



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

MEMORANDUM

DATE: May 15, 2026

TO: Kelly Loeffler
Administrator

FROM: William W. Kirk
Inspector General

A handwritten signature in black ink that reads "Willi W. K." with a stylized flourish at the end.

SUBJECT: Independent Auditors' Report on SBA's Fiscal Year 2025 Compliance With the Payment Integrity Information Act of 2019 (Report 26-09)

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) 2025 compliance with the Act. The auditor was engaged to review the payment integrity section of SBA's *Agency Financial Report Fiscal Year 2025* 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 *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 complete and accurate root causes and tolerable rates for all applicable programs, including Section 1112 payments and disaster assistance loans, and ensure they agreed with accompanying materials and supporting documentation for FY 2025.
- Perform or document updated required risk assessments for all applicable programs in FY 2025.
- Design and implement adequate review procedures to produce reliable sample results that supported accurate improper and unknown payment estimates for Paycheck Protection Program (PPP) loan guaranty purchases.

- Provide sufficient documentation to support corrective action plans or ensure those plans aligned with root causes for PPP loan guaranty purchases.
- Ensure published root causes and reduction targets were accurately disclosed, published, and consistent with accompanying materials for all applicable programs, including 7(a) loan guaranty approvals, 7(a) loan guaranty purchases, 504 Certified Development Company loan approvals, disaster assistance loans, PPP loan forgiveness, and PPP loan guaranty purchases, and Section 1112 payments.
- Improve improper and unknown payment rates or meet established reduction targets for 7(a) loan guaranty approvals, 504 Certified Development Company loan approvals, disaster assistance loans, PPP loan forgiveness, and PPP loan guaranty purchases.
- Submit all required quarterly information to OMB for PPP loan forgiveness and PPP loan guaranty purchases.
- Publish improper payment and unknown payment rate estimates less than 10 percent for the PPP loan forgiveness, PPP loan guaranty purchases, and Shuttered Venue Operators Grant programs and include the required program integrity proposals in the congressional budget justification for the PPP loan forgiveness and PPP loan guaranty purchases programs.

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.

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, 2026 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*.

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: Bill Briggs, Deputy Administrator, Office of the Administrator
Wesley Coopersmith, Chief of Staff, Office of the Administrator
Nathan Davis, Chief Financial Officer and Chief Risk Officer, Office of Performance, Planning,
and the Chief Financial Officer
Alex H. Wilson, Acting Deputy Chief Financial Officer, Office of Performance, Planning, and
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Thomas Kimsey, Associate Administrator, Office of Capital Access
Chris Stallings, Associate Administrator, Office of Disaster Recovery and Resilience
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 2025 Compliance with the Payment Integrity
Information Act of 2019

Prepared for: U.S. Small Business Administration, Office of Inspector General
Date: May 15, 2026

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 November 20, 2025, and May 15, 2026, and our results are as of May 15, 2026.

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) 2025.

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

We determined that SBA was not compliant with PIIA. See Table 1 for a summary of SBA's compliance with the PIIA for FY 2025 for programs and activities reported by SBA in the FY 2025 AFR and accompanying materials. See Section III. Results and Conclusions for our detailed findings.



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	Compliant	Not 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	Not Compliant	Compliant	Not Applicable	Not Applicable	Compliant	Not Compliant	Not Compliant	Not Compliant	Compliant	Compliant
Paycheck Protection Program (PPP) Loan Forgiveness	Compliant	Compliant	Not Applicable	Not Applicable	Compliant	Compliant	Not Compliant	Not Compliant	Not Compliant	Not Compliant
Paycheck Protection Program (PPP) Loan Guaranty Purchases	Compliant	Compliant	Not Applicable	Not Applicable	Not Compliant	Not Compliant	Not Compliant	Not Compliant	Not Compliant	Not Compliant
Section 1112 Payments	Not Compliant	Compliant	Not Applicable	Not Applicable	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Compliant
Shuttered Venue Operators Grant (SVOG)	Compliant	Compliant	Not Applicable	Not Applicable	Compliant	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Compliant

As presented in Table 1, we determined the following requirements to be Not Applicable for certain programs:

- 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 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 SBA did not perform and document updated risk assessments for all applicable programs in FY2025. As a result, we could not determine whether additional programs and activities should have been included in Table 1. We have determined SBA to be non-compliant with this requirement. See Section III for further details.
- Compliance requirements for 4, 5a and 5c are not applicable for the Section 1112 payments and SVOG program since payments for these programs ended prior to the FY 2025 reporting period.



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

Our results and conclusions are described in Section III. Further, our identified internal control deficiencies and related recommendations are described 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, 2026

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, 2025, 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) 2025 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 2025.

Scope

The scope of our performance audit was SBA's FY 2025 improper payments and reporting data in the payment integrity section of the agency's FY 2025 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 agency staff from SBA's Offices of Performance, Planning, and the Chief Financial Officer, Capital Access, and Disaster Recovery and Resilience that performed the improper payment reviews;
- collected and inspected documentation and evidence provided by SBA, and
- participated in the improper payments reporting process and internal 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 internal 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, which 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, 2025.

- Not Compliant. SBA did not appropriately disclose payment integrity information. Specifically, for Section 1112 payments, the improper payment breakdown (i.e. overpayments outside the agency control) disclosed within the FY 2025 AFR did not agree to the accompanying materials and no root cause(s) were reported within the AFR. Further, for the Disaster Assistance Loan program, the tolerable rates disclosed were not correct because the AFR reflected FY 2026 tolerable rates and did not reflect the FY 2025 tolerable rates and the corresponding supporting documentation.

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

- Compliant. SBA posted the AFR and accompanying materials 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.

- Not Compliant. SBA did not perform and document updated risk assessments for all applicable programs for FY2025.

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.

- Not Compliant. SBA did not perform and document updated risk assessments for all applicable programs for FY2025.

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 PPP Loan Guaranty Purchases program. Specifically, the interest portion for each PPP Loan Guaranty Purchases sample payment was not tested for accuracy as part of the review procedures for the activities.

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. Management did not provide sufficient documentation to support the execution of corrective actions reported in the AFR for the PPP Loan Guaranty Purchases program.

Furthermore, for the 7(a) Loan Guaranty Purchases, Disaster Assistance Loans, and PPP Loan Guaranty Purchases programs, the root causes disclosed in the AFR did not agree to the root causes disclosed in the accompanying materials. Because the root causes were not properly disclosed, the resulting corrective action plans did not fully align to the root causes and address the program deficiencies.

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 Table 1 of the AFR for all applicable programs for FY 2026.

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, 504 Certified Development Loan Approvals, and Disaster Assistance Loan programs as evidenced by the increase in the improper and unknown payment estimates between FYs 2024 and 2025. In addition, SBA did not meet the reduction targets established for 7(a) Loan Guaranty Approvals, 504 Certified Development Loan Approvals, Disaster Assistance Loans, PPP Loan Forgiveness, and PPP Loan Guaranty Purchases activities.

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

- Not Compliant. SBA did not submit the required quarterly scorecard information to the Office of Management and Budget (OMB) for the PPP Loan Forgiveness and PPP Loan Guaranty Purchases programs (designated as High Priority Programs). These submissions are mandatory under PIIA reporting requirements because the scorecards contain the corrective actions necessary to achieve established improper payment and unknown payment reduction targets.

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 Shuttered Venue Operators Grant (SVOG) programs and activities. Further, the PPP Loan Forgiveness and PPP Loan Guaranty Purchases programs entered their second consecutive year of non-compliance. We found that SBA did not include the required program integrity proposals in their Congressional Budget Justification, which resulted in non-compliance.

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 2025 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 SVOG	1. The preventive controls implemented to reduce improper payments and obtain sufficient documentation for PPP Loan Forgiveness, PPP Loan Guaranty Purchases, and SVOG programs and activities were not effective because the improper and unknown payment rates reported exceed the statutory compliance threshold of 10%. (NFR Condition 1)
7(a) Loan Guaranty Approvals 504 Certified Development Loan Approvals Disaster Assistance Loans	2. The preventive controls implemented to reduce improper payments were not effective because the gross improper payment and unknown payment rate increased from FY 2024 to FY 2025. (NFR Condition 2)

Program or Activity	Control Deficiencies
7(a) Loan Guaranty Approvals 504 Certified Development Loan Approvals Disaster Assistance Loans PPP Loan Forgiveness PPP Loan Guaranty Purchases	3. The preventive controls to reduce improper payments were not effective because the reduction targets established for FY 2025 were not met. (NFR Condition 3)
Various programs	4. Updated program specific risk assessments were not performed and documented in FY2025. (NFR Condition 4)
SVOG	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. (NFR Condition 5)
PPP Loan Forgiveness SVOG	6. There were not adequate review controls designed and implemented to ensure the margins of error reported in the accompanying materials were accurate. (NFR Condition 6)
PPP Loan Guaranty Purchases	7. Management did not provide sufficient documentation to support the monitoring of corrective actions reported in the AFR. (NFR Condition 7)
7(a) Loan Guaranty Approvals 7(a) Loan Guaranty Purchases 504 Certified Development Loan Approvals Disaster Assistance Loans PPP Loan Forgiveness PPP Loan Guaranty Purchases Section 1112 Payments	8. The review controls designed and implemented to ensure the improper and unknown payment root causes, reduction targets within Table 1, overpayment categorization and tolerable rates presented in the AFR and in the accompanying materials were accurate were not adequate. Further, there was a lack of communication with oversight bodies to ensure proper classification and transmission of data in the accompanying materials for the Disaster Assistance Loan program. (NFR Conditions 8, 9, 10 & 11)
PPP Loan Guaranty Purchases	9. The procedures used by management to test samples in accordance with PIIA requirements were not appropriate. Specifically, the interest portion of each sample payment was not tested for accuracy. (NFR Condition 12)

Program or Activity	Control Deficiencies
PPP Loan Forgiveness PPP Loan Guaranty Purchases	10. High Priority program scorecards which contain the corrective actions necessary to achieve established improper payment and unknown payment reduction targets were not published for all required quarters. (NFR Condition 13)
PPP Loan Forgiveness PPP Loan Guaranty Purchases	11. Integrity proposals were not published within the Congressional Budget Justification for programs that are in their second year of non-compliance. (NFR Condition 14)

B. RECOMMENDATIONS

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

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

- Design and implement formalized risk assessment processes to ensure all programs are assessed to meet PIIA reporting objectives. **(Deficiency 4; Modified FY2023 Recommendation 3)**
- Design and implement a formalized review and validation process over the accuracy of the AFR and accompanying materials to meet PIIA reporting objectives. **(Deficiency 8; Modified FY2023 Recommendation 3)**
- Design and implement formalized policies and procedures to effectively support and provide information for the required publication of High-Priority Program scorecards. **(Deficiency 10; Modified FY2023 Recommendation 3)**
- 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)**
- Improve monitoring procedures to ensure PIIA compliance and reporting requirements are considered when a program is non-compliant for multiple consecutive years. **(Deficiency 11; new recommendation)**

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

- Design and implement the appropriate preventive and monitoring controls to determine the eligibility of loans prior to 7(a) and 504 loan approvals and payments, Disaster disbursements, PPP loan forgiveness, and PPP loan guaranty purchases. **(Deficiency 2 & 3; FY2023 Recommendation 5)**
- Design and implement adequate review procedures to ensure that the sample is supported by underlying documentation and the results meet the PIIA objectives. **(Deficiency 9; FY2023 Recommendation 9)**
- Design and implement formal monitoring procedures to establish an audit trail that verifies the successful implementation of corrective actions for improper and unknown payments. **(Deficiency 7; modified FY2023 Recommendation 10)**
- Design and implement monitoring controls that strengthen SBA's ability to obtain required documentation from lenders and recipients to satisfy agency requirements and achieve PIIA reporting objectives. **(Deficiency 1; FY2023 Recommendation 4)**

V. APPENDIX I: MANAGEMENT'S RESPONSE TO REPORT





U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

DATE: May 13, 2026

TO: William Kirk, Inspector General

FROM: Nathan Davis, Associate Administrator, Chief Financial Officer and Chief Risk Officer

Thomas Kimsey, Associate Administrator, Office of Capital Access

SUBJECT: Response to Audit: Performance Audit of the U.S. Small Business Administration's Fiscal Year (FY) 2025 Compliance with the Payment Integrity Information Act of 2019

The Small Business Administration (SBA) appreciates the opportunity to review and respond to the Performance Audit of the U.S. Small Business Administration's Fiscal Year 2025 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 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 design and implement formalized risk assessment processes to ensure all programs are assessed to meet PIIA reporting objectives.

SBA Response: The Office of Chief Financial Officer (OCFO) concurs with this recommendation. OCFO has already redesigned the risk assessment process to ensure all PIIA risk factors are adequately assessed and that programs are assessed at the required frequencies in accordance with PIIA reporting requirements.

Recommendation 2: We recommend the Administrator coordinate with the Chief Financial Officer to design and implement a formalized review and validation process over the accuracy of the AFR and accompanying materials to meet PIIA reporting objectives.

¹ Payment Integrity Information Act (2019)

SBA Response: OCFO concurs with this recommendation. OCFO will design a formalized review and validation process to strengthen oversight over the accuracy and completeness of the AFR and accompanying materials supporting PIIA. The process will contain review procedures and defined roles and responsibilities for review.

Recommendation 3: We recommend the Administrator coordinate with the Chief Financial Officer to design and implement formalized policies and procedures to effectively support and provide information for the required publication of High-Priority Program scorecards.

SBA Response: OCFO concurs with this recommendation. SBA is actively coordinating with OMB to discuss the potential for submitting the omitted information through an off-cycle reporting process to ensure a complete and accurate representation of Payment Accuracy results. Additionally, SBA will design a formalized monitoring process to strengthen oversight over the High-Priority Program scorecards.

Recommendation 4: We recommend the Administrator coordinate with the Chief Financial Officer 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.

SBA Response: OCFO concurs with this recommendation. OCFO will institute standardized processes, maintained under change control and subject to validation and back testing, for the extrapolation of error rates and the calculation of other relevant statistical measures including estimated variance, standard deviation, confidence interval lower & upper bounds, recalculation of the margin of error, and the calculation of reduction targets and tolerable rates. OCFO will institute a final review process of all statistical calculations to ensure accuracy.

Recommendation 5: We recommend the Administrator coordinate with the Chief Financial Officer to improve monitoring procedures to ensure PIIA compliance and reporting requirements are considered when a program is non-compliant for multiple consecutive years.

SBA Response: OCFO concurs with this recommendation. OCFO will design a formalized monitoring process to ensure that all PIIA non-compliance reporting requirements are met as required.

Recommendation 6: We recommend the Administrator coordinate with the Associate Administrator of the Office of Capital Access to design and implement the appropriate preventive and monitoring controls to determine the eligibility of loans prior to 7(a) and 504 loan approvals and payments, Disaster disbursements, PPP loan forgiveness, and PPP loan guaranty purchases.

SBA Response: OCA concurs with this recommendation. SBA will continue to implement preventive and monitoring controls to reduce improper payments for all programs.

Recommendation 7: We recommend the Administrator coordinate with the Associate Administrator of the Office of Capital Access to design and implement adequate review procedures to ensure that the sample is supported by underlying documentation and the results meet the PIIA objectives.

SBA Response: OCA concurs with this recommendation. To date, SBA has not encountered an issue with the current review procedures. However, in order to better address the concerns raised by KPMG, SBA will expand its review procedures to ensure that the sample is supported by underlying documentation, and the results meet the PIIA objectives.

Recommendation 8: We recommend the Administrator coordinate with the Associate Administrator of the Office of Capital Access to design and implement formal monitoring procedures to establish an audit trail that verifies the successful implementation of corrective actions for improper and unknown payments.

SBA Response: OCA concurs with this recommendation. SBA has operationalized corrective actions from prior years through the functioning of relevant processes identified in the corrective actions. In order to better evidence the implementation of corrective actions going forward, SBA will design and implement formal monitoring procedures to establish an audit trail that verifies the successful implementation of corrective actions for improper and unknown payments.

Recommendation 9: 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 lenders and recipients to satisfy agency requirements and achieve PIIA reporting objectives.

SBA Response: OCA concurs with this recommendation. SBA will design and implement controls to strengthen SBA's ability to obtain required documentation from lenders and recipients to satisfy agency requirements and achieve PIIA reporting objectives.