufficient documentation from RRF award recipients, were not effective as the improper and unknown payment rates reported exceed the statutory compliance threshold of 10%.
7(a) Loan Guaranty Approvals 504 Certified Development Loan Approvals	2. The preventative controls implemented to reduce improper payments were not effective as the gross improper payment and unknown payment rate increased from FY 2023 to FY 2024.

Program or Activity	Control Deficiencies
PPP Loan Forgiveness PPP Loan Guaranty Purchases	3. The preventive controls to reduce improper payments were not effective as the reduction targets established for FY 2024 were not met.
Shuttered Venue Operators Grant Program (SVOG) Payments for Covered Loans in the 7(a) and 504 Loan Guaranty Programs under the Debt Relief Program (Section 1112 payments)	4. Management did not effectively review the criteria established for PIIA reporting and excluded the improper and unknown payment estimates for the SVOG and Section 1112 payments programs and activities.
Disaster Assistance Loans PPP Loan Forgiveness	5. The sampling and estimation methodology plan, as implemented by the statisticians, had errors in the statistical measures of precision and a management review was not performed to ensure the results were appropriate.
PPP Loan Forgiveness PPP Loan Guaranty Purchases	6. There were not adequate review controls designed and implemented to ensure the margins of error reported in the accompanying materials were accurate.
7(a) Loan Guaranty Purchases Disaster Assistance Loans PPP Loan Forgiveness PPP Loan Guaranty Purchases	7. The review process established over sample testing to ensure results were accurately reported was not effective.
PPP Loan Forgiveness PPP Loan Guaranty Purchases	8. The process designed and implemented to ensure that corrective action plans developed, published, and addressed the root causes of the improper and unknown payments identified were not adequate.

Program or Activity	Control Deficiencies
<p>7(a) Loan Guaranty Approvals</p> <p>7(a) Loan Guaranty Purchases</p> <p>504 Certified Development Loan Approvals</p> <p>Disaster Assistance Loans</p> <p>PPP Loan Forgiveness</p> <p>PPP Loan Guaranty Purchases</p>	<p>9. There were not adequate review controls designed and implemented to ensure the improper and unknown payment root causes and reduction targets presented in the AFR and in the accompanying materials were accurate.</p>
<p>PPP Loan Forgiveness</p> <p>PPP Loan Guaranty Purchases</p>	<p>10. The process used by management to test samples in accordance with PIIA requirements was not appropriate. Specifically, the interest portion of each sample payment was not tested for accuracy as part of the review procedures.</p>

B. RECOMMENDATIONS

Where noted, these recommendations are carried forward from the prior year.

We recommend the Administrator coordinate with the Chief Financial Officer to:

- Enhance existing procedures using the framework in the Government Accountability Office's Green Book to design and implement robust internal and quality control processes to ensure complete and accurate reporting of annual improper payment results and formalized risk assessment processes to ensure all programs and activities are considered sufficiently to meet PIIA reporting objectives. **(Deficiency 4, 8 & 9; FY2023 Recommendation 3)**

We recommend the Administrator coordinate with the Associate Administrator of the Office of Capital Access to:

- Design and implement monitoring controls that strengthen SBA's ability to obtain required documentation from RRF recipients to satisfy agency requirements and achieve PIIA reporting objectives. **(Deficiency 1; FY2023 Recommendation 4)**
- Formally document and implement the appropriate preventative and monitoring controls to determine the eligibility of loans prior to 7(a) and 504 loan approvals and payments and PPP loan forgiveness and PPP loan guaranty purchases. **(Deficiency 2 & 3; FY2023 Recommendation 5)**
- Perform effective oversight over the statistician's work by strengthening communication in order to obtain sufficient understanding of the work performed and to verify that the documentation (i.e. statistical measures of precision and margins of error) supports the results of their work in alignment with internal control and/or PIIA requirements. **(Deficiency 5 & 6; FY2023 Recommendation 7)**
- Design and implement adequate quality review procedures to ensure that the relevant data fields including amount and improper payment type are completely and accurately reported for the results of the sample(s) to meet PIIA objectives. **(Deficiency 7 & 10; FY2023 Recommendation 9)**
- Design and implement a formal review process to ensure corrective actions plans developed, implemented, and published respond to the root causes of improper and unknown payments. **(Deficiency 8; FY2023 Recommendation 10)**

V. APPENDIX I: MANAGEMENT'S RESPONSE TO REPORT



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

DATE: May 13, 2025

TO: Sheldon Shoemaker, Deputy Inspector General
Nathan Davis

FROM: Nathan Davis, Associate Administration for Office of Performance, Planning, and the Chief Financial Officer (OPPCFO) & Chief Financial Officer & Chief Risk Officer
Thomas Kimsey, Associate Administrator for Office of Capital Access
Thomas Kimsey

SUBJECT: Response to Audit: Performance Audit of the U.S. Small Business Administration's Fiscal Year 2024 Compliance with the Payment Integrity Information Act of 2019

The Small Business Administration (SBA) appreciates the opportunity to review and respond to the draft Performance Audit of the U.S. Small Business Administration's Fiscal Year 2024 Compliance with the Payment Integrity Information Act of 2019 (PIIA).

SBA is committed to reducing the dollar amount of improper payments, ensuring program integrity, and continuing to implement effective risk management procedures in accordance with improper payment legislation¹, as well as guidance prescribed in the Office of Management and Budget Memorandum M-21-19, Appendix C to Circular A-123, Requirements for Payment Integrity Improvement.

SBA concurs with the Recommendations made in this audit report and is providing the following comments in response to those recommendations.

Recommendation 1. We recommend the Administrator coordinate with the Chief Financial Officer to enhance existing procedures using the framework in the Government Accountability Office's Standards for Internal Control in the Federal Government, known as the "Green Book," to design and implement robust internal and quality control processes to ensure complete and accurate reporting of annual improper payment results and formalized risk assessment processes to ensure all programs and activities are considered sufficiently to meet PIIA reporting objectives.

Agency Response. OPPCFO will evaluate the effectiveness of internal control using GAO's Green Book to enhance existing procedures and implement robust internal control processes. To ensure all programs and activities meet PIIA reporting objectives sufficiently, management will identify and analyze improper payment risks, considering factors such as program complexity and volume of payments. Moreover, management will continuously oversee improper payment data reported in the Agency Financial Report and the annual OMB improper payment data-call to publish payment integrity information, including the Shuttered Venues Operator Grant (SVOG), and the payments for covered loans in the 7(a) and 504 loan guaranty programs under the Debt Relief Program

¹ Payment Integrity Information Act (2019)

(Section 1112 payments).

Recommendation 2. We recommend the Administrator coordinate with the Associate Administrator of the Office of Capital Access to design and implement monitoring controls that strengthen SBA's ability to obtain required documentation from RRF recipients to satisfy agency requirements and achieve PIIA reporting objectives.

Agency Response. The Office of Capital Access (OCA) already has enforceable actions it can employ to hold lenders accountable for not providing all documentation requested for loan samples in a timely manner. OCA will continue to improve its controls to ensure these actions are exercised to ensure all necessary documentation is provided in a timely manner.

Recommendation 3. We recommend the Administrator coordinate with the Associate Administrator of the Office of Capital Access to formally document and implement the appropriate preventative and monitoring controls to determine the eligibility of loans prior to 7(a) and 504 loan approvals and payments and PPP loan forgiveness and PPP loan guaranty purchases.

Agency Response. OCA designed and implemented comprehensive eligibility controls for all 7(a) and 504 loan programs prior to loan approval to ensure conformance with applicable loan program requirements prior to loan approval. In addition, SBA maintains well-established controls to assess borrow eligibility prior to PPP loan guaranty purchase and forgiveness. Further, SBA recently revised its Origination SOP and issued SOP 50 10 8, which formally assigns responsibility for borrower eligibility determinations to lenders. Eligibility will continue to be a critical component of the guaranty purchase review process. Where appropriate, lenders will be referred to the Office of Credit Risk Management (OCROM) for further oversight and evaluation. SBA remains committed to formally documenting and continuously strengthening preventative and monitoring controls to ensure accurate eligibility determines throughout the loan lifecycle.

Recommendation 4. We recommend the Administrator coordinate with the Associate Administrator of the Office of Capital Access to perform effective oversight over the statistician's work by strengthening communication in order to obtain sufficient understanding of the work performed and to verify that the documentation (i.e. statistical measures of precision and margins of error) supports the results of their work in alignment with internal control and/or PIIA requirements.

Agency Response. OCA will exercise effective management review controls over the statistician's work product by verifying that the documentation of the sampling and estimation methodology plans comprehensively outlines the details of the implemented sampling and extrapolation methodology, while maintaining statistical validity.

Recommendation 5. We recommend the Administrator coordinate with the Associate Administrator of the Office of Capital Access to design and implement adequate quality review procedures to ensure that the relevant data fields including amount and improper payment type are completely and accurately reported for the results of the sample(s) to meet PIIA objectives.

Agency Response. OCA will continue its efforts to design and document adequate review procedures to ensure that the results of the sample meet the PIIA objectives.

Recommendation 6. We recommend the Administrator coordinate with the Associate Administrator of the Office of Capital Access to design and implement a formal review process to ensure corrective actions plans developed, implemented, and published respond to the root causes of improper and unknown payments.

Agency Response. OCA will design and implement a formal review process to ensure corrective actions plans developed, implemented, and published are adequately addressing the true root causes of improper and unknown payments.