

INSPECTION REPORT

INSPECTION OF SBA'S INITIAL DISASTER ASSISTANCE RESPONSE TO HURRICANE HARVEY





EXECUTIVE SUMMARY

INSPECTION OF SBA'S INITIAL DISASTER ASSISTANCE RESPONSE TO HURRICANE HARVEY

Report
No. 18-10

January 19,
2018

What OIG Reviewed

This report presents the results of our inspection of the Small Business Administration's (SBA's) initial disaster assistance response to Hurricane Harvey. Hurricane Harvey, a Category 4 hurricane, first made landfall on August 25, 2017. It devastated much of southeastern Texas and affected residents of Louisiana, Mississippi, Tennessee, and Kentucky, impacting about 13 million people. Within fewer than 25 days after Hurricane Harvey, two additional major Hurricanes (Irma and Maria) also had devastating effects on the United States and its territories.

Our objective was to assess SBA's initial disaster assistance response to Hurricane Harvey, including staffing adequacy, loan application volume, and timeliness of disaster loan approvals.

To answer our objective, we evaluated SBA's response to Hurricane Harvey during the first 2 months following the disaster. Specifically, we interviewed SBA Office of Disaster Assistance (ODA) officials to discuss staffing, disaster loan application processing, and the loan application backlog. We also reviewed applicable laws and regulations, SBA's standard operating procedures (SOPs), including SOP 50 30 8, and other ODA operating and training guidance. In addition, we conducted on-site visits in Texas at 21 Disaster Recovery Centers (DRCs) and 3 Business Recovery Centers (BRCs), to determine SBA's initial disaster assistance to Hurricane Harvey survivors. We analyzed data to assess loan application volume and processing times, and to determine the backlog.

What OIG Found

Overall, we found that SBA initial response to Hurricane Harvey was expeditious. Within 9 days after Hurricane Harvey was declared a disaster, SBA provided 33 staff for 2 DRCs set up by the Federal Emergency Management Agency in Texas, and it independently opened a BRC. By the end of October 2017, SBA's ODA had more than quadrupled its staff to 4,310 employees and had operated 84 recovery centers. As of November 2, 2017, ODA had served 60,694 Hurricane Harvey disaster survivors.

Despite its quick initial response, due to the magnitude of the three successive hurricanes impacting the United States and its territories between August 25 and September 20, 2017, SBA was unable to meet all of its goals for disaster response. Specifically, we noted that the goals for answering calls and responding to email messages were not met, as more than 15,000 calls and 2,300 emails went unanswered in a single week following the three disasters.

Also, by the end of October, SBA had accepted 88,803 Hurricane Harvey loan applications; however, 21,571, or about 24 percent, were in a backlog, waiting to be processed. The high volume of loan applications received from all 3 disasters contributed to this backlog and resulted in a backlog for all 3, totaling 51,259 at the end of October, as well as a backlog of 11,565 damage loss verifications. We noted that the loan application backlog continued to decline, and by November 30, 2017, the number of Hurricane Harvey loans waiting to be processed was down to 7,066.

Lastly, we evaluated SBA's processing time data for Hurricane Harvey disaster loan applications with a loan approval or denial decision as of October 30, 2017. The average processing time was 17 days for applications that SBA was able to complete. When these computer-generated declines were included, the overall average processing time was 11 days. SBA has a goal to process disaster loan applications in 21-28 calendar days; however, because of the volume of loan applications in the backlog, we were unable to fully determine whether SBA met this goal.



**U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20416**

Final Report Transmittal
Report Number: 18-10

DATE: January 19, 2018

TO: Linda E. McMahon
Administrator

FROM: Hannibal "Mike" Ware
Acting Inspector General

A handwritten signature in black ink, appearing to read "H. Ware", written over the printed name of the sender.

SUBJECT: *Inspection of SBA's Initial Disaster Assistance Response to Hurricane Harvey*

This report presents the results of our inspection of SBA's initial disaster assistance response to Hurricane Harvey.

We appreciate the courtesies and cooperation extended to us during this inspection. If you have any questions, please contact me at (202) 205-6586 or Andrea Deadwyler, Assistant Inspector General for Audits, at (202) 205-6616.

cc: James Rivera, Associate Administrator
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Introduction

The Small Business Administration (SBA) plays a major role in disaster relief efforts in the wake of hurricanes, floods, earthquakes, and other physical disasters that occur in the United States. The mission of SBA's Office of Disaster Assistance (ODA) is to provide low interest disaster loans to individuals and businesses impacted by such disasters. Loans are offered to businesses of all sizes, private non-profit organizations, homeowners, and renters to repair or replace real estate, personal property, machinery and equipment, inventory, and business assets that have been damaged or destroyed in a declared disaster. Also, SBA provides eligible small businesses necessary working capital to help overcome economic injury.

Hurricane Harvey, a Category 4 hurricane, first made landfall on August 25, 2017. It devastated much of southeastern Texas and affected residents of Louisiana, Mississippi, Tennessee, and Kentucky, impacting approximately 13 million people. The last amended Presidential disaster declaration for Hurricane Harvey included 41 Texas counties and 5 Louisiana parishes.

The 6.6 million residents of Houston, Texas, were severely affected. On September 1, 2017, approximately one-third of Houston was underwater. Two feet of rain had fallen in the first 24 hours of the hurricane, and the flooding forced 39,000 people to flee their homes for the safety of shelters. Early estimates indicated that Hurricane Harvey had damaged 203,000 homes, of which 12,700 were completely destroyed.

By the end of October, SBA had accepted 88,803 Hurricane Harvey loan applications; of those, 21,571, or about 24 percent, were in a backlog, waiting to be processed. We noted, however, that the loan application backlog continued to decline, and by November 30, 2017, the number of Hurricane Harvey applications waiting to be processed had fallen to 7,066. Also, as of November 30, 2017, SBA had received a total of 99,863 Hurricane Harvey disaster applications and approved 33,358 loans, totaling \$2.7 billion.

The application deadline to apply for a loan to repair or replace property with physical damage resulting from Hurricane Harvey was November 30, 2017. The economic injury disaster loan application deadline is May 2018.

Overview of Office of Disaster Assistance

ODA has five primary functional groups that perform discrete functions to assist disaster survivors: two Field Operations Centers (FOCs) – West and East, the Customer Service Call Center (CSC), the Processing and Disbursement Center (PDC), and the Damage Verification Center. The FOCs are responsible for assigning staff to the Disaster Recovery Centers (DRCs), which are set up by the Federal Emergency Management Agency (FEMA) and the state in the disaster-affected areas, as well as to Business Recovery Centers (BRCs) set up by SBA. There are two FOC locations: one in Sacramento, California, which services all disaster locations west of the Mississippi River, and one in Atlanta, Georgia, which services the geographic area east of the Mississippi.¹

All disaster survivors seeking Federal assistance must first register with FEMA. Once registered, they may be referred to SBA and encouraged to apply for a disaster loan online or in person at a local DRC or BRC in the disaster-affected area.

¹ Except for Minnesota, which is assigned to FOC-E in Atlanta, Georgia.

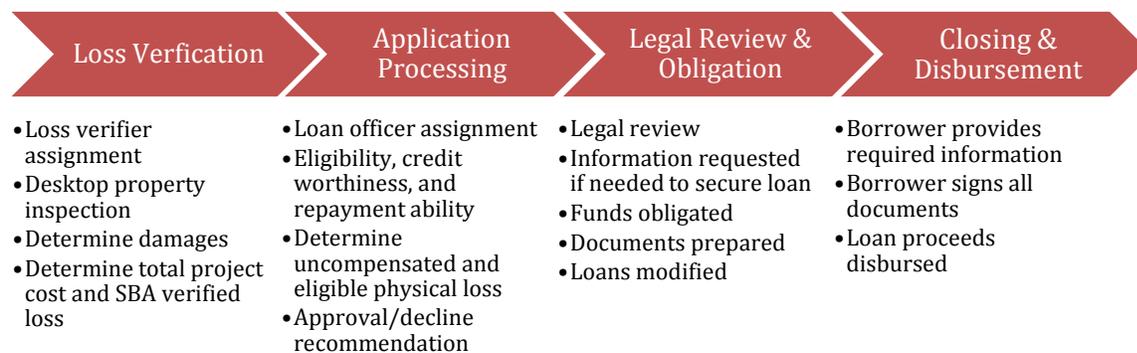
Disaster Loan Processing Overview

Disaster loan applications are routinely processed in Fort Worth, Texas, at the PDC where eligible applicants are evaluated for creditworthiness and repayment ability. Before a disaster loan can be approved, SBA must verify the loss the applicant sustained as a result of the disaster. Employees assigned to the Damage Verification Center who perform these tasks are located in Herndon, Virginia; Atlanta, Georgia; Ft. Worth, Texas; and Sacramento, California. Effective January 31, 2017, the Associate Administrator for Disaster Assistance implemented off-site (desktop) verification to expedite disaster loan processing for all home loan applicants and for business loan applicants applying for a residential structure (residential rental property owners) for up to \$25,000.

The new desktop verification process uses third-party information gathered from Google Maps in conjunction with a telephone interview of the applicant to obtain information about the property and the extent of the damage sustained as a result of the disaster. For Presidential declarations like Hurricane Harvey, all approved loan amounts of \$25,000 or less are reviewed, and the damage is compared with FEMA's database information. Approved disaster loans over \$25,000 require an on-site inspection prior to disbursing any funds over \$25,000. If there is a discrepancy between the initial and the on-site verification, the loss verification staff conducts an extensive re-verification to more accurately determine the loss amount.

After all application requirements are met, the application is accepted by the PDC for further processing. Those who qualify are approved and their loan closing documents are prepared at the PDC. In addition, all disaster loans are funded by the PDC, following receipt of the borrower's signed closing documents. Figure 1 shows SBA's disaster loan process after the application is accepted and an initial credit check is completed.

Figure 1: SBA's Disaster Loan Process



Due to the magnitude of Hurricanes Harvey, Irma, and Maria, SBA is still receiving loan applications. Further, ODA expanded loan processing operations to three additional locations: Sacramento, California; Washington, DC; and Buffalo, New York. ODA plans to open an additional location in Farmers Branch, Texas, in January 2018. SBA began processing loans at the Sacramento location almost immediately after Hurricane Harvey struck, and the other locations were gradually added.

Prior Work

GAO 14-760, *Additional Steps Needed to Help Ensure More Timely Disaster Assistance* (September 29, 2014). This report found that SBA did not meet its 21-day timeliness goal for processing Hurricane Sandy business loan applications. SBA took an average of 45 days to process physical business loan applications to approval and 38 days for business economic injury loans. SBA stated that it was

challenged by an unexpectedly high volume of loan applications received early in its response to the disaster, as well as by technological difficulties. The Government Accountability Office (GAO) recommended that SBA revise its disaster planning documents and take steps to implement previously authorized private sector disaster loan programs.

SBA OIG 14-14, *Improving Accuracy of Performance Reporting to Better Manage Disaster Loan Processing Time Expectations* (June 30, 2014). This report found that SBA's reported performance did not accurately communicate to eligible applicants and oversight officials how long it took staff to process loan applications. The processing time performance standards were generally not attainable beyond certain application volume levels.

SBA OIG 13-10, *The Small Business Administration Did Not Effectively Assess Disaster Assistance Staffing Requirements, Availability, and Readiness* (January 25, 2013). This report found that if another disaster of a magnitude similar to the 2005 Gulf Hurricanes occurred, SBA could encounter challenges in meeting staffing needs to achieve its mission. During the Gulf Hurricanes, training and supervising a large influx of temporary staff proved very difficult for SBA.

Objective

Our objective was to assess SBA's initial disaster assistance response to Hurricane Harvey, including staffing adequacy, loan application volume, and timeliness of disaster loan approvals.

Staffing Adequacy

ODA Staffing Levels

The Small Business Act requires the SBA Administrator to ensure that the number of full-time equivalent employees in ODA is not less than 800 permanent employees and the Disaster Cadre is not less than 1,000.² In the 2-month period after Hurricane Harvey was declared a disaster, ODA more than quadrupled its staff, to 4,310 employees. However, because three major hurricanes struck in rapid succession between August 25 and September 20, 2017, these employees were hired to assist with all three disasters, not just Hurricane Harvey. Since most of ODA staff work on all disasters, we were not able to conclude on the adequacy of staffing related specifically to Hurricane Harvey. As a result, we assessed staffing and service levels for the 2-month period after Hurricane Harvey struck and found that the Agency rapidly increased staffing levels and effectively staffed DRCs and set up BRCs. Despite the increase in CSC staffing, it struggled to meet goals for answering phone calls and emails. In addition, ODA experienced a backlog in processing loan applications and loss verifications, and it had challenges retaining staff for various reasons. Table 1 provides a breakdown of ODA staff by functional center.

Table 1: ODA Staffing Levels – All Disasters³

Functional Center Name	8/4/ 2017	9/15/ 2017	9/30/ 2017	10/30/ 2017
Process & Disbursement Center	466	896	1,368	2,374
Damage Verification Center	91	304	435	698
Customer Service Center	56	103	210	321
Field Operations Center- West	77	203	379	509
Field Operations Center- East	68	154	187	408
Total Staff	758	1,660	2,579	4,310

Source: Information provided by SBA Office of Disaster Personnel.

Hurricane Harvey Disaster Recovery Centers and Business Recovery Centers

SBA established a meaningful presence in the immediate aftermath of Hurricane Harvey. By September 3, 2017, just 9 days after Hurricane Harvey was declared a disaster, FEMA opened two DRCs in Texas. SBA provided 33 staff for these 2 centers and independently opened a BRC in Houston, Texas.⁴

In addition to the DRCs, which are created and managed by FEMA and the state, SBA works to establish BRCs intended primarily to assist business owners impacted by the disaster with recovery, which may include disaster loan applications. SBA Disaster Assistance staff determines locations and operating schedules for BRCs, and in some instances, a DRC and a BRC were housed at the same location. Although the BRCs are created specifically to help business owners with recovery, SBA does not turn away homeowners and renters who come to a BRC seeking a disaster assistance loan. SBA's policy is to assist any eligible disaster survivor who enters a BRC or DRC. SBA staff can make loan denials on the spot based on income tests and family size. This permits

² Cadre appointments remain in a constant pay status.

³ Staffing levels are as of October 30, 2017, and include all disasters, not just the three major hurricanes.

⁴ DRC and BRC staffing numbers are included in Table 1 under the Field Operations Centers.

disaster survivors to be immediately referred back to FEMA for possible additional grant assistance, if they did not qualify for an SBA loan. FEMA and SBA continuously increased the number of DRCs in affected counties throughout south-central Texas. By October 30, 2017, SBA's ODA operated 84 recovery centers, and 62 of the 84 centers remained open to provide disaster assistance. As of November 2, 2017, SBA had served 60,694 Hurricane Harvey disaster survivors.

Additionally, SBA coordinated with its resource partners at 22 different Small Business Development Centers (SBDCs) located in Texas, to provide assistance to businesses impacted by Hurricane Harvey. The services offered at the SBDCs included the following:

- counseling for financial, accounting, marketing and other post-disaster challenges
- management and technical assistance
- business planning to help business owners re-establish their operations and plan for the future
- assistance in reconstructing damaged or destroyed business records
- support with updating or rewriting business plans
- assistance with accessing government contracts and procurement related to the disaster

Within 1 month of Hurricane Harvey's landfall, Office of Inspector General (OIG) investigators and auditors conducted site inspections at 24 of the DRCs and/or BRCs located in south-central Texas (see Appendix III). We did not note any significant issues during our site inspections. Specifically, we observed that disaster loan applicants were experiencing minimal wait times, some locations did not have any customers during our visit, and all but one of the DRCs visited appeared to have adequate SBA staff. Of the 24 locations we visited, 1 DRC reported being understaffed, and we were later informed that additional staff was assigned to that DRC following our visit. The DRCs and BRCs were staffed with a minimum of two employees, and the number of employees was based on need and physical accommodations at each center.

Customer Service Center Staffing and Service Levels

Although the CSC was able to ramp up staffing levels from 56 employees on August 4, 2017, to 321 by the end of October, it was challenged with responding to high volumes of phone calls and emails received from disaster survivors immediately following Hurricanes Harvey, Irma, and Maria.⁵ The CSC is frequently a disaster survivor's first point of contact with SBA after a disaster strikes. The CSC was open extended hours from 8:00 a.m. to 8:00 p.m. Monday through Friday and from 9:00 a.m. to 5:00 p.m. on Saturday and Sunday to accommodate hurricane survivors.

In addition to answering general questions and assisting individuals and businesses with applying for a loan, the CSC performed a myriad of other tasks, including the following:

- issuing paper disaster loan applications upon request
- checking on the status of an SBA referral to FEMA
- verifying that documents submitted by an applicant are in the Disaster Credit Management System customer file
- reviewing the loan file to determine what additional information is needed
- making corrections to mailing addresses and phone numbers

⁵ This includes total CSC staff, including executives, managers, team leads, program assistants, administrative and IT personnel, and training staff.

- providing customers with their SBA loan status
- accepting loan payments by telephone for those who already have a disaster loan

While the primary location for the CSC is Buffalo, New York, as a result of the three major hurricanes, CSC operations were temporarily expanded to Sacramento, California, and Washington, DC. CSC management was attempting to lease space in Orlando, Florida, to expand its ability to serve Spanish-speaking disaster survivors. Also, ODA centers have become more telework ready which offers the option of using telework to alleviate office space restrictions.

Customer Service Center Phone Call Response

In the 2-month period following Hurricane Harvey, the CSC significantly increased its staff available to respond to phone calls from 17 to 146 as shown in Table 2. The call volume from weeks two and three included calls related to Hurricanes Harvey and Irma, in addition to those related to previous disasters. Beginning in week four, the call volume included Hurricanes Harvey, Irma, Maria, and other disasters. As Table 2 illustrates, despite continuously increasing the number of available agents in the weeks following these disasters, a significant percentage of calls went unanswered.

Table 2: Customer Service Center Staffing, Call Volume, and Unanswered Call Rate

Week Number	Week Ending Date	Average Available Agents ⁶	Calls Received	Calls Answered	Calls Unanswered	Percent Calls Unanswered
1	9/2/2017	17	11,051	9,353	1,698	15.34
2	9/9/2017	62	30,185	24,498	5,687	18.84
3	9/16/2017	64	30,265	25,726	4,539	15.00
4	9/23/2017	62	42,789	26,942	15,847	37.04
5	9/30/2017	84	50,850	34,113	16,737	32.91
6	10/7/2017	112	49,864	42,907	6,957	13.95
7	10/14/2017	111	56,111	43,342	12,769	22.76
8	10/21/2017	128	65,160	48,579	16,581	25.45
9	10/28/2017	146	64,105	51,339	12,766	19.91

Source: Information from Buffalo Customer Service Center Daily Activity Summary.

The ODA strategic goal for fiscal year (FY) 2017 was to handle 90 percent of incoming calls and to ensure 80 percent of callers waited less than 4 minutes. However, we found the longest wait time was approximately 26 minutes. By September 23, 2017, 4 weeks after Hurricane Harvey, over 37 percent (15,847) of the 42,789 calls received at the CSC went unanswered. By this time, the CSC was fielding calls from Hurricanes Harvey, Irma, and Maria disaster survivors. The volume of unanswered calls peaked during the week ending September 30, 2017, at 16,737 following the three hurricanes. In that same week, the CSC had increased the number of agents available to answer calls to 84. Also, as of the end of October 2017, the number of unanswered calls was still at about 20 percent.

We also noted, that the CSC telephone system does not inform callers of the approximate wait time or of how many callers are ahead of them. Nor does it provide the option of leaving a phone number or having a call returned when an agent is available. Since a significant number of disaster survivors use the CSC, some consideration should be given to modernizing the phone system and

⁶ This indicates only those CSC employees available to answer calls. We have rounded up to the nearest whole number to identify the average number of agents assigned during the week.

placing more staff at the CSC to field calls and respond to email messages. Also, consider using DRC and BRC staff to respond to phone calls and email messages when foot traffic at those centers slows.

Customer Service Center Email Response

The CSC had additional challenges in responding to email volume, as shown in Table 3 below. For the week ending September 2, 2017, 1 week after Hurricane Harvey, 81 percent of the email messages were not answered. By September 23, 2017, 4 weeks after Hurricane Harvey, 38 percent of the 4,494 emails the CSC received went unanswered. The ODA strategic goal for FY 2017 was to respond to 90 percent of inquiries to the Disaster Assistance Customer Service Mailbox within 2 business days.

As shown in Table 3, the backlog of unanswered emails continued to grow steadily during weeks four, five, and six following Hurricane Harvey. By October 7, 2017, the CSC had a total of 4,536 unanswered emails. During weeks seven, eight, and nine following Hurricane Harvey, the CSC added staff and worked to eliminate the email backlog. As a result, the number of unanswered emails was reduced to 1,514, or 33 percent, as of the end of October 2017.

Table 3: Customer Service Center Staffing, Email Volume, and Percent Emails Unanswered

Week Number	Date Week Ended	Average Number Agents Assigned ⁷	Emails Received	Emails Answered	Backlog of Unanswered Emails	Weekly Percent of Emails Received but Not Answered
1	9/2/2017	1	1,006	205	820	81.51
2	9/9/2017	4	2,341	2,234	1,339	57.20
3	9/16/2017	8	3,099	3,795	643	20.75
4	9/23/2017	5	4,494	2,782	2,355	52.40
5	9/30/2017	5	5,121	3,869	3,611	70.51
6	10/7/2017	7	4,666	3,741	4,536	97.21
7	10/14/2017	10	4,506	6,053	3,045	67.58
8	10/21/2017	22	4,710	5,472	2,766	58.73
9	10/28/2017	22	4,555	5,807	1,514	33.24

Source: Information from Buffalo Customer Service Center Daily Activity Summary.

Hurricane Harvey Disaster Loss Damage Verification

Loss verification for all approved disaster home loans are performed as desktop verifications for loans \$25,000 or less. When loans are greater than \$25,000, SBA performs an on-site, post-desktop review. On August 4, 2017, there were 91 loss verifiers, and by the end of October ODA had hired 698 in response to all disasters. As of September 14, 2017, ODA had a backlog of 4,491 loss verifications for all disasters. Between September 15, 2017, and October 31, 2017, it received an additional 107,748 for processing. SBA processed 100,674, leaving a backlog of 11,565 of those 3,803, or 33 percent were for Hurricane Harvey. The ODA loss verification strategic goal for FY

⁷ A different number of agents were assigned to work emails each day of the week. We have rounded up to the nearest whole number to identify the average number of agents assigned during the week.

2017 was to complete 75 percent in 3 days or less. Based on the data we reviewed we were unable to determine if the Agency met its goal.

Employee Retention

We noted that ODA continued to hire staff to perform daily activities due to the number of individuals leaving the organization for various reasons. The attrition rate at the CSC since Hurricane Harvey had been approximately 15 to 17 percent—about twice the rate of other Centers, which was about 7.6 percent. Table 4 provides a breakdown of ODA staff separations, by functional center since Hurricane Harvey.

Table 4: ODA Staffing Cumulative Separation Levels

Functional Center Name	8/19/2017	9/15/2017	9/30/2017	10/30/2017
Process & Disbursement Center	1	14	40	133
Damage Verification Center	0	10	14	36
Customer Service Center	2	6	19	53
Field Operations Center-West	20	21	29	68
Field Operations Center-East	8	12	18	38
Cumulative Separations	31	63	120	328

Source: Information from Office of Disaster Personnel.

Loan Application Volume, Backlog, and Processing

Due to an unprecedented amount of disaster activity impacting the United States between August 25 and September 20, 2017, SBA was challenged to keep up with loan application processing demands. In the 2-month period following Hurricane Harvey making landfall, SBA received more than 88,000 disaster loan applications, and despite its hiring efforts, by the end of October 2017, the backlog of applications waiting to be processed had grown to about 24 percent.

SBA considers an average year of disaster activity to include processing 52,000 loan applications. During September and October 2017, SBA processed more loans than it did annually, on average, for the previous 10-year period. By the end of October 2017, SBA had processed 67,232 Hurricane Harvey loan applications and approved 20,595, totaling approximately \$1.7 billion. Table 5 shows the applications processed and approved for Hurricane Harvey.

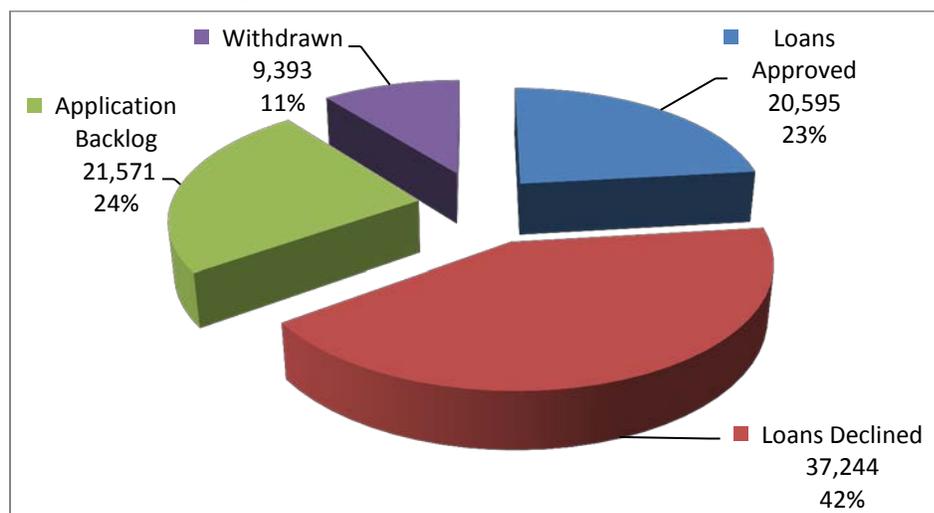
Table 5: Hurricane Harvey Applications Processed and Approved From August 28, 2017–October 30, 2017

Date	Apps Received	Apps Processed	Apps Approved	Dollar Value of Loans Approved
9/15/2017	25,978	16,061	2,371	204 million
9/30/2017	55,186	35,464	7,787	661 million
10/30/2017	88,803	67,232	20,595	1.7 billion

Source: Information from DCMS Disaster Activity Report by Disaster Number.

By the end of October, SBA had accepted 88,803 Hurricane Harvey loan applications; of those, 21,571, or about 24 percent, were in a backlog, waiting to be processed. We noted that the loan application backlog continued to decline, and as of November 30, 2017, the backlog of Hurricane Harvey applications waiting to be processed was down to 7,066. Also, as of November 30, 2017, SBA had received a total of 99,863 Hurricane Harvey disaster applications and approved 33,358 loans, totaling \$2.7 billion. Figure 2 shows the percentage of loan applications that were withdrawn, approved, declined, and in the backlog as of the end of October.

Figure 2: Hurricane Harvey Disaster Loan Applications Processed as of October 30, 2017



Source: Daily Activity Report – Hurricane Harvey.

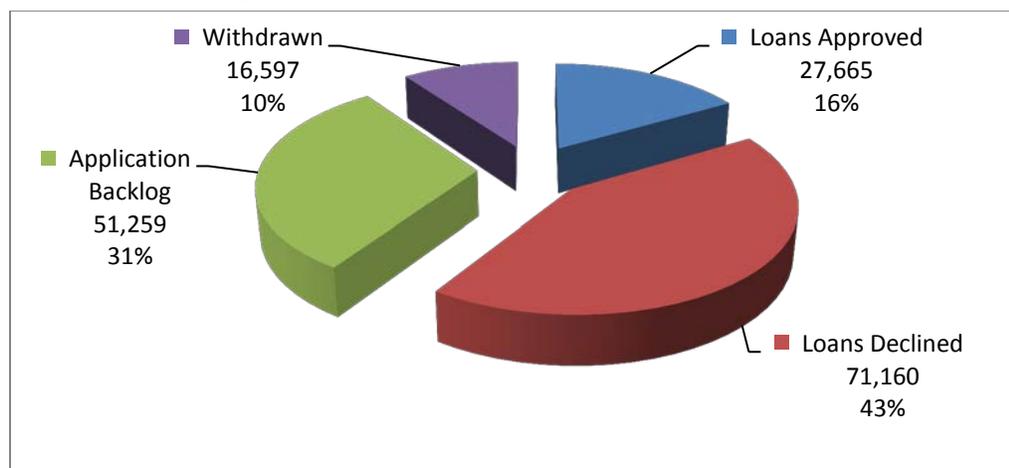
During the same time frame, SBA received loan applications for Hurricanes Harvey, Irma, and Maria. By October 30, 2017, SBA processed 115,422 loan applications for all 3 hurricanes combined and approved 27,665, totaling approximately \$2 billion. Table 6 shows the applications processed and approved for all three hurricanes, and Figure 3 shows the percentage of loan applications that were withdrawn, approved, declined, and in the backlog as of the end of October.

Table 6: Hurricanes Harvey, Irma, and Maria Applications Processed and Approved From August 28, 2017–October 30, 2017

Date	Combined Total Apps Received	Combined Total Apps Processed	Combined Total Apps Approved	Combined Dollar Value of Loans Approved
9/15/2017	26,221	16,179	2,371	204 million
9/30/2017	77,842	47,375	7,969	661 million
10/30/2017	166,681	115,422	27,665	2.0 billion

Sources: 1. DCMS Disaster Activity Report by Disaster. 2. OIG Calculation to aggregate totals for 3 hurricanes.

Figure 3: Hurricanes Harvey, Irma, and Maria Disaster Loan Applications Processed as of October 30, 2017



Sources: 1. Daily Activity Report – Hurricane Harvey, Irma, and Maria. 2. OIG Calculation to aggregate totals for 3 hurricanes.

Loan Processing Timeliness

We evaluated SBA’s processing time data for Hurricane Harvey disaster loan applications with a loan approval or denial decision as of October 30, 2017. We found that SBA’s average processing time for loans was 17 days when the auto-declines and pre-loss verification declines were not included. When these computer-generated declines were included, the overall average processing time was 11 days. These time frames only include loan applications that SBA was able to process and do not include those in the backlog. According to SBA management, the backlog of loans could be attributed to the volume of loan applications they received in a very short period of time and incomplete applications. SBA doesn’t start counting processing time on disaster loan applications until it receives a complete loan package. SBA has a goal to process disaster loan applications

within 21–28 calendar days⁸; however, because of the volume of loan applications in the backlog, we were unable to fully determine whether SBA met this goal.

⁸ SBA uses tiered level goals to process loan applications based on volume. For Hurricane Harvey the goal was to process loan applications within 21-28 calendar days. Based on the subsequent disasters and high application volume, the goal has since changed to 45 calendar days.

Appendix I: Objective, Scope, and Methodology

This report presents the results of our inspection of SBA's initial disaster assistance response to Hurricane Harvey. Our objective was to assess SBA's initial disaster assistance response to Hurricane Harvey, including staffing adequacy, loan application volume, and timeliness of disaster loan approvals.

To answer our objective, we interviewed ODA officials at Headquarters and the PDC in Fort Worth to discuss disaster loan application processing, the loan application backlog, and staffing. Also, we interviewed officials at the FOC – West, in Sacramento, the CSC in Buffalo, and the Joint Field Office in Austin. Further, we reviewed applicable laws, regulations, and implementing guidance governing the disaster loans. We also reviewed SBA's standard operating procedures (SOPs), including SOP 50 30 8, and other ODA operating and training guidance.

We conducted on-site visits to DRCs and BRCs to gain an understanding of policies and procedures for working with disaster survivors. We visited 21 DRCs and 3 BRCs, in Texas to determine SBA's initial disaster assistance to Hurricane Harvey survivors. We analyzed data to assess loan application processing times and determine the backlog.

We conducted this performance-based inspection in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation. Those standards require that we plan and perform the inspection to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions and observations based on our inspection objective. We believe the evidence obtained provided a reasonable basis for our conclusions and observations based on our inspection objective.

Appendix II: Hurricane Harvey Loan Processing Times as of October 30, 2017

		All	Home	Business	EIDL*	Non-Profit
Loan Processing With Auto-Denial and Pre-LV Denial	No. of Apps	71,080	65,140	4,696	1,143	101
	Average Processing Days	11.02	11.2	9.22	8.28	15.11
Loan Processing Without Auto-Denial and Pre-LV Denial	No. of Apps	43,180	39,032	3,285	762	101
	Average Processing Days	17.13	17.59	12.97	12.05	15.11
ODA Denials	No. of Apps	10,509	9,137	1,018	334	20
	Average Processing Days	15.14	15.66	11.97	10.35	16.00
Approvals	No. of Apps	21,074	19,750	1,077	228	19
	Average Processing Days	19.99	20.3	15.28	15.27	18.9

Sources: 1. SBA provided a data extract from SBA DCMS database. 2. OIG calculated processing times based on data extract.
* economic injury disaster loan

Appendix III: SBA Disaster and Business Recovery Centers

DRC – Randolph Recreation Center



Mobile DRC – Serves Disaster Survivors



DRCs and BRCs Visited

- Aransas County, Rockport, TX – DRC/BRC
- Colorado County Service Building, Columbus, TX – DRC
- Johnnie Arolofo Civic Center, League, TX – DRC
- Old Amegy Bank, Dickinson, TX – DRC
- Port Aransas Community Center – DRC/BRC
- Univ. of Houston SBDC – BRC
- Bastrop County Offices, Smithville, TX – DRC
- Goliad County Fair Grounds, Goliad, TX – DRC
- Katy Mills Mall, Katy, TX – DRC
- Old Conroe Police Station, Conroe, TX – DRC
- Randolph Recreation Center, LaGrange, TX – DRC

- Waller County Volunteer Fire Department – DRC
- Bayland Community Center, Houston, TX – DRC
- Greenspoint Mall, Houston, TX - DRC
- Milton Lusk Youth Activity Center, Jacinto, TX – DRC
- Pattie Dodson Public Health Dept., Victoria, TX – DRC
- St. John Vianney Catholic Church, Houston, TX – DRC
- Webster Civic Center, Webster, TX – DRC
- Bay Vista Center, Ingleside, TX – DRC
- Humble Senior Center, Humble, TX – DRC
- Neutrality Bldg. Houston, TX – DRC
- Pasadena Convention Center, Pasadena, TX – DRC
- Trinity Lutheran Church, Spring, TX – Mobile DRC
- W. Montgomery County Community Development Center – DRC

Appendix IV: OIG Hotline Complaints From Hurricane Harvey

In early October, OIG's Hotline began receiving complaints from individuals who indicated they had been subjected to identity theft. The callers specified that they had received a letter from SBA's Disaster Assistance PDC. The letter provided recipients information on how to apply for an SBA disaster loan and also indicated they were receiving the letter from SBA as a result of their registration with FEMA for disaster assistance. However, these individuals had not registered with FEMA, which indicated their identities were being used in a fraud scam targeting FEMA's Individual and Housing Program.

The volume of calls to the OIG Hotline escalated rapidly throughout October. OIG Hotline staff quickly adopted procedures to assist the callers and streamline reporting with SBA's Disaster Assistance CSC and the National Center for Disaster Fraud. As of November 12, 2017, the OIG Hotline received 188 complaints pertaining to Hurricane Harvey, 175, or 93 percent, of which pertained to the fraud scheme targeting FEMA. SBA's Disaster Assistance CSC also has logged 10,252 complaints pertaining to the fraud scheme targeting FEMA. The OIG's Investigations Division is coordinating this complaint information with its law enforcement partners in furtherance of an investigation into the scheme.