

SBA's Controls to Address Financial Statements Audit Disclaimers and Material Weaknesses



Evaluation Report

Report 25-25

September 29, 2025



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U.S. Small Business Administration Office of Inspector General

EXECUTIVE SUMMARY

SBA's Controls to Address Financial Statements Audit Disclaimers and Material Weaknesses (Report 25-25)

What OIG Reviewed

Over the last 5 years, the U.S. Small Business Administration (SBA) has been unable to pass a financial audit, receiving disclaimers of opinion year after year. The independent public auditor has been unable to offer an opinion on the financial state of SBA because it has not received sufficient evidence to support a number of balances. The Chief Financial Officers Act of 1990 requires federal agencies to prepare financial statements that report on how taxpayer money was used in the previous fiscal year.

From fiscal years (FY) 2020 to 2024, the auditor identified as many as seven material weaknesses in SBA's system of internal controls. Material weaknesses are a serious concern that an organization's financial reporting controls are not effective to detect major errors or fraud. We reviewed SBA's history of disclaimers and material weaknesses from FYs 2020 to 2024, open recommendations, and SBA's new strategy for improving its internal controls over financial reporting, addressing material weaknesses, and implementing recommendations.

Our objectives were to 1) provide SBA managers with a summary of disclaimers and material weaknesses during this time period, and 2) determine whether SBA has designed and implemented agencywide controls and policies for addressing financial reporting weaknesses.

What OIG Found

SBA's accounting deficiencies were primarily related to administering an unprecedented amount of disaster assistance aid and guaranteed loan funds to help eligible small

business owners and entrepreneurs adversely affected by the pandemic. Over the course of 18 months, the agency delivered 22.1 million pandemic assistance loans and grants, totaling \$1.2 trillion.

To address the systemic financial reporting deficiencies, SBA launched its Financial Statement Audit Remediation Strategy in January 2025 to resolve the seven material weaknesses and 56 open audit recommendations. We found SBA's new strategy takes a centralized approach and outlines five key target areas to overcome material weaknesses. However, SBA can further enhance its implementation to obtain a clean audit.

What OIG Recommended

We made four recommendations to enhance implementation of SBA's financial statements remediation strategy. We recommend SBA emphasize audit remediation priorities through consistent agencywide communication, appoint a senior executive to lead the effort, and incorporate goals of the remediation strategy into SBA's next strategic plan and individual performance plans to ensure accountability.

Agency Response

SBA management agreed with all four recommendations. Management's planned actions to revise its FY 2026-2030 strategic plan and executive performance plans resolve Recommendations 2, 3, and 4. Management's response did not resolve Recommendation 1; therefore, we will seek resolution in accordance with our audit follow-up policy.

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Introduction

The Chief Financial Officers Act of 1990 requires federal agencies to prepare financial statements that report on how taxpayer money was used in the previous fiscal year. The Act also requires that the agency's office of inspector general audit the financial statements to conclude on the reliability of the financial information. The Act provides the inspector general of the agency with the discretion to use an independent external auditor to conduct the mandated audit.¹

As the Act allows, the Office of Inspector General (OIG) contracted with an independent certified public accounting firm to audit the U.S. Small Business Administration's (SBA) financial statements. For the past 5 years, the auditors were unable to obtain sufficient and appropriate audit evidence to provide a basis of opinion.

Background

Congress authorized SBA to administer disaster assistance aid and guaranteed loan funds to help small business owners adversely affected by the economic crisis caused by the Coronavirus 2019 (COVID-19) pandemic. Over the course of 18 months, the agency delivered 22.1 million pandemic assistance loans and grants, totaling \$1.2 trillion. SBA's balance sheet of total assets dramatically increased from fiscal year (FY) 2019 to FY 2020 (see Table 1).

Table 1: SBA's Asset Increase From FY 2019 to FY 2020

Total Assets: 2019	Total Assets: 2020	Percentage Increase
\$16.71 billion	\$897.53 billion	5,182%

Source: OIG generated based on SBA's *Agency Financial Report Fiscal Year 2020*

SBA received a disclaimer of opinion on its financial statements for each year from FY 2020 to 2024. A disclaimer means that an auditor was unable to obtain sufficient information to determine whether the organization's financial statements were accurate. Since the first disclaimer in FY 2020, SBA's annual audits have been limited to the balance sheet, one of the four principal financial statements required under federal reporting standards. The balance sheet presents the agency's assets, liabilities, and net position at year end. The auditor was not

¹ 31 U.S. Code 3515 and 3521(e).

engaged to opine on the remaining three statements — net cost, changes in net position, and budgetary resources — due to the unresolved issues affecting the reliability of the balance sheet. This is important because these three financial statements contain information on agency spending, including how much funding was appropriated and used during a year.

The independent certified public accounting firm that conducted SBA’s financial statements audits also reported a high number of internal control deficiencies for these years — up to seven material weaknesses, three significant deficiencies, and three instances of non-compliance with laws and regulations. Prior to the pandemic, SBA received a clean audit opinion and only had one material weakness and two significant deficiencies. A material weakness is a serious concern that an organization’s financial reporting controls are not effective enough to detect major errors or fraud that could cause material misstatements in the financial statements. A significant deficiency is less severe but indicates control issues that could potentially lead to misstatements.

The Government Accountability Office (GAO) highlighted SBA’s internal control weaknesses in its FY 2024 and 2023 consolidated audit report of the U.S. Government.² Additionally, GAO placed SBA on its biennial “High-Risk List” in 2021, 2023, and 2025, which identifies federal programs that are especially vulnerable to waste, fraud, abuse, or mismanagement.

Objectives

Our objectives were to 1) provide SBA management with a summary of SBA’s disclaimers and material weaknesses from fiscal years 2020 to 2024, and 2) determine whether SBA management designed and implemented agencywide controls and policies for addressing financial reporting weaknesses.

Results

Since FY 2020, SBA’s financial statements have not received an audit opinion due to challenges the agency faced in administering the COVID-19 pandemic programs. The effects of the pandemic relief programs on the agency’s financial statements have been significant, resulting in SBA receiving disclaimers of opinion for 5 years in a row. During this period, management

² GAO, GAO-25-107421, *Financial Audit: FY 2024 and FY 2023 Consolidated Financial Statements of the U.S. Government*, at 6 (January 16, 2025).

struggled to address unresolved internal control deficiencies in its financial reporting system, having as many as seven material weaknesses between FYs 2020 and 2024. SBA also received between 41 and 56 audit recommendations each of those years, many of which were repeated from prior audits due to the complexity of the issues facing the agency. In FY 2019, the year prior to the pandemic, the agency received 17 recommendations.

In early 2025, SBA managers finalized a Financial Statement Audit Remediation Strategy to attain a clean audit opinion on its balance sheet by the end of FY 2025. The Office of Performance, Planning, and the Chief Financial Officer developed this plan through discussions with program offices in December 2024, which aimed to prioritize specific areas for remediation. By enhancing its implementation agencywide, SBA could address the audit disclaimers and material weaknesses by seizing on recent efforts to communicate it as an agency priority and appointing a senior executive to lead the effort. We also recommend incorporating the remediation strategy into SBA's strategic plan and individual performance plans to ensure accountability.

By improving leadership oversight, communication, and accountability, SBA could attain a clean audit opinion and close long-standing recommendations, ultimately strengthening accountability, improving transparency, and ensuring taxpayer dollars are better managed for the benefit of the public.

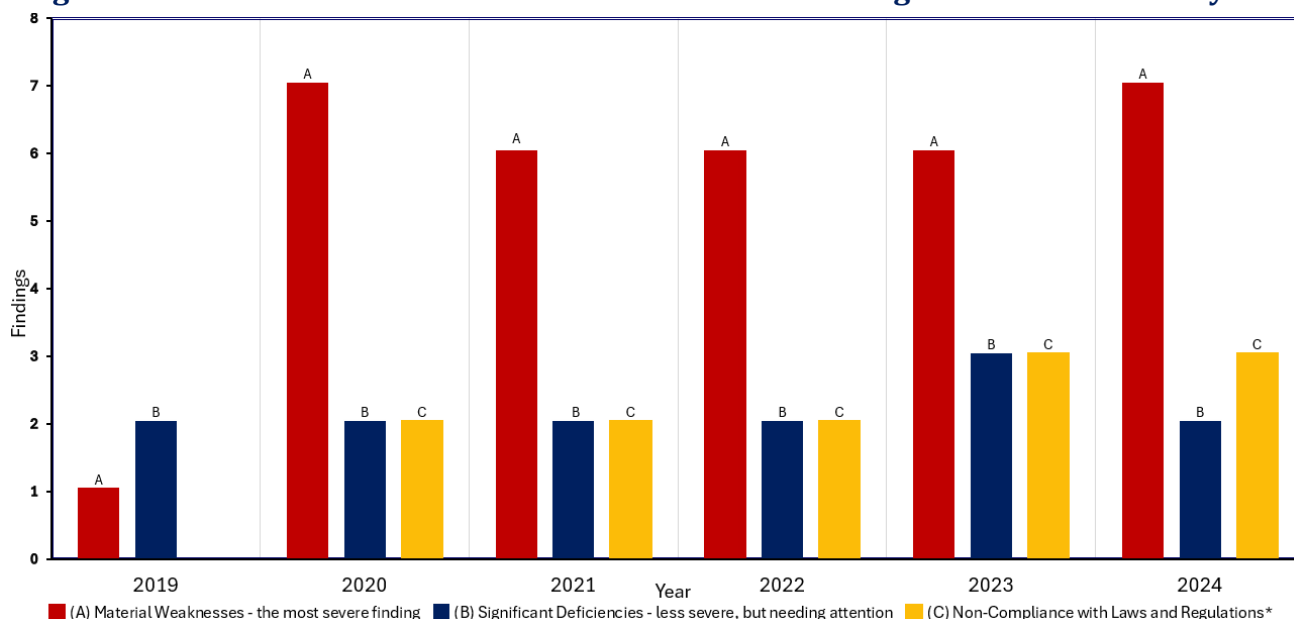
Finding: SBA Can Improve Its Remediation Strategy and Enhance Implementation Across the Agency

SBA last received a clean audit opinion on its FY 2019 consolidated financial statements. It then received a disclaimer of opinion for FY 2020 because the agency was not able to provide sufficient and appropriate audit evidence to validate significant account balances related to its COVID-19 pandemic relief programs. SBA received its fifth consecutive disclaimer of opinion for FY 2024, with multiple material weaknesses, significant deficiencies, and noncompliance with laws and regulations. In addition, SBA has received between 41 and 56 audit recommendations related to control deficiencies that have not yet been addressed. As a result, SBA has not presented audited financial statements since FY 2019.

Control Deficiencies Over Financial Reporting

The Office of Management and Budget (OMB) states that correcting internal control deficiencies is a fundamental part of management accountability and must be prioritized.³ Over the past 5 years, SBA has struggled with addressing long-standing internal control deficiencies. From FYs 2020 to 2024, SBA reported as many as seven material weaknesses, three significant deficiencies, and three issues of non-compliance with laws and regulations (see Figure 1).

Figure 1: SBA Audit Deficiencies From Pre-Pandemic Through Pandemic Recovery



*Federal Managers' Financial Integrity Act of 1982, Federal Financial Management Improvement Act of 1996, Debt Collection Improvement Act of 1996

Source: OIG analysis from deficiencies listed in SBA's FYs 2019–2024 financial statements audit reports

These deficiencies have contributed to SBA's five consecutive disclaimers because the agency has not been able to support a substantial number of transactions, making it impossible to validate key account balances. For example, the auditors have expressed concern over management's review of COVID-19 Economic Injury Disaster Loans (EIDL) with eligibility concerns, which has prevented the auditors from verifying the accuracy of the loan balance.

³ OMB, M-16-17, Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," at 35 (July 15, 2016).

The nature of SBA’s material weaknesses remained consistent throughout this period and involved controls over the following areas:

- COVID-19 relief transactions — including COVID-19 EIDLs, Paycheck Protection Program (PPP) loans, the Restaurant Revitalization Fund (RRF), and the Shuttered Venue Operators Grant (SVOG) program.
- Financial reporting of COVID-19 programs — including accounting for recovery of funds for the COVID-19 relief programs.
- Monitoring service organizations — including oversight of contractors and third-party vendors responsible for processing transactions or managing information systems.
- Entity-level controls — including weaknesses in risk assessment and monitoring processes and internal controls monitoring.

In FY 2024, SBA increased its count of material weaknesses from six to seven. The auditors elevated deficiencies in general information technology controls because SBA did not terminate a term employee’s access to financial systems in a timely manner.

Reoccurring Audit Findings and Recommendations

OMB directs federal agencies to prioritize the resolution of audit, inspection, and evaluation recommendations and implement corrective actions.⁴ SBA received 17 recommendations in FY 2019, the last year it received an unmodified audit opinion. The number of recommendations increased to 56 by FY 2024 (see Table 2).

⁴ OMB, M-25-01, Transmittal of Revised OMB Circular A-50, “Audit, Inspection, or Evaluation Follow-up,” at 3 (November 7, 2024).

Table 2: Number of Audit Recommendations From FYs 2020 to 2024

Deficiency Type by Year	2020	2021	2022	2023	2024
Material Weakness — the most severe finding	29	30	31	33	44
Significant Deficiency — less severe, but needing attention	12	7	7	15	5
Non-Compliance with laws and regulations*	5	4	4	7	7
Total	46	41	42	55	56

*Debt Collection Improvement Act of 1996, Federal Managers' Financial Integrity Act of 1982, Federal Financial Management Improvement Act of 1996

Source: OIG analysis from recommendations listed in the FYs 2020–2024 financial statements audit reports, as cited in our [Appendix 1: Scope and Methodology, Prior Audit Coverage](#)

Of the 56 recommendations issued in FY 2024, 44 of them (79 percent) were related to the seven material weaknesses. Notably, 33 of the 56 (59 percent) were repeated recommendations from the previous year's audit report. These recommendations were made by the auditor to help SBA remediate its audit deficiencies and improve its financial reporting and internal control environment.

Key Targets of the Financial Statement Audit Remediation Strategy

In early 2025, SBA managers finalized a Financial Statement Audit Remediation Strategy with the objective of obtaining a balance sheet opinion by the end of FY 2025, while securing an opinion on the other statements in future years. The agency developed corrective action plans for each audit finding but selected five key target areas they deemed easier to accomplish, or that covered the most high-dollar programs. The key target areas included:

- Refine governance to prioritize audit remediation,
- Develop and finalize policies of most critical programs,
- Demonstrate complete and accurate COVID-19 EIDL account populations,
- Enhance governance for system and organization controls, and
- Facilitate updates to relevant information systems.

Our analysis found the agency’s strategy to remediate its material weakness of overseeing contractors and third-party vendors substantially addresses the audit recommendations. However, other material weaknesses were not fully prioritized in the remediation strategy. For instance, aside from drafting new accounting policies for funds recovery and improving the audit governance structure, SBA elected not to prioritize the other recommendations for the material weaknesses for the PPP, the RRF, and SVOG program. Although SBA acknowledged the importance of these programs, the strategy instead concentrated resources on other areas.

For the COVID-19 EIDL accounting and internal controls material weakness, SBA’s plan was to develop a position paper explaining that SBA has identified loans with potential eligibility concerns through its verification process, but the agency has not developed a plan to perform a comprehensive review of all transactions flagged for eligibility concerns. The remediation of this severe audit finding is imperative because these are loans financed by taxpayer funds and the total COVID-19 EIDL portfolio exceeds \$268 billion (as of March 2025).

In addition, the entity-level controls material weakness was partially addressed through multiple key targets and the general information technology controls material weakness was indirectly addressed in Key Targets 1 and 2, but neither had a dedicated key target to fully address those findings. Further, SBA must still address the remaining three financial statements. Management has yet to set a timeline to obtain a clean audit opinion on all four of its financial statements.

Opportunities to Enhance Implementation of SBA’s Financial Statement Audit Remediation Strategy

We compared SBA’s audit remediation strategy with GAO’s framework for addressing high-risk areas⁵ and identified opportunities for SBA to make improvements in implementing its strategy. Leadership can continue demonstrating commitment to mobilizing action across the agency with

⁵ GAO, GAO-22-105184, *High-Risk Series: Key Practices to Successfully Address High-Risk Areas and Remove Them from the List*, (March 2022).

frequent top-level messaging that achieving an unmodified opinion is a top agency goal and by empowering a single leader or group to keep progress moving. Further, we found SBA's strategic objectives and employee performance plans could more effectively support the remediation effort, promoting accountability so that agency goals are achieved.

A remediation strategy that effectively leverages accountability measures to accomplish an important mission, reinforced with a clear message and sustained engagement from the top, reduces confusion from changing priorities and directives. This will help SBA address its planned key target areas, which is essential to reversing negative trends of repeated audit findings and demonstrating strong financial stewardship of taxpayer dollars.

Prioritized Mission

Principle 3 of GAO's *Standards for Internal Control in the Federal Government* states that clearly assigning responsibility and delegation of authority are key to achieving organizational objectives.⁶ Although SBA adopted its remediation strategy in January 2025, interviews across program offices disclosed that the agency had not formally designated a leader who was empowered to break silos across the agency and hold process owners accountable. The current de facto leader of the remediation effort is a director within the Office of Performance, Planning, and the Chief Financial Officer (OPPCFO); however, this person lacks the formal authority to enforce milestones of process owners or to direct program offices to prioritize the remediation goal, creating a structure that may confuse and therefore impede progress. Further, the Enterprise Risk Management Board, a leadership board tasked with overseeing the development and implementation of strategies to mitigate risk, only elevated the agency's financial statements as a high risk in November 2024. According to program officials we interviewed, the board will only take action if members decide to prioritize an issue.

Additionally, GAO cites an agency's capacity, such as having skilled staff and sufficient resources, as one of its five key criteria for addressing high-risk areas.⁷ In early 2025, one full-time federal employee and five full-time contractors were assigned to resolve audit deficiencies. Other federal personnel supported this effort in addition to their regular job duties. Recent administrative changes at SBA have resulted in reduced staffing — part of the broader effort to support the President's workforce optimization initiatives. SBA can better ensure that assigned

⁶ GAO, GAO-14-704G, *Standards for Internal Control in the Federal Government*, at 27 (September 2014).

⁷ GAO, GAO-22-105184, *High-Risk Series: Key Practices to Successfully Address High-Risk Areas and Remove Them from the List*, at 7 (March 2022).

staff have the expertise to handle complexities to perform accounting and financial reporting work by maximizing internal capacity for skilled staff. This is especially important since SBA will expand its remediation efforts to include the three other financial statements in future years.

GAO cites “Tone at the Top” as a pinnacle component for demonstrating commitment to driving integrity and ethical values, as well as driving agency directives.⁸ Interviews across multiple program offices revealed that SBA leadership had not consistently communicated and prioritized the charge to reverse disclaimers. Only recently (February 2025) did agency personnel take note of the Administrator’s “Day One Priorities” that outlined a call to action for restoring credibility of SBA’s financial statements. Additionally, the agency recently cited eliminating wasteful spending, cracking down on fraud, and remediating its financial statements as top goals in May 2025.⁹ SBA can build on its efforts by following the example of the U.S. Marine Corps, which overcame years of disclaimers and achieved its first clean audit opinion in FY 2023.

Interviews we conducted for this evaluation highlighted the pivotal role of leadership and “Tone at the Top” in overcoming audit challenges. Leadership clearly and consistently signaled that audit remediation was a top priority by using a multi-channel communication strategy — including video messaging, emails, and internal site postings — to ensure that all agency personnel understood the goal and to stress that leadership considered it a top priority. SBA can benefit from these strategies by expanding its messaging and internal communication about audit remediation goals.

OMB guidance states that auditors are responsible for keeping management informed about risks they detect.¹⁰ However, several SBA officials stated they did not invite the independent public auditors to present financial statements audit results to the agency’s Enterprise Risk Management Board, even though the repeated disclaimers and material weaknesses significantly affect risk. Communication could also be improved between SBA and OIG. We learned about SBA’s new remediation strategy only after reading about it in a GAO report.¹¹

⁸ GAO, GAO-14-704G, *Standards for Internal Control in the Federal Government*, at 22 (September 2014).

⁹ SBA, *FY 2026 Congressional Budget Justification FY 2026 Annual Performance Plan*, (May 30, 2025).

¹⁰ OMB, M-16-17, Circular A-123, “Management’s Responsibility for Enterprise Risk Management and Internal Control,” at 21 (July 15, 2016).

¹¹ GAO, GAO-25-107743, *High Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness*, at 92 (February 2025).

Accountability Measures

The Government Performance and Results Act Modernization Act of 2010 requires federal agencies to establish a balanced set of performance measures to assess progress toward each performance goal, and to report on the success of those goals.¹² OMB guidance reinforces this requirement by establishing the Federal Performance Framework to implement this Act, so agencies would tie performance measures to strategic objectives when requesting a budget for staffing and resources for the new program year.¹³ In alignment with this framework, SBA's strategic plan for FYs 2022–2026 included a strategic measure to reduce the number of material weaknesses identified in the financial statements, which SBA reported on in its *Fiscal Year 2024 Annual Performance Report* during these years.

However, SBA did not meet its performance targets from FY 2022 to FY 2024. In each year, SBA aimed to remediate a number of material weaknesses only to end the year with either the same number it began with, or in the case of FY 2024, more. Despite not meeting its targets for the current or preceding fiscal years, SBA reported that it was making progress toward its goals in its *Annual Performance Report* without providing additional clarification of its progress.

OMB requires that senior leaders and managers develop results-based individual performance plans that are aligned to and support agency goals and priorities.¹⁴ In reviewing performance plans for senior officials across several program offices, we found agency-specific performance requirements did not include substantive requirements to address material weaknesses or the disclaimers of opinion. Instead, the performance requirements were generalized, such as analyzing audit reports or supporting the audit process in a timely manner. The performance plans for chief financial officer officials emphasized small business contracting goals, rather than ensuring for accurate reporting for financial compliance, which is central to the Chief Financial Officers Act.

If individual performance plans do not include specific requirements related to the remediation efforts, employees will not be held accountable to fulfill agency expectations for obtaining a clean audit opinion. By incorporating specific and measurable targets that directly align with the remediation strategy, SBA can better report about its progress toward obtaining a clean audit opinion to external stakeholders.

¹² Pub. L. No. 111-352.

¹³ OMB, Circular A-11, "Preparation, Submission, and Execution of the Budget," at 1 of section 200 (July 2024).

¹⁴ OMB, Circular A-11, "Preparation, Submission, and Execution of the Budget," at 14 of section 200 (July 2024).

Conclusion

SBA received five consecutive disclaimers of opinion starting in FY 2020 because of persistent internal control issues resulting from challenges in administering the COVID-19 pandemic programs. Remediating all material weaknesses and obtaining a clean audit opinion on all financial statements is imperative for improving the internal control environment, data quality, and financial stewardship at SBA, as well as allowing management to focus efforts on the agency's mission of supporting the small business community. Management developed and is carrying out its Financial Statement Audit Remediation Strategy to remediate audit findings; however, more work is required to remediate all findings and obtain a clean audit opinion on all four of the financial statements.

Recommendations

To address the issues identified, we recommend the Administrator:

Recommendation 1: Designate a senior executive to lead the effort to receive a clean audit opinion by granting agencywide authority to issue directives, monitor compliance, and enforce remediation priorities across all program offices.

Recommendation 2: Leverage best practices to implement a plan for using consistent, frequent communication to ensure all agency personnel are made aware of the agencywide commitment to obtain an unmodified audit opinion.

We recommend the Administrator direct the Chief Financial Officer of the OPPCFO to:

Recommendation 3: Integrate the agencywide goal of remediating the financial statements into SBA's strategic plan and set specific, measurable targets in the agency's annual performance plan.

Recommendation 4: Implement a process to conduct data-driven reviews regularly using defined audit remediation goals to align program leaders' personal performance plans with outcome-based remediation goals to hold leaders accountable for improving program data quality, in accordance with OMB Circular A-11, Part 6.

Evaluation of Agency Response

SBA management provided formal written comments to the draft report that are included in their entirety in Appendix 2. Management agreed with all four recommendations, and their planned actions are sufficient to resolve Recommendations 2, 3 and 4 but did not resolve Recommendation 1. Management indicated their proposed dates for final action in Integrity, the system used to track audit follow-up activities. We will attempt to reach a resolution with management on Recommendation 1 in accordance with our audit follow-up policy.

Summary of Actions Necessary to Close the Recommendations

The following section summarizes the status of our recommendations and the actions necessary to close them.

Recommendation 1

Designate a senior executive to lead the effort to receive a clean audit opinion by granting agencywide authority to issue directives, monitor compliance, and enforce remediation priorities across all program offices.

Status: Unresolved

SBA management agreed with the recommendation, pointing to the Financial Statement Audit Management Project Charter, signed by the Administrator in July 2024, that defined roles and responsibilities for the financial statement audit process. Further, the charter designated OPPCFO as the centralized responsible party overseeing all financial audit activities including readiness, remediation, and sustainment efforts. Management also stated that the CFO collaborates with senior leadership to align the audit program with strategic objectives and risk management, demonstrated in ways such as holding weekly meetings with the Administrator, Deputy Administrator, and other senior leadership. Management stated that it has already implemented the recommendation as of September 8, 2025.

However, management's proposed action in referencing the July 2024 project charter does not address the underlying need for establishing a clear reporting structure to enforce remediation priorities across all program offices. During fieldwork, we reviewed the project charter and documents related to enterprise risk activities. Specifically, we noted that SBA's project charter in July 2024 sought to remedy a decentralized approach, and therefore designated OPPCFO as the central office to lead the charge of the financial statement audit process. However,

according to November 2024 Enterprise Risk Management Board minutes, OPPCFO received approval to add the Office of Capital Access and the Office of Disaster Recovery and Resilience as joint risk owners, effectively reversing OPPCFO's designation as the central leader of the effort — made just 4 months prior by the charter. Thus, the charter's assignment of ownership, now diluted, makes it unclear which program office has the overall authority.

This recommendation is unresolved. We will attempt to reach a resolution with SBA management in accordance with our audit follow-up policy.

Recommendation 2

Leverage best practices to implement a plan for using consistent, frequent communication to ensure all agency personnel are made aware of the agencywide commitment to obtain an unmodified audit opinion.

Status: Resolved

SBA management agreed with the recommendation, stating that through the Administrator's "Day One Priorities" memo, the importance of prioritizing the financial statements audit has been communicated to all agency personnel. In addition, the Chief Financial Officer currently holds monthly meetings with OPPCFO personnel, process owners, and program officials. These monthly meetings allow leadership to communicate about progress being made on audit remediation and to identify risks to audit progress, while also facilitating decision making at the leadership level. Further, SBA management stated that the FY 2026-2030 Strategic Plan (currently being finalized), will prioritize goals for strengthening financial integrity and accountability. Specifically, the plan will include a strategic objective that focuses on addressing material weaknesses and strengthening internal controls to improve audit outcomes. The strategic plan will clearly state that addressing material weaknesses identified from annual financial audits is a top agency priority and will articulate the strategies SBA will follow to resolve open audit findings.

Management's planned corrective actions resolve this recommendation. This recommendation can be closed once management provides evidence that they implemented consistent, frequent communication to ensure all agency personnel are aware of the commitment to obtaining an unmodified opinion.

Recommendation 3

Integrate the agencywide goal of remediating the financial statements into SBA's strategic plan and set specific, measurable targets in the agency's annual performance plan.

Status: Resolved

SBA management agreed with this recommendation, stating that it is currently finalizing the FY 2026-2030 Strategic Plan, which will prioritize strengthening financial integrity and accountability. Further, management stated that the agency will develop internal performance measures that will focus on audit remediation performance to ensure accountability. Management stated that it has already implemented the recommendation as of September 8, 2025.

Management's planned corrective actions resolve this recommendation. While management's response indicated this recommendation has already been implemented, the response points to corrective actions that are currently in process. The recommendation can be closed when management provides evidence it finalized the FY 2026-2030 Strategic Plan, to include specific, measurable targets for audit remediation outcomes, so that both agency personnel and external stakeholders are more aware of the progress in fixing internal control deficiencies in financial statement reporting.

Recommendation 4

Implement a process to conduct data-driven reviews regularly using defined audit remediation goals to align program leaders' personal performance plans with outcome-based remediation goals to hold leaders accountable for improving program data quality, in accordance with OMB Circular A-11, Part 6.

Status: Resolved

SBA management agreed with this recommendation, stating that OPPCFO will partner with the Office of Human Resources Solutions and senior leaders to ensure program leaders' personal performance plans are updated with outcome-based remediation goals. Management plans to update individual performance plans and complete final action by March 31, 2026.

This recommendation can be closed once management provides evidence that they updated program leaders' personal performance plans with outcome-based goals that are tied to the financial statements audit remediation efforts.

Appendix 1: Scope and Methodology

This report presents the results of our evaluation to assess the U.S. Small Business Administration's (SBA) controls to address financial statements audit disclaimers and material weaknesses. To answer our objective, we reviewed SBA's financial statements audit reports, Financial Statement Audit Remediation Strategy, and internal policies. We also examined agendas from monthly audit remediation meetings, Enterprise Risk Management Board documents, including the charter, meeting agendas, and member lists and attendance records. We also reviewed SBA's 2022–2026 Strategic Plan, Annual Performance Results, and well as performance plans, position descriptions, and other personnel documents relevant to the duties required in the Chief Financial Officers Act of 1990. Our scope of work covered SBA's financial statements audit results from fiscal years 2020 to 2024. Our review of the remediation strategy was limited to understanding it as part of management's controls and policies for addressing financial reporting weaknesses, we did not determine whether the plan will ultimately remediate the audit findings.

We interviewed SBA officials across program offices in the Office of Performance, Planning, and the Chief Financial Officer, Office of Capital Access, and Office of Disaster Recovery and Resilience to gain an understanding of the history of initiatives taken to advance the financial statements audit remediation effort. Furthermore, we interviewed officials from peer agencies to better understand best practices for overcoming audit disclaimers, including at the U.S. Marine Corps, the Office of the Inspector General at the U.S. Department of Defense, and the Office of Inspector General at the U.S. Department of Housing and Urban Development. Additionally, we discussed SBA's audit disclaimers and material weaknesses with staff from the independent public auditor.

We performed this evaluation in alignment with OIG quality control standards and the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Inspection and Evaluation*. The standards require we plan and perform a review to obtain sufficient and appropriate evidence to provide a reasonable basis for our conclusions and observations based on our objective. We believe the evidence obtained provides a reasonable basis for our conclusions and observations based on our objective.

Use of Computer-Processed Data

We did not rely on any reports or data extracted from SBA's systems during our evaluation.

Prior Audit Coverage

This table lists OIG's previous audit coverage and Government Accountability Office reports related to the objectives of this report:

Report Number	Report Title	Report Date
GAO-25-107743	<i>High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness</i>	February 25, 2025
GAO-25-107421	<i>Financial Audit: FY 2024 and FY 2023 Consolidated Financial Statements of the U.S. Government</i>	January 16, 2025
SBA OIG 25-05	<i>Independent Auditors' Report on SBA's FY 2024 Financial Statements</i>	November 15, 2024
SBA OIG 25-01	<i>Top Management and Performance Challenges Facing the Small Business Administration in FY 2025</i>	October 15, 2024
GAO-24-107299	<i>Priority Open Recommendations: Small Business Administration</i>	May 31, 2024
SBA OIG 24-03	<i>Independent Auditors' Report on SBA's FY 2023 Financial Statements</i>	November 15, 2023
GAO-23-106203	<i>High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to fully Address All Areas</i>	April 20, 2023
SBA OIG 23-02	<i>Independent Auditors' Report on SBA's FY 2022 Financial Statements</i>	November 15, 2022
GAO-22-105184	<i>High-Risk Series: Key Practices to Successfully Address High-Risk Areas and Remove Them from the List</i>	March 3, 2022
SBA OIG 22-05	<i>Independent Auditors' Report on SBA's FY 2021 Financial Statements</i>	November 15, 2021
GAO-21-119SP	<i>High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas</i>	March 2, 2021

SBA OIG 21-04	<i>Independent Auditors' Report on SBA's FY 2020 Financial Statements</i>	December 18, 2020
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Appendix 2: Agency Response

U.S. Small Business Administration
Response to Report



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

Date: September 10, 2025

To: Sheldon Shoemaker
Deputy Inspector General
U.S. Small Business Administration

From: Nathan Davis
Chief Financial Officer & Chief Risk Officer
Office of Performance, Planning, and the Chief Financial Officer

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NATHAN DAVIS
Date: 2025.09.15 22:05:12
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Subject: Response to OIG Draft Report – Evaluation of SBA’s Controls to Address Financial Statement Audit Disclaimers and Material Weaknesses (Project 25005)

We appreciate the role the Office of Inspector General (OIG) plays in working with management in ensuring that our programs are effectively managed and for the feedback provided in this draft report. We offer the responses to the draft recommendations:

To address the issues identified, OIG recommends the Administrator:

Recommendation 1:

Designate a senior executive to lead the effort to receive a clean audit opinion by granting agencywide authority to issue directives, monitor compliance, and enforce remediation priorities across all program offices.

SBA Response:

This recommendation has already been implemented. The Financial Statement Audit Management Project Charter was signed by the Administrator on July 19, 2024. To improve accountability, the Project Charter defined roles and responsibilities for management of the financial statement audit process. The OPPCFO is identified as the centralized responsible party overseeing all financial statement audit activities including readiness, remediation and sustainment efforts. The Project Charter identifies that the Chief Financial Officer and Chief Risk Officer are charged with collaborating with senior leadership to align the audit program with strategic objectives and risk management. This collaboration occurs in many forms, including a weekly Boardroom meeting between the Administrator, the Deputy Administrator and other senior leadership (which comprises the Chief Financial Officer).

Recommendation 2:

Leverage best practices to implement a plan for using consistent, frequent communication to ensure all agency personnel are made aware of the agencywide commitment to obtain an unmodified audit opinion.

SBA Response:

This recommendation has already been implemented. Administrator Loeffler’s Day One Priorities Memo communicated the agency-wide financial statement audit priority with all agency personnel. The Chief Financial Officer/Chief Risk Officer and OPPCFO hold monthly process owner’s meetings

with program office leadership to communicate audit remediation progress, identify risks to audit progress and facilitate leadership decision making. In addition, the SBA's FY 26-30 Strategic Plan (currently being finalized) prioritizes strengthening financial integrity and accountability as goal two of the draft plan. Strategic Objective 2.4 focuses on addressing material weaknesses and strengthening internal controls to improve audit outcomes. Moreover, the strategic plan clearly states that addressing material weaknesses identified in annual financial audits is a top priority for the agency and articulates the strategies that the agency will take to resolve outstanding financial audit findings.

Additionally, SBA previously had a strategic goal which prioritized implementing strong stewardship of resources for greater impact and included strategic measures assessing Financial Statement audit remediation efforts in FY25. Currently, executive performance plans also include an element highlighting the importance of enterprise integrity and audit responsibilities, signifying the Agency's commitment to audit remediation efforts.

To address the issues identified, OIG recommends the Administrator direct the CFO to:

Recommendation 3:

Integrate the agencywide goal of remediation the financial statements into SBA's strategic plan and set specific, measurable targets in the agency's annual performance plan.

SBA Response:

This recommendation has already been implemented. Currently, SBA is finalizing the FY 2026-2030 Strategic Plan which will prioritize strengthening financial Integrity and accountability. Internal performance measures will be developed that focus on agency audit remediation performance to ensure forward progress and accountability. Additionally, performance measures around audit recommendations are included in the FY 2026 Performance Plan.

Recommendation 4:

Implement a process to conduct data-driven reviews regularly using defined audit remediation goals to align program leaders' personal performance plans with outcome-based remediation goals to hold leaders accountable for improving program data quality, in accordance with OMB Circular A-11, Part 6.

SBA Response:

SBA concurs with this recommendation. The OPPCFO will partner with OHRS and senior leaders to ensure that program leaders' personal performance plans are updated with outcome-based remediation goals.