

# Office of Inspector General

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Small Business Administration

## SEMIANNUAL REPORT TO CONGRESS

FALL 2015



April 1, 2015-September 30, 2015





Small Business Administration  
**Office of Inspector General**  
Washington, DC 20416



I am pleased to present the U.S. Small Business Administration (SBA or the Agency) Office of Inspector General's (OIG) Fall 2015 Semiannual Report to Congress. The report provides a summary of OIG's activities from April 1, 2015, through September 30, 2015. OIG continues to focus on the most critical risks facing SBA. Our resources are directed at key SBA programs and operations, to include financial assistance, Government contracting and business development, financial management and information technology, disaster assistance, Agency management challenges, and security operations.

During this reporting period, OIG issued 8 reports containing 40 recommendations for improving SBA operations and reducing fraud and unnecessary losses in the Agency's programs. In addition, OIG investigations resulted in 25 indictments and 27 convictions. Overall, OIG's monetary recoveries and savings totaled \$55.5 million, which includes recommendations that funds be put to a better use; disallowed costs; court-ordered and other investigative recoveries, fines, and forfeitures; and loans or contracts not made as a result of investigations and name checks. OIG also sent 41 suspension and debarment referrals to SBA. OIG investigations resulted in 10 additional suspension or debarment referrals at other agencies.

In achieving these results, OIG dedicated its oversight resources toward SBA's principal program areas. A few noteworthy reviews and investigative outcomes detailed in this report are highlighted below:

- ◆ OIG reviewed 34 set-aside contracts for the Women-Owned Small Business Federal Contracting Program and found that 15 did not meet the program's requirements. For example, some awards were for ineligible work or did not have the required documentation to show eligibility. This calls into question the \$7.1 million these firms received in FY 2014 set-aside awards, which may be improper.
- ◆ OIG determined that the New York and New Jersey small business development centers fell short of their goals to provide technical assistance to small businesses recovering from Hurricane Sandy. These small business development centers (SBDCs) had difficulty attracting sufficient technical assistance clients within a short timeframe. The SBDCs also had difficulty collaborating with other technical assistance providers, which may result in nearly \$6.6 million going unused.
- ◆ An OIG investigation revealed that a Maryland man submitted false tax documents when submitting 17 commercial non-SBA loans to a bank. The investigation also found that he was responsible for brokering 76 SBA loans to 13 different SBA lenders. The forecasted loss amount for non-SBA loans and SBA loans is \$54.6 million. The man has pled guilty.
- ◆ The president of an Ohio-based construction firm was sentenced in Federal court to 1 year of imprisonment, 2 years of supervised release, and restitution of \$6.75 million for repeatedly submitting falsified documents to SBA in order to retain the company's historically underutilized business zone designation. The firm was awarded over \$34 million in HUBZone set-aside Government contracts.

I would like to thank OIG's employees for their outstanding efforts to promote economy, efficiency, effectiveness, and integrity in SBA programs and operations. We look forward to continuing to work with Administrator Contreras-Sweet and SBA's management to address the issues and challenges facing the Agency.

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Peggy E. Gustafson

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# Overview

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## The Small Business Administration

The mission of the Small Business Administration (SBA or the Agency) under the Small Business Act, as amended, is to maintain and strengthen the Nation's economy by enabling the establishment and vitality of small businesses and assisting in the economic recovery of communities after disasters. The Agency's strategic plan for fiscal years (FY) 2014-2018 has three overarching goals:

- ◆ Growing businesses and creating jobs.
- ◆ Serving as the voice for small business.
- ◆ Building an agency that meets the needs of today's and tomorrow's small businesses.

SBA is organized around four key functional areas: financial assistance, contracting assistance, technical assistance (e.g., entrepreneurial development), and disaster assistance. The Agency also represents small businesses through an independent advocate and an ombudsman.

SBA's headquarters is in Washington, D.C.—with staff in 10 regional offices, 68 district offices and corresponding branch offices, and 4 disaster field offices—to deliver business products and services. There are also six Government contracting area offices. SBA also maintains a vast network of resource partners in all 50 States, the District of Columbia, Puerto Rico, American Samoa, the U.S. Virgin Islands, and Guam.

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## The Office of Inspector General

Pursuant to the Inspector General Act of 1978 (the IG Act), as amended, the Office of Inspector General (OIG) provides independent, objective oversight to improve the integrity, accountability, and performance of SBA and its programs for the benefit of the American people. While SBA's programs are essential to strengthening America's economy, the Agency faces a number of challenges in carrying out its mission. Challenges include fraudulent schemes affecting all SBA programs, significant losses from defaulted loans, procurement flaws that allow large firms to obtain small business awards, excessive improper payments, and outdated legacy information systems.

OIG plays a critical role in addressing these and other challenges by conducting audits to identify wasteful expenditures and program mismanagement; investigating fraud and other wrongdoing; and taking other actions to deter and detect waste, fraud, abuse, and inefficiencies in SBA programs and operations.

OIG's activities also help to ensure that SBA employees, loan applicants, and program participants possess a high level of integrity. Copies of OIG reports and other products are available at <http://www.sba.gov/office-of-inspector-general>.

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# Small Business Access to Capital

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SBA provides small businesses with capital and financial assistance through several key programs and has a financial assistance portfolio of guaranteed and direct loans over \$114 billion. Over the years, OIG has worked closely with the Agency to identify potential points of risk and to improve SBA's oversight and controls over these programs to ensure that these programs benefit eligible participants most in need of assistance.

For example, the Agency's largest lending program, the Section 7(a) Loan Guaranty Program, is SBA's principal vehicle for providing small businesses with access to credit that cannot be obtained elsewhere. Proceeds from a 7(a) loan may be used to establish a new business or to assist in acquiring, operating, or expanding an existing business. This program relies on numerous outside parties (e.g., borrowers, loan agents, and lenders) to complete loan transactions, with the majority of loans being made by lenders to whom SBA has delegated loan-making authority. Additionally, SBA has centralized many loan approval and servicing functions and reduced the number of staff performing these functions, placing more responsibility on, and giving greater independence to, its lenders. Past OIG reviews have reported on these trends, and OIG continues to identify weaknesses in SBA's lender and loan agent oversight processes.

Additionally, criminals use a wide array of techniques to fraudulently obtain—or induce others to obtain—SBA-guaranteed loans. These include submitting fraudulent documents, making fictitious asset claims, manipulating property values, using loan proceeds contrary to the terms of the loans, and failing to disclose debts or prior criminal records. Consequently, there is a greater chance of financial loss to the Agency and its lenders. OIG dedicates a significant portion of its resources to identifying wrongdoers and, whenever possible, recovering funds. Some identified methods used to defraud SBA are described in the following cases.

## **California Woman, Her Mother, and Attorney Sentenced for Involvement in Fraud Schemes**

A California woman was sentenced in Federal court to 18 months in prison and 3 years of supervised release for her involvement in fraudulently obtaining SBA Section 7(a) guaranteed business loans for a gas station and car wash she owned with her mother and stepfather. She was also held jointly and severally liable with her mother, her stepfather, a business associate, and a former attorney to pay \$1.62 million in restitution. In addition, her mother was sentenced to 8 months in prison and 3 years of supervised release for her involvement in the same scheme. The woman had previously pled guilty to wire fraud, and her mother had pled guilty to bank fraud. Finally, an attorney was sentenced in Federal court to 2 years in prison and 36 months of supervised release after pleading guilty to wire fraud for his participation in a scheme in which the woman, her stepfather, and a former (and different) attorney defrauded a small business lending firm of proceeds from loans to purchase two California gas station businesses. The SBA loans totaled approximately \$4.5 million. The attorney was also sentenced in Federal court on additional charges unrelated to the SBA loans.

The original indictment alleged that the defendants executed a scheme to defraud a financing corporation, a bank, and SBA by making false statements to obtain business loans for the gas station and car wash business. The investigation found that the two women made false statements on an SBA business loan application, reporting that neither they nor their businesses were involved in any bankruptcies or pending lawsuits, and that they did not have a controlling interest in other businesses. At the time the application was signed, however, the women had both been involved in bankruptcy proceedings. Moreover, the mother was involved in a pending lawsuit and had a controlling interest in another business. The two women, the stepfather, and the business associate

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also made material false statements to obtain another business loan from the financing corporation to purchase the car wash. The loss to the bank and SBA was approximately \$1.45 million, and the loss to the financing corporation was approximately \$1.65 million. Of the \$1.45 million, SBA had guaranteed \$931,368.

A subsequent superseding indictment charged that, while the original case was pending trial, the woman, her stepfather, his attorney, the former attorney, and others engaged in a new scheme to defraud a small business lending firm and SBA. The attorney and stepfather formed a petroleum company while the attorney was representing the stepfather in Federal court for defrauding SBA and financial institutions to obtain approximately \$5 million in business loans. The stepfather did not want the small business lending firm to discover his poor credit and pending litigation. Consequently, he, his stepdaughter, and the attorney recruited a former attorney with a good credit history to pose as the petroleum company's owner. The woman and stepfather allegedly paid the former attorney \$100,000 to pose as the owner of a petroleum business and apply for a \$4.5 million SBA-guaranteed loan to purchase two southern California gas stations. After the loans to purchase the gas stations were completed, ownership of the petroleum company would be transferred to the stepfather without informing the lender.

In addition, the attorney, the former attorney, the stepfather, and others represented to the lending firm that the former attorney and the petroleum company were making a \$2.1 million down payment, when in fact no such payment was made. After the loans were funded, the attorney received \$250,000. His restitution hearing is forthcoming, with the loss to the lender being approximately \$3.6 million. This investigation originated with SBA OIG, and newer activities were worked jointly with the Federal Bureau of Investigation (FBI).

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### **California Man Found Guilty of Making False Statements to Gain Business Loans for Personal Expenses**

A jury in Federal court found a California man guilty of making false statements in connection with loan and credit applications. He had been the owner of a now defunct computer business. The man had made false statements and submitted false documents in connection with four loans made to his business between August 2005 and February 2007. Three of the loans were funded, and he received approximately \$500,000 in proceeds. The man soon defaulted on all the loans. Two of the loans were SBA express loans from two major banks totaling \$400,000. The man also fraudulently obtained a \$350,000 line of credit from one of the major banks and a \$100,000 conventional loan from a local bank. The investigation revealed that he used a certain social security number to apply for SBA loans, bank credit cards, and other financial assistance. However, before applying for the SBA loans, the man had filed bankruptcy using a different social security number.

In addition, he failed to disclose his criminal history on his SBA loan applications. There was also evidence of misuse of an internal revenue stamp, bankruptcy fraud, and social security fraud. The man used the majority of the loan proceeds for personal items, including mortgage payments, trips, payments to family members, and cash withdrawals. During the investigation, he relocated from California to Minnesota and obtained a Federal Government position. The man was allowed to remain on bond pending the sentencing hearing. This is a joint investigation with the U.S. Treasury Inspector General for Tax Administration (TIGTA) and the FBI.

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### **Real Estate Agent Ordered to Pay \$646,124 in Restitution**

A real estate agent, whose husband owned a Denver real estate firm, was ordered by a State court to pay \$646,124 in restitution. She had previously pled guilty to violating the Colorado Organized Crime Control Act and was sentenced to 3 years of probation. The woman was originally indicted with her husband and four other family members in a 37-count indictment that included charges of violating the Colorado Organized Crime Control Act, attempting to influence a public servant, criminal impersonation, conspiracy, theft, committing forgery, and making false statements to SBA, the State of Colorado, and various lenders.

The investigation showed that her husband obtained a \$2.3 million SBA-guaranteed loan to refinance his office building and other debt. To obtain the loan, he concealed his extensive criminal history and the fact that he was currently on probation. He also falsified documents related to his debts and the taxes owed to the State of Colorado. It was also discovered that the woman and her husband, along with four other family members, created a criminal enterprise using their status as real estate professionals to execute a large, long-term fraud-for-profit scheme. The scheme primarily centered on mortgage fraud, including but not limited to manipulating multiple real estate transactions through fraudulent statements, material omissions, acquiring false identification and notary commissions, and using “straw buyers” to buy and sell real estate. This case was initiated after OIG received a referral from a California bank. This was a joint investigation with the Colorado Attorney General’s Office, Colorado Bureau of Investigation, FBI, and the Federal Housing Finance Agency (FHFA) OIG.

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### **California Man Pleads Guilty to Theft**

A man pled guilty to theft by false pretenses in the Superior Court of California for the County of Riverside. He was also sentenced to serve 30 days in the county jail and 36 months of summary probation, as well as pay restitution to be determined later. A criminal felony complaint had previously been filed against the subject and three other men for their participation in fraudulently obtaining an SBA-guaranteed loan and other business loans. The complaint alleged 55 counts, which included charges of grand theft, money laundering, and embezzlement.

This investigation was initiated after SBA OIG received a referral from the SBA District Office regarding an approximate \$1.4 million guaranteed loan made to a medical group business. The lender filed a civil complaint against the business based on its alleged fraud scheme to obtain the loan. According to the lender, the business submitted false invoices and did not purchase business equipment with the loan proceeds. The investigation revealed two of the men acted in concert to obtain a \$1.4 million loan to purchase two magnetic resonance imaging machines. The two inflated the price of the machines to over \$950,000, while the actual purchase price was approximately \$450,000.

Months after obtaining the loan, one of these men obtained two additional loans to purchase what appeared to be the same machines purchased with original loan proceeds. During this time, the other two men, including the subject, assisted the first two men in furthering this fraud. The three men other than the subject are awaiting trial. This investigation was conducted jointly with the Riverside District Attorney’s Office.

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### **Maryland Man Pleads Guilty to Bank Fraud after Brokering 76 SBA Loans**

A Maryland man pled guilty in Federal court after previously having been indicted for bank fraud, conspiracy to commit bank fraud, aiding and abetting, criminal forfeiture, and destruction of records in a Federal investigation. According to the indictment, the man and others encouraged prospective borrowers using the services of two financial services firms to apply for SBA 7(a) loans.

The investigation revealed that the man had submitted 17 commercial non-SBA loans to a bank. In each of those loans, the Internal Revenue Service (IRS) tax documents had been altered. The borrowers' personal and business income was inflated to support a more favorable debt-to-income ratio, thus increasing the likelihood that the loans would be approved. The investigation also found that he was responsible for brokering 76 SBA loans to 13 different SBA lenders. The forecasted loss amount for non-SBA loans and SBA loans is \$54.6 million. The investigation continues in conjunction with the U.S. Postal Inspection Service.

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### **California Company and CEO Enter into \$6.2 Million Settlement**

A California certified development company (CDC) and its chief executive officer (CEO) entered into settlement agreements with the U.S. Department of Justice (DOJ) and SBA. Under the agreements, the CDC, its CEO, and related entities agreed to turn over approximately \$6 million in assets. Moreover, the CEO personally agreed to pay an additional \$200,000.

The settlements resolve claims that the CDC and its CEO violated the False Claims Act in

connection with the firm's failure to maintain adequate reserves in its loan loss reserve fund (LLRF). Although the CDC was required to fund its LLRF at a level determined by the riskiness of its Section 504 Loan Program portfolio, it allegedly concealed hundreds of troubled loans from SBA to avoid its obligation to fully fund its LLRF.

The settlements also resolve a lawsuit filed by the United States against the firm and a related entity alleging that the CDC failed to remit required payments to SBA to satisfy its loss-sharing obligations. The lawsuit alleged that SBA agreed to advance funds to the CDC in connection with certain defaulted Section 504 loans but that, after the CDC assigned the loan documents for these loans to the related firm, neither firm remitted the monies owed on these loans to SBA. The settlements resulted from a coordinated effort by the DOJ Civil Division, SBA OIG, and SBA's Office of General Counsel (OGC). The investigation was initiated based on a referral from SBA's OGC.

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### **California Woman Pleads Guilty to Conspiracy**

A California woman pled guilty to conspiracy in Federal court. She had worked as a vice president and manager for SBA loans at a bank. Although she did not have direct authority to lend bank funds, she reviewed borrowers' applications and recommended that loans be approved and funds disbursed. Consequently, the woman conspired with others to misapply bank funds. The conspiracy's purpose was to issue loans under favorable terms to unqualified or under-qualified borrowers so that the conspirators could personally enrich themselves, while knowing these disbursements served no benefit to the bank. Enrichment was in the form of personal payments from borrowers and compensation from the bank for inflated lending performance. She and the

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others supported the disbursement of bank funds by supplying or knowingly accepting false and fraudulent information in the borrowers' loan applications and by overlooking negative aspects of the borrowers' creditworthiness. This is an ongoing joint investigation with the FBI, TIGTA, Federal Deposit Insurance Corporation, and FHFA OIG.

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### **Missouri Businessman and SBA Branch Manager Sentenced**

A Missouri businessman and former president of a wireless communications firm was sentenced in Federal court to imprisonment of 1 year and a day, as well as 3 years of supervised release. He previously pled guilty to using a false document in connection with a defaulted \$695,000 SBA loan to his business. The businessman had applied for a 7(a) loan through a bank and had made misrepresentations while procuring the loan. Specifically, he stated that 7 individuals owned shares of his firm in the aggregate of 20 percent of the company's total value when, in fact, none of these individuals owned any interest in or portion of the firm. The SBA loan defaulted within a few months after approval.

In addition, a former SBA branch manager in Missouri was sentenced in Federal court to 3 years of probation and was ordered to pay restitution of \$91,885. He previously pled guilty through a *nolo contendere* plea to submitting a false document to SBA. The man had falsely reported to SBA on his confidential financial disclosure report that he had no reportable liabilities and no reportable outside positions when, in fact, he was the managing member of a custard stand in Texas. He also had obtained an approximately \$80,000 SBA-guaranteed loan for this business.

The two individuals were among 17 defendants charged in a complex scheme to defraud SBA. They were initially charged via a 185 count indictment for their involvement in a bank fraud scheme that took advantage of SBA's guaranteed business loan program. This is a joint investigation with the FBI.

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### **SBA Needs to Improve its Oversight of Loan Agents**

Loan agents frequently play an important role within SBA lending programs, often facilitating access to capital by connecting borrowers in search of financial assistance with lenders offering SBA products or by providing other services. However, at times, these third-party relationships have resulted in SBA program loss and risk. Since 2005, SBA OIG has investigated at least 22 cases with confirmed loan agent fraud totaling at least \$335 million. Further, our analysis determined that loan agents were involved in approximately 15 percent of all 7(a) loans and resulted in increased risk of default.

In 2000, OIG identified loan agent tracking and enforcement as an SBA management challenge that continues to this day. Since December 1, 2010, SBA recorded over 51,000 7(a) loan agent compensation disclosures, representing a variety of services. However, we found the quality of SBA's loan agent data was poor and materially incomplete. Further, although previously recommended in 1998, SBA had not established effective controls over tracking and monitoring loan agent performance and therefore, could not adequately assess potential risks or identify problem agents. Finally, SBA had not established a method to track loan agents and their compensation on 504 loans.

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OIG recommended nine actions that will help strengthen SBA's oversight of loan agents and their relationships with SBA lenders. The Agency agreed with OIG's findings and recommendations and has already taken some steps to improve its oversight of loan agents. ([Report 15-16](#))

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### **The OIG High-Risk 7(a) Loan Review Program**

OIG established a High-Risk 7(a) Loan Review Program with the intent to identify material deficiencies that warrant recovery of guaranteed payments from lenders and uncover indications of suspicious activity or fraud. From April 2015 to September 2015, we identified potential material lender noncompliance with SBA's requirements on two of the four high-dollar/early-defaulted loans reviewed. SBA honored its guaranty on these two loans for approximately \$2.9 million, and we intend to present our findings to SBA management in a future report for appropriate action. Moreover, it appeared that the lender materially complied with SBA's origination and closing requirements on the other two loans we reviewed. SBA honored its guaranty for approximately \$2.3 million on these two loans.

Finally, we identified material lender deficiencies with one other high-dollar/early-defaulted loan during a previous audit. This loan was referred to our Investigations Division due to suspicious activity. During the current reporting period, we referred this loan to SBA management to address the material lender deficiencies, as appropriate. Because this loan was purchased in October 2010, we did not make any formal recommendations to SBA ([Management Information Memorandum 15-17](#)).

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# Disaster Loan Program

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The Disaster Loan Program plays a vital role in the aftermath of disasters by providing long-term, low-interest loans to affected homeowners, renters, businesses of all sizes, and non-profit organizations. There are two primary types of disaster loans: (1) physical disaster loans for permanent rebuilding and replacement of uninsured, disaster-damaged, privately-owned property, and (2) economic injury disaster loans to provide necessary working capital to small businesses until normal operations resume after a disaster.

As part of a massive aid effort from Federal agencies, SBA approves billions of dollars in disaster assistance loans. SBA's disaster financial assistance portfolio is \$6.8 billion. Unfortunately, because of the need to disburse relief funds quickly, fraud can frequently occur. Investigative and audit work in this area has identified not only instances of wrongdoing, but ways in which SBA can strengthen its defenses against fraud, waste, and abuse in order to protect taxpayer dollars and ensure they are used for their designated purposes.

## **Illinois Man Pleads Guilty to Bank and Disaster Loan Fraud**

An Illinois man pled guilty to bank fraud and making false statements in Federal court. His business partner had previously pled guilty to the same charges. The Illinois man had been the vice president, the chief financial officer, and a shareholder of a firm that sold and serviced industrial batteries and related products. The business partner was the president and majority shareholder of the company.

The investigation found that, from around April 2007 to May 2011, the two men submitted bank reports and other financial information that falsely inflated their company's accounts receivable, sales, and inventory. The purpose was to conceal the

company's declining financial condition and prevent the bank from demanding repayment of funds and seizing company assets.

In addition, the investigation revealed that, around May 2009, the men submitted to SBA the same materially false information in order to receive a \$240,100 economic injury disaster loan. They submitted inflated monthly sales figures for 2007 and 2008 in their disaster loan application while knowing the sales figures were false.

Finally, the men submitted to SBA the firm's 2008 Federal corporate tax return as a supplementary submission in order to obtain the disaster loan. The tax return falsely represented the company's sales for 2008 as \$5.4 million, when the company's sales were only \$3 million. The firm defaulted on the disaster loan, resulting in losses to SBA of \$222,867. This is a joint investigation with the FBI.

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## **Hurricane Sandy Expedited Loan Processes**

In the wake of Hurricane Sandy, SBA implemented two expedited loan processes: the Sandy Alternative Processing Pilot (SAPP), which streamlined the home loan process, and a modified Phase II method for processing economic injury disaster loans (EIDL). Both of these processes were intended to address a backlog of loan applications in the wake of Hurricane Sandy. Our audit's objectives were to determine whether these procedures reduced SAPP home loan and EIDL processing times while mitigating the risks of loan default, and to ensure SBA complied with the processes.

OIG found that the Agency's home loan expedited process, SAPP, slightly reduced loan application processing time by loan officers and mitigated loan default risk. However, the expedited EIDL

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method for business loans did not result in any time savings. Neither of the expedited methods reduced the overall time from application acceptance to initial loan disbursement. OIG also found that the SAPP memo lacked specific guidance on how to address complex loan situations. This led to SBA loan officers needing to deviate from SAPP procedures in order to more accurately determine applicants' actual income and debt obligations. Furthermore, SBA incorrectly implemented the modified Phase II EIDL procedures in 15 loan applications, resulting in incorrect loan amounts. This was due primarily to insufficient training for loan officers.

If another disaster occurs with a similar magnitude to Hurricane Sandy, the Agency could encounter similar challenges processing loans correctly and efficiently unless proper measures are timely implemented to address these deficiencies.

OIG made four recommendations. The Agency has implemented three recommendations already, and plans to implement the remaining recommendation. ([Report 15-13](#))

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### **SBA's Controls to Prevent Duplication of Benefits with Community Development Block Grants**

In the event of a disaster, multiple Federal, State, and local agencies and governments are often involved in providing disaster assistance. When agencies do not coordinate and ensure that one recipient is not receiving benefits from multiple agencies for the same purpose, there is a potential for overlap in funding. This overlap is considered a duplication of benefits. We reviewed SBA's controls to determine whether they adequately prevent duplication of benefits with community

development block grants (CDBGs) administered by the Department of Housing and Urban Development (HUD). SBA's role to prevent duplication of benefits with HUD's CDBG Program is to provide timely, accurate, and complete loan information to HUD grantees that administer the grants for HUD. We determined that SBA's internal controls to prevent duplication of benefits were adequately designed and generally working as intended. We found a few instances where SBA did not timely annotate in the loan file that a grant had been awarded. However, no benefits were duplicated, since the disaster survivor had not requested a loan, loan reinstatement, reconsideration or reacceptance, or loan increase from SBA after they were awarded CDBG funds.

Based on the results of this audit, this report contains no reportable conditions or recommendations. ([Report 15-14](#))

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# Procurement Assistance

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Each year, the Federal Government spends hundreds of billions of dollars to procure goods and services. SBA works to maximize opportunities for small business firms, including firms owned and controlled by women or service-disabled veterans, and small businesses that are disadvantaged or located in historically underutilized business zones (HUBZones). Through SBA Government contracting programs, these small businesses have a better opportunity to obtain Federal contract awards. Working together, SBA establishes annual small business goals with participating Federal agencies for contracting with these small businesses. The current overall Federal Government-wide goal is for small businesses to receive 23 percent of the total value of prime contracts awarded each fiscal year. This includes the specific goals of:

- ◆ 5 percent of the total value of prime and subcontract awards to woman-owned small businesses (WOSBs),
- ◆ 3 percent of the total value of prime and subcontract awards to service-disabled veteran-owned small businesses (SDVOSBs),
- ◆ 5 percent of the total value of prime and subcontract awards to small disadvantaged businesses, and
- ◆ 3 percent of the total value of prime and subcontract awards to HUBZone firms.

In order to accomplish this goal, SBA has specific programs including, among others, the Section 8(a) Business Development Program and the HUBZone Empowerment Contracting Program. The HUBZone Program helps small businesses that are located in economically challenged areas, or HUBZones, to stimulate their local economies. Similarly, to help small, disadvantaged businesses gain access to Federal and private procurement markets, SBA's Section 8(a) Business Development Program offers a broad range of business development support, such as mentoring,

procurement assistance, business counseling, training, financial assistance, surety bonding, and other management and technical assistance. SBA's programs also reach out to benefit SDVOSBs and WOSBs.

Additionally, SBA provides assistance to existing and prospective small businesses through a variety of counseling and training services offered by partner organizations. Among these partners are small business development centers (SBDCs), the Service Corps of Retired Executives (SCORE) Association, and women's business centers (WBCs). Most of these are grant programs that require effective and efficient management, outreach, and service delivery.

In order to gain preferences in obtaining Federal contracts, some businesses misrepresent their eligibility for SDVOSB, HUBZone, Section 8(a) Business Development, and WOSB Programs. OIG and other Federal investigations have identified schemes in which companies owned or controlled by non-disadvantaged persons falsely claim to be disadvantaged firms or use actual disadvantaged firms as fronts.

In other schemes, perpetrators use bribery or fraudulent procurement documents to achieve their ends. The following cases illustrate how criminals attempt to manipulate the procurement assistance process.

## **Former GSA Employee Pleads Guilty After Receiving Bribes to Help 8(a) Participant Obtain Contracts**

A former General Services Administration (GSA) building manager in San Diego, CA, pled guilty to conspiracy to commit bribery and theft of Government property, and to filing a false tax return. He had been charged in an earlier complaint with engaging in a bribery scheme

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with a former SBA Section 8(a) Program firm's owner in San Diego and failing to report illegal proceeds on his Federal tax returns. Between 2007 and March 2014, the building manager used his official position to help the 8(a) participant firm obtain GSA contracts. In one instance, he demanded \$120,000 from the 8(a) firm's owner in exchange for being awarded a GSA 8(a) sole source construction contract. Ultimately, the firm bribed the building manager with payments totaling \$42,000. He also demanded that the firm provide repair work to his residence at no cost and improperly converted to his own use Government property that was later sold for \$8,057. This investigation originated based on allegations that contractors in the 8(a) Program in San Diego were receiving kickbacks from subcontractors. During the course of the investigation, agents became aware of other allegations that two public officials were bribed. The GSA building manager is the eleventh defendant charged in this investigation. This is a joint investigation with the FBI, Naval Criminal Investigative Service, IRS Criminal Investigation, Defense Criminal Investigative Service (DCIS), and GSA OIG.

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### **Men Sentenced to Imprisonment for Fraudulent 8(a) Contracts**

In the U.S. District Court of Maryland, a California man who owned a Virginia-based perimeter security equipment company was sentenced to 42 months in jail and 3 years of supervised release, and was ordered to forfeit \$694,893. He previously had been indicted for wire fraud, conspiracy to commit wire fraud, aggravated identity theft, witness tampering, obstruction of justice, and criminal forfeiture. In addition, the U.S. Air Force debarred him from directly or indirectly receiving the benefits of Federal assistance programs for 6.5 years. The

investigation disclosed that a Maryland man owned and operated an SBA Section 8(a) firm that purported to perform information technology services for Government and commercial clients. Instead, the 8(a) firm illegally and substantially passed through several million dollars' worth of set-aside Federal contracts to the Virginia-based company. In exchange for this arrangement, the Virginia company's owner paid the Maryland firm's owner a 4.5 percent fee on all contracts awarded to the Maryland firm.

The owner of the 8(a) firm was sentenced in Federal court to 21 months in jail and 3 years of supervised release, and was ordered to forfeit \$554,541. He had previously been indicted for wire fraud, conspiracy to commit wire fraud, and criminal forfeiture. This was a joint investigation with the Air Force Office of Special Investigations (AFOSI), Department of Interior OIG, DCIS, and Social Security Administration OIG.

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### **In-House Counsel to Maryland Firms Pleads Guilty for Involvement in Multi-Million Dollar Contract Fraud**

The former in-house counsel to two Maryland firms pled guilty in Federal court to conspiracy to commit wire fraud, tax fraud, and criminal forfeiture. The firms were awarded millions of dollars in Federal contracts, pursuant to small business and SDVOSB set-sides. Competitors had protested the two firms' awards several times, based on affiliation issues and size determination matters. However, each time, SBA found the firms to be small businesses. It was determined that the former counsel knowingly and intentionally caused false documents to be submitted in relation to Government contract proposals and small business size protests, while failing to pay taxes on various funds earned from the two firms. This continuing investigation is

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being conducted jointly with the IRS, DCIS, Department of Labor OIG, and AFOSI.

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**SBA Employee Removed from Position for Possible Improper Contracting Relationship**

An SBA information technology specialist was removed from his position for conduct unbecoming of a Federal employee and lack of candor. The investigation disclosed he may have attempted to have an improper relationship with the president of a Section 8(a) and HUBZone business regarding an upcoming SBA contract.

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**DOJ and Graduated Maryland 8(a) Firm Reach \$7.8 Million Settlement**

DOJ announced that a \$7.8 million settlement agreement had been reached with a graduated Maryland 8(a) firm and its principals to resolve allegations that they made false statements to obtain contracts through SBA. In 2011, in the U.S. District Court for the District of Columbia, the firm and its principals were variously charged with false claims, false records and statements, conspiracy under the False Claims Act, as well as negligent misrepresentations and fraud under common law. The Government decided to intervene in portions of a complaint by citizens alleging that the firm and its principals violated the False Claims Act relating to the company's participation in the 8(a) Program. The citizens claimed that the firm's former president, upon whom 8(a) eligibility was based, was neither in control of the company nor running the day-to-day operations. Consequently, the firm received millions of dollars of Government contracts for which it was not eligible. The OIG investigation supported these claims. The settlement was the

result of a coordinated effort among the DOJ Civil Division, the U.S. Attorney's Office of the District of Columbia, SBA's OGC, and OIG's Office of Counsel.

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**Three Men Agree to Plead Guilty to Major Fraud for Multi-million Dollar SDVOSB Scheme**

Two brothers (CEOs of different firms) and a third man have agreed to plead guilty to major fraud against the United States under a plea agreement with the U.S. Attorney's Office for the District of Puerto Rico. They previously had been indicted in connection with a multi-million dollar SDVOSB scheme to defraud the U.S. Department of Veterans Affairs (VA).

The investigation determined that, from 2008 to 2013, the president and CEO of a plumbing, heating, and air conditioning contracting firm; the president and CEO of a general contracting firm; and the second firm's project manager conspired to use the second CEO's service-disabled veteran status to create the second firm as a SDVOSB. It served as a pass-through, or front, company for the first CEO's business, which was a graduated 8(a) firm. The investigation further determined that the second CEO and owner of the second firm was employed as a full-time U.S. Postal Service carrier. Thus, he was not in charge of his firm's day-to-day operations, but was merely a figurehead being used for his service-disabled veteran status to obtain contracts for his brother's company. Consequently, the second firm unlawfully received \$6.6 million in SDVOSB set-aside and sole-source VA contracts, as well as \$443,493 in SDVOSB contracts funded through the American Recovery and Reinvestment Act. This investigation was worked jointly with the VA OIG, which was the lead investigative agency.

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### **Virginia Business Owner Pleads Guilty to Conspiracy**

The general manager and part owner of a Virginia-based Government contractor that claimed SDVOSB status pled guilty to conspiracy in Federal court. The man agreed to forfeit \$322,800. The plea resulted from an investigation into allegations that he conspired with other SDVOSBs to obtain Federal contracts through fraud and misrepresentation.

Specifically, the general manager directed his firm's employees to conspire with other SDVOSBs to submit what appeared to be competing bids for Federal Government contracts, when in fact they knew the bids were not competitive. The man, his firm's employees, and employees of other SDVOSBs would identify Government contracts to bid on and prepare bids for one another using the bid templates of each other. He would then direct his employees and other SDVOSB employees to submit the completed bids to the Federal Government as their own. He and employees of the other SDVOSBs knew and understood that these bids were not truly competitive bids. This practice restricted legitimate competition by creating the false impression that the Government had already received multiple competing bids.

In addition, the general manager worked with co-conspirators within the Government to gain access to internal Government documents, such as internal Government cost estimates, before bidding on contracts. He agreed to pay these co-conspirators for a competitive advantage on contracts totaling approximately \$33 million. This investigation continues and is being worked in conjunction with the Department of Homeland Security (DHS) OIG, VA OIG, GSA OIG, and DOJ.

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### **Ohio Executive Sentenced to 12 Months in Prison and Nearly \$6.8 Million in Restitution**

The president of an Ohio-based construction firm was sentenced in Federal court to 12 months in prison, 2 years of supervised release, and restitution of \$6.75 million, to be paid jointly and severally with the company. The firm was also ordered to pay a fine of \$7,500. In April 2014, the president had pled guilty to wire fraud.

From 2002 to 2011, he repeatedly submitted falsified documents to SBA and other Government agencies regarding the true principal office location of the construction firm in order to retain its HUBZone designation. Consequently, the firm was awarded over \$34 million in HUBZone set-aside Government contracts. This was a joint investigation with the DCIS, U.S. Army Criminal Investigation Command, and DHS OIG.

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### **Colorado Company President Sentenced to 6 Months of Incarceration and over \$1.4 Million in Penalties**

The owner and president of a Colorado firm was sentenced in Federal court to 6 months of incarceration, nearly \$1.2 million in restitution to the IRS, a \$250,000 fine, and 2 years of supervised release in which he was ordered to complete 1,000 hours of community service by providing his computer skills to non-profit organizations. He paid the full restitution on the same day as the sentencing. The owner had previously pled guilty to conspiracy.

The investigation discovered that he had directed his accountant and the firm's controller in concealing millions of dollars in assets, including a condominium in Vail, CO. He diverted millions of dollars in unreported income, mostly through

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overseas accounts. This income was omitted from SBA annual updates and financial statements. In doing so, the business owner was able to maintain his firm's certification as an 8(a) disadvantaged business. Also, in maintaining his eligibility for the 8(a) Program, he concealed his assets and income from the IRS by filing false tax returns. The misrepresentations led to the wrongful award of over \$17 million in 8(a) set-aside contracts to his firm from 2006 to 2010. This is a joint investigation with the DCIS, IRS Criminal Investigation, GSA OIG, and U.S. Army Criminal Investigation Command.

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#### **Improvements Needed in SBA's Management of the Women Owned Small Business Federal Contracting Program (WOSBP)**

In an evaluation of SBA's management and administration of WOSBP, we found that Federal agencies' contracting officers awarded 15 of 34 set-aside awards without meeting WOSBP's set-aside requirements. As a result, the \$7.1 million these firms received in FY 2014 set-aside awards may be improper. For example, 10 of 34 WOSBP set-aside awards were for ineligible work, and 9 of these 34 were awarded to firms that did not provide required documentation to prove they were eligible for WOSBP. We also found 13 of 25 firms in our sample uploaded some—but not all—of the required documentation to the repository necessary to prove their eligibility for the program. Additionally, 12 firms did not provide sufficient documentation to prove that a woman or women controlled the day-to-day operations of the firm. These firms, which received \$8 million, may be ineligible for their WOSBP set-aside awards.

OIG made five recommendations to the Associate Administrator for Government Contracting and

Business Development intended to improve how SBA manages and administers WOSBP. WOSBP will undergo some major programmatic changes based on the National Defense Authorization Acts for FY 2013 and 2015, which will considerably increase SBA's oversight role. Specifically, the FY 2015 Act will (1) grant contracting officers the authority to award sole-source awards to WOSBP firms, (2) remove firms' ability to self-certify, and (3) require firms to be certified. Since SBA is still determining how it will implement these mandated changes, we encouraged SBA officials to use the results in this report to assist them in creating a more robust WOSBP. ([Report 15-10](#))

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#### **SBA Needs to Improve Its Management of Disaster Technical Assistance Grants**

The Disaster Relief Appropriations Act of 2013 gave SBA's Office of Entrepreneurial Development \$19 million to provide technical assistance to small businesses recovering from Hurricane Sandy. We focused on the two largest recipients, the New York Small Business Development Center (NYSBDC) and the New Jersey Small Business Development Center (NJSBDC), which together received \$12.6 million of the \$19 million appropriated for Hurricane Sandy technical assistance grants.

For Phase 1, the SBDCs faced challenges in operating under an initial aggressive 6-month timeline, while delivering an increased level of technical assistance services supported by multiple funding sources. However, both SBDCs were able to achieve some Hurricane Sandy goals: NYSBDC reported meeting nearly 3 of its 4 goals, while NJSBDC reported meeting nearly 2 of its 3 goals to address short-term needs. For Phase 2, NYSBDC and NJSBDC may not meet their goals for long-term resiliency. As of March 31, 2015, several of the SBDCs' goals lagged behind schedule, with

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\$6.6 million remaining to be spent by August 2015. Both SBDCs faced challenges with attracting technical assistance clients and spending Sandy funds concurrent with funds from other grants, including residual Phase 1 funding. The SBDCs also had difficulty collaborating with other technical assistance providers.

We also found that SBA did not identify or mitigate the risk of unallowable expenditures during Phase 1. As a result, sub-centers of the SBDCs used \$16,965 on unapproved scholarship costs, \$168,082 on unsupported personnel and indirect costs, and \$335,217 on unapproved budget revisions—all of which went undetected by SBA.

OIG made ten recommendations to the Associate Administrator of the Office of Entrepreneurial Development intended to improve how SBA manages disaster technical assistance grants. SBA agreed with our report and nine of our ten recommendations, and partially agreed with one recommendation. ([Report 15-15](#))

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# Agency Management

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OIG is responsible for ensuring that Agency management appropriately safeguards SBA from fraud, waste, and abuse, and that SBA activities directly further Agency goals. As part of these efforts, OIG works with the Offices of the Chief Financial Officer (CFO), the Chief Information Officer (CIO), and Management and Administration to review financial reporting and performance management, human resources, procurements and grants, space and facilities, and maintenance of SBA's information systems and related security controls.

## **SBA's FY 2014 Compliance with the Improper Payments Elimination and Recovery Act (IPERA)**

We performed this review to (1) assess progress SBA made in remediating improper payment-related recommendations and (2) determine whether SBA complied with IPERA reporting requirements. We assessed controls SBA has implemented to address prior year OIG recommendations and evaluated whether SBA mitigated those risks. We also assessed SBA's efforts to prevent and reduce improper payments and reviewed the accuracy and completeness of improper payment disclosures in the 2014 *Agency Financial Report* (AFR).

Overall, we found that SBA continued to make progress in its efforts to prevent and reduce improper payments but that SBA still needs to improve the effectiveness and development of SBA improper payment controls and processes for Hurricane Sandy disaster relief grants and 7(a) loan guaranty purchases. Specific areas include the accuracy of the reported improper payment rates and the completeness of test plans.

Our review found that SBA was not compliant with IPERA reporting because the improper payment rate for the Disaster Assistance loan disbursements exceeded the 10 percent threshold, and 7(a)

guaranty loan approvals did not meet their annual reduction target. However, in accordance with OMB's memorandum, SBA published and posted an AFR on its website, conducted program-specific risk assessments, published improper payment estimates for all programs and activities identified as susceptible to significant improper payments, published extracts from the applicable programmatic corrective action plans in the AFR, reported a gross improper payment rate of less than 10 percent for 5 of 6 areas tested for FY 2014 reporting, and published and met the annual reduction target for 5 of the 6 areas tested.

We made six recommendations to improve the effectiveness of improper payment controls over the Hurricane Sandy technical assistance grants and Section 7(a) loan guaranty purchases. SBA plans to develop a more robust test plan and provide training for staff that performs the improper payment review. SBA is also in the process of refining its guidelines and protocols for disasters to incorporate lessons learned from Hurricane Sandy to mitigate the underlying causes of improper payments. Additionally, for 7(a) loan guaranty purchases, SBA plans to revise the National Guaranteed Purchase Center's checklist to include the necessary detail to ensure a thorough review of creditworthiness and repayment ability. ([Report 15-11](#))

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## **Improvement is Needed in SBA's Separation Controls and Procedures**

In evaluating SBA's controls over separated personnel, we found that even though the Agency established separation controls to safeguard SBA property and information, personnel were not following these controls effectively. These controls include deactivating network accounts within 24 hours of separation and collecting Federal

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property from separated personnel. Specifically, our analysis of network accounts identified 73 active accounts which should have been deactivated when the personnel separated from SBA. A large number of these 73 accounts were not automatically deleted, as those accounts had never been accessed. Additionally, two active network accounts were accessed after the personnel had separated from the Agency—which was identified as security incidents.

We also reviewed 57 employee separation checklists, which are used to document the termination of network access and collect Federal property from separated employees. However, we found that less than half of the forms—46 percent—were correctly completed, and 19 percent could not be found.

We also found multiple errors in the manner that contracting officer representatives (CORs) carried out contractor separations, and also noted that SBA did not have formal procedures on how to deactivate and terminate intern and volunteer accounts.

We made six recommendations to SBA. SBA fully agreed with five of the six recommendations and partially agreed with the sixth recommendation. Specifically, SBA will start holding line-management responsible if the forms were not fully completed and will investigate and report the two security incidents we identified to the US Computer Emergency Readiness Team. SBA also agreed to implement new policies to more effectively close accounts of separated personnel, as well as guidance to ensure that CORs, interns, and volunteers follow the same separation guidance as other SBA personnel. ([Report 15-12](#))

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# Other Significant Activities

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## Character Screening Diminishes Potential Program Fraud

Participants in SBA programs involving business loans, disaster assistance loans, Section 8(a) certifications, surety bond guarantees, SBICs, and CDCs must meet Agency character standards. To help ensure that this occurs, OIG's Office of Security Operations utilizes name checks and, where appropriate, fingerprint checks to determine criminal background information. During this reporting period, OIG processed 2,134 external name check requests for these programs.

OIG also refers applicants who appear ineligible because of character issues to program officials for adjudication. The referrals are based on data from OIG's online connection with the FBI. As a result of OIG referrals during this reporting period, SBA business loan program managers declined 15 applications totaling over \$8.8 million and disaster loan program officials declined 9 applications totaling nearly \$303,000. In addition, the Section 8(a) Program declined 6 applications for admission.

During this reporting period, OIG also initiated 157 background investigations and issued 18 security clearances for Agency employees and contractors. Moreover, OIG adjudicated 76 background investigative reports and coordinated with SBA's Office of Disaster Assistance to adjudicate 31 derogatory background investigation reports. Finally, OIG processed 862 internal name check requests for Agency activities such as success stories, "Small Business Person of the Year" nominees, and disaster assistance new hires.

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## OIG Promotes Debarment and Other Administrative Enforcement Actions

As a complement to its criminal and civil fraud investigations, SBA OIG continually promotes suspensions, debarments, and other administrative enforcement actions. These actions protect taxpayer funds from parties who have engaged in fraud or have otherwise exhibited a lack of business integrity. OIG regularly identifies individuals and entities for debarment and other enforcement actions, and submits comprehensive referrals that generally include a summary of allegations, suggested administrative records with supporting evidence, and a draft notice to facilitate review by the responsible SBA suspension and debarment official. Most OIG administrative referrals involve abuse of SBA loan and preferential contracting programs. Where appropriate, OIG recommends that SBA suspend the subject of an ongoing OIG investigation given program risk presented by the continued participation of those parties in Government programs.

During this reporting period, OIG sent 41 suspension and debarment referrals to the Agency. OIG investigations resulted in 10 additional suspension or debarment actions at other agencies. (See the Statistical Highlights section of this report for additional suspension and debarment results.)

The following are examples of OIG referrals for administrative enforcement actions during this reporting period.

### *False Representations of HUBZone Eligibility Result in Debarment Referral*

SBA OIG referred a contractor and its owner for debarment after an investigation revealed the company obtained nearly \$29 million in HUBZone

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set-aside awards from multiple Government agencies after it was no longer eligible for those awards. These debarment referrals followed a Federal District Court sentencing the owner to a year in prison and a \$6.76 million fine for false statements related to the HUBZone Program. SBA OIG previously worked with DOJ and contracting activities on a False Claims Act settlement for this case.

***Subcontractor's False Claims Result in an Administrative Agreement after Debarment Referral***

SBA entered into an administrative agreement in lieu of debarment following an OIG referral of a company that misrepresented its status as a woman-owned small business to obtain small business subcontracts. The subcontractor received millions of dollars in subcontracts intended for woman-owned businesses. SBA OIG worked with DOJ, the Air Force, and other contracting activities on this referral. This matter also resulted in a \$20 million False Claims Act settlement finalized after the reporting period.

***Several parties referred for suspension based on false representations***

SBA OIG referred a Federal contractor, four of its principals, and eight affiliated companies to the SBA for suspension following an indictment. The four principals were variously charged with conspiracy to defraud the United States, conspiracy to commit wire fraud, conspiracy to defraud the Government with respect to claims, wire fraud, making false statements, and witness tampering. According to the indictments, the principals made false representations and provided false documents to SBA in order for their companies to participate in the SDVO Program and the 8(a) Business Development Program. Among other alleged misdeeds, the four principals

arranged for relatives and other associates to hold themselves out as the owners and operators of SDVO- and 8(a)-eligible companies, when in fact, the principals were exercising control over the companies. The alleged false representations allowed the companies to receive more than \$140 million in contracts.

***Loan Officers' Misrepresentations Regarding Borrowers Result in Debarment Referral***

SBA OIG referred two loan officers from a national bank for debarment based upon admissions made to, and a consent order with, the Comptroller of the Currency. These loan officers falsified information borrowers supplied on loan applications (including SBA-guaranteed loans) in order for the applications to meet underwriting requirements. Their employing bank and SBA suffered losses when the loans defaulted. The loan officers received bonuses based on the number of loans generated, and so both benefitted from the misconduct.

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***OIG Collaborates on Civil False Claims Act Case, Resulting in \$1.85 Million Settlement***

OIG worked on a civil False Claims Act case with the United States Attorney's Office for the District of Minnesota, DOJ, Civil Division, SBA, the Department of Defense OIG, the Army Corps of Engineers, and the Defense Contract Audit Agency against a construction company and several individuals. In this case, the United States alleged the defendants made numerous false statements to both SBA and the Corps of Engineers in order to obtain and work on a Federal construction contract that the Corps of Engineers had set aside for participants in the 8(a) Business Development Program. Without admitting liability, the defendants agreed to pay the Government

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\$1.85 million in order to resolve the potential False Claims Act liability.

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### **OIG Provides Comprehensive Training on Small Business Contracting Fraud**

On April 21, 2015, SBA OIG hosted the 2015 Small Business Procurement Integrity Seminar. This seminar, which both OIG and Agency personnel instructed, introduced the basic principles of the SBA's small business contracting programs. The training also covered the major schemes unscrupulous contractors use to defraud those programs. This seminar trained more than 100 oversight professionals from agencies and Inspectors General, representing nearly 98 percent of the small business dollars spent in FY 2014 (\$90 billion of the \$92 billion spent in FY 2014). SBA OIG also delivered shorter versions of this training to select audiences and intends to provide another full session in the next fiscal year.

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### **OIG Reviews of Proposed Agency Regulations, Operating Procedures, and Other Initiatives Lead to Improved Program Controls to Reduce Fraud, Waste, Abuse, and Inefficiencies**

As part of OIG's proactive efforts to promote accountability and integrity and reduce inefficiencies in SBA programs and operations, OIG reviews changes that SBA proposes to make to its program directives such as regulations, internal operating procedures, agency policy notices, and SBA forms that are completed by the public. OIG often identifies material weaknesses in the proposals and works with the Agency to implement recommended revisions to promote

more effective controls and deter waste, fraud, or abuse. During the reporting period, OIG reviewed 63 proposed revisions of these program directives and submitted comments designed to improve 38 of these initiatives.

For example, during the reporting period, OIG provided extensive comments on the Agency's internal guidance to implement new grant guidelines. OIG also submitted public comments on the Agency's proposed changes to regulations governing WOSBP. These comments included the observation that SBA would exceed its statutory authorization if it implemented sole-source authority in this program without limiting sole-source recipients to certified companies.

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### **2004 Legislation Requires SBA Regulations and OIG Approval of SBDC Surveys**

In December 2004, Congress amended Section 21(a)(7) of the Small Business Act (15 U.S.C. 648(a)(7)) to restrict disclosing information regarding individuals or small businesses that have received assistance from an SBDC and to limit the Agency's use of such information. The provision also required SBA to issue regulations regarding disclosures of such information for use in conducting financial audits or SBDC client surveys. In 2009, the Agency represented to OIG that it would issue regulations as required by the statute. In April 2014, SBA sent the proposed regulations for publication in the Federal Register for public comment.

In addition, Section 21(a)(7) of the Small Business Act states that, until these SBDC information disclosure regulations are issued, the Inspector General must approve any SBDC client survey, as well as the use of any survey information, and must

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also include this approval in OIG’s Semiannual Report to Congress. According to a report from the Agency, SBA did not submit any surveys of SBDC clients for review during the second half of FY 2015.

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## OIG Hotline

OIG’s Hotline reviews allegations of waste, fraud, abuse, or serious mismanagement within SBA or its programs from employees, contractors, and the public. During this reporting period, the Hotline received 478 complaints requiring additional analysis or referral, and closed 312 complaints. The Hotline performs a preliminary review of all complaints to determine the appropriate course of action. Hotline staff may coordinate reviews of allegations with OIG’s Investigations Division, Auditing Division, and Office of Counsel, as well as SBA program offices. Outcomes of investigations initiated as a result of Hotline complaints are monitored by Hotline staff. Of the 312 complaints closed this period, 86 (28 percent) were referred within OIG (Investigations, Auditing, and Counsel), 26 (8 percent) were referred to SBA program offices, and 13 (4 percent) were referred to outside agencies. The remaining 187 complaints (60 percent) were resolved by the Hotline or did not require referral.

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## Whistleblower Ombudsman

Federal law prohibits Government personnel from retaliating against an employee who acts as a whistleblower by reporting suspected waste, fraud, or abuse to OIG. In addition, the National Defense Authorization Act of 2013 extends whistleblower protections to Government contractors, subcontractors, and grantees. Protected whistleblowing is defined as disclosing

information which the discloser reasonably believes evidences:

- ◆ gross mismanagement,
- ◆ gross waste of funds,
- ◆ an abuse of authority,
- ◆ a substantial and specific danger to public health or safety, or
- ◆ a violation of law, rule, or regulation.

In May 2015, in accordance with the Administration’s second Open Government National Action Plan, the whistleblower ombudsman met the Office of Special Counsel 2302 (c) Certification Program requirements, which requires Federal agencies to inform their workforces about the rights and remedies available to them under the Whistleblower Protection Act (WPA), the Whistleblower Protection and Enhancement Act (WPEA), and related civil service laws. OIG collaborated with SBA to meet the following Program requirements:

- ◆ Place informational posters at Agency facilities;
- ◆ Provide information about the WPA/WPEA, including the 13 Prohibited Personnel Practices (PPPs) to new employees as part of the orientation process;
- ◆ Provide information to current employees about the WPA/WPEA;
- ◆ Train supervisors on the WPA/WPEA;
- ◆ Display a link to OSC’s website on the Agency’s website or intranet.

OIG also established mandatory online PPP training for all SBA employees. This annual training ensures employees are aware of their protections against PPPs (including whistleblower retaliation), and that supervisors are aware of actions which could result in a PPP allegation.

Comprehensive information on whistleblower protection may be found on OIG’s website at <https://www.sba.gov/oig/whistleblower-rights-and-protection>.

# Statistical Highlights

April 1, 2015–September 30, 2015

## Summary of Office-Wide Dollar Accomplishments

As a Result of Investigations & Related Activities	
Potential Investigative Recoveries & Fines	\$30,632,115
Asset Forfeitures Attributed to OIG Investigations	\$1,572,235
Loans/Contracts Not Approved or Canceled as a Result of Investigations	\$959,800
Loans Not Made as a Result of Name Checks	\$9,133,656
Investigations Sub-Total	\$42,297,806
As a Result of Audit Activities	
Disallowed Costs Agreed to by Management	\$1,805,732
Recommendations that Funds Be Put to Better Use Agreed to by Management	\$11,441,309
Audit Sub-Total	\$13,247,041
<b>TOTAL</b>	<b>\$55,544,847</b>

## Efficiency and Effectiveness Activities Related to Audit, Other Reports, and Follow-Up Activities

Reports Issued	8
Recommendations Issued	40
Dollar Value of Costs Questioned	\$688,264
Dollar Value of Recommendations that Funds be Put to Better Use	\$9,141,309
Recommendations for which Management Decisions Were Made	42
Recommendations Without a Management Decision	17
Collections as a Result of Questioned Costs	\$68,460

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## Indictments, Convictions, Case Actions

Indictments from OIG Cases	25
Convictions from OIG Cases	27
Cases Opened	50
Cases Closed	54

## SBA Personnel Actions Taken as a Result of Investigation

Dismissals	1
Resignations/Retirements	0
Suspensions	0
Reprimands	0
Other	0

## Hotline Complaints Closed and Related Referral Actions

Within OIG (Investigations, Audit, Counsel)	86
Program Offices	26
Other Agencies	13
Other*	187
TOTAL	312

\* "Other" refers to complaints resolved by Hotline staff in which no action was taken or no referral was required.

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## Program Actions Taken During the Reporting Period as a Result of Investigations

Suspensions and/or Debarments Recommended to the Agency	41
Pending at the Agency as of September 30, 2014	52*
Suspensions Issued by the Agency	11
Proposed Debarments Issued by the Agency	20
Final Debarments Issued by the Agency	20
Proposed Debarments Declined by the Agency	0
Administrative Agreements Entered by the Agency in Lieu of Debarment	1
Suspension and Debarment Actions by Other Agencies	10

\* These numbers are based on SBA actions reported to OIG. SBA did not, however, confirm the current state of several referrals in response to OIG queries. We have, therefore, published the numbers in this table based on the best information available, but caution the reader that the Agency may have made more progress than indicated.

## Agency Legislative and Regulatory Proposals Reviewed

Legislation, Regulations, Standard Operating Procedures, and Other Issuances Reviewed	63
Comments Provided by OIG to Improve Legislation, Regulations, Standard Operating Procedures, and Other Issuances	38

# Full Year Statistical Highlights

Fiscal Year 2015

## Summary of Office-Wide Dollar Accomplishments

As a Result of Investigations & Related Activities	
Potential Investigative Recoveries & Fines	\$61,002,352
Asset Forfeitures Attributed to OIG Investigations	\$4,924,745
Loans/Contracts Not Approved or Canceled as a Result of Investigations	\$38,659,800
Loans Not Made as a Result of Name Checks	\$14,216,555
Investigations Sub-Total	\$118,803,452
As a Result of Audit Activities	
Disallowed Costs Agreed to by Management	\$3,591,516
Recommendations that Funds Be Put to Better Use Agreed to by Management	\$11,441,309
Audit Sub-Total	\$15,032,825
<b>TOTAL</b>	<b>\$133,833,277</b>

## Efficiency and Effectiveness Activities Related to Audit, Other Reports, and Follow-Up Activities

Reports Issued	17
Recommendations Issued	80
Dollar Value of Costs Questioned	\$2,474,048
Dollar Value of Recommendations that Funds be Put to Better Use	\$9,141,309
Recommendations for which Management Decisions Were Made*	84
Recommendations Without a Management Decision	17
Collections as a Result of Questioned Costs	\$2,561,955

\* Adding FY15 SAR periods does not sum to full year total due to database corrections.

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## Indictments, Convictions, Case Actions

Indictments from OIG Cases	52
Convictions from OIG Cases	57
Cases Opened	78
Cases Closed	90

## SBA Personnel Actions Taken as a Result of Investigation

Dismissals	1
Resignations/Retirements	0
Suspensions	0
Reprimands	0
Other	0

## Hotline Complaints Closed and Related Referral Actions

Within OIG (Investigations, Audit, Counsel)	139
Program Offices	75
Other Agencies	17
Other*	255
<b>TOTAL</b>	<b>486</b>

\* "Other" refers to complaints resolved by Hotline staff in which no action was taken or no referral was required.

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## Program Actions Taken During the Reporting Period as a Result of Investigations

Suspensions and/or Debarments Recommended to the Agency	74
Pending at the Agency as of September 30, 2014	52*
Suspensions Issued by the Agency	18
Proposed Debarments Issued by the Agency	30
Final Debarments Issued by the Agency	28
Proposed Debarments Declined by the Agency	0
Administrative Agreements Entered by the Agency in Lieu of Debarment	2
Suspension and Debarment Actions by Other Agencies	25

\*These numbers are based on SBA actions reported to OIG. SBA did not, however, confirm the current state of several referrals in response to OIG queries. We have, therefore, published the numbers in this table based on the best information available, but caution the reader that the Agency may have made more progress than indicated.

## Agency Legislative and Regulatory Proposals Reviewed

Legislation, Regulations, Standard Operating Procedures, and Other Issuances Reviewed	129
Comments Provided by OIG to Improve Legislation, Regulations, Standard Operating Procedures, and Other Issuances	72

# Appendix I: OIG Reports Issued

April 1, 2015-September 30, 2015

## Small Business Access to Capital

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
SBA Needs to Improve its Oversight of Loan Agents	15-16	9/25/2015	\$0	\$0
The OIG High-Risk 7(a) Loan Review Program	15-17	9/30/2015	\$0	\$0
<b>Program Subtotal</b>	<b>2</b>		<b>\$0</b>	<b>\$0</b>

## Disaster Loans

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Hurricane Sandy Expedited Loan Processes	15-13	7/13/2015	\$0	\$0
SBA's Controls to Prevent Duplication of Benefits with Community Development Block Grants	15-14	7/31/2015	\$0	\$0
<b>Program Subtotal</b>	<b>2</b>		<b>\$0</b>	<b>\$0</b>

## Agency Management

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
SBA's FY 2014 Compliance with the Improper Payments Elimination and Recovery Act	15-11	5/15/2015	\$168,000	\$0
Improvement is Needed in SBA's Separation Controls and Procedures	15-12	5/26/2015	\$0	\$0
<b>Program Subtotal</b>	<b>2</b>		<b>\$168,000</b>	<b>\$0</b>

## Procurement Assistance

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Improvements Needed in SBA's Management of the Women Owned Small Business Federal Contracting Program (WOSBP)	15-10	5/14/2015	\$0	\$0
SBA Needs to Improve Its Management of Disaster Technical Assistance Grants	15-15	7/31/2015	\$520,264	\$9,141,309
<b>Program Subtotal</b>	<b>2</b>		<b>\$520,264</b>	<b>\$9,141,309</b>
<b>Total of All Programs</b>	<b>8</b>		<b>\$688,264</b>	<b>\$9,141,309</b>

# Appendix II: OIG Reports

## With Questioned Costs

	Reports	Recommendations*	Questioned Costs**	Unsupported Costs***
A. No management decision made by March 31, 2015	1	1	\$946,400	\$946,400
B. Issued during this reporting period	2	4	\$688,264	\$336,082
SUBTOTAL (Universe from which management decisions could be made in this reporting period)	3	5	\$1,634,664	\$1,282,482
C. Management decisions made during this reporting period	3	5	\$1,634,664	\$1,282,482
(i) Disallowed costs****	4	6	\$1,805,732	\$898,182
(ii) Costs not disallowed*****	2	4	\$3,447,379	\$384,300
D. No management decision made by September 30, 2015	0	0	\$0	\$0

\* Reports may have more than one recommendation.

\*\* Questioned costs are those that are found to be improper.

\*\*\* Unsupported costs may be proper, but lack documentation. Unsupported costs are a subset of questioned costs.

\*\*\*\* Disallowed costs include one recommendation for which a decision on the dollar amount was not made until the current period.

\*\*\*\*\* Costs not disallowed include three recommendations for which decisions on the dollar amount were not made until the current period. It was reported previously as a disallowed cost in error.

## Appendix III: OIG Reports

### With Recommendations that Funds Be Put to Better Use

	Reports	Recommendations*	Recommended Funds For Better Use
A. No management decision made by March 31, 2015	0	0	0
B. Issued during this reporting period	1	2	\$9,141,309
SUBTOTAL (Universe from which management decisions could be made in this reporting period)	1	2	\$9,141,309
C. Management decisions made during this reporting period	1	2	\$9,141,309
(i) Recommendations agreed to by SBA management**	2	3	\$11,441,309
(ii) Recommendations not agreed to by SBA management***	0	0	\$2,500,000
D. No management decision made by September 30, 2015	0	0	\$0

\* Reports may have more than one recommendation.

\*\* Includes one recommendation for which a decision on the dollar amount was not made until the current period. Also includes one recommendation that was partially agreed with.

\*\*\* Includes one recommendation for which a decision on the dollar amount was not made until the current period.

# Appendix IV: OIG Reports

## With Non-Monetary Recommendations

	Reports	Recommendations
A. No management decision made by March 31, 2015*	10	18**
B. Issued during this reporting period	6	34
Universe from which management decisions could be made in this reporting period – Subtotals	16	52
C. Management decision(s) made (for at least one recommendation in the report) during this reporting period	11	35
D. No management decision made by September 30, 2015*	7	17

\* Adding the number of reports for C. & D. will not result in the subtotal of A. & B. because any single report may have recommendations that fall under both C. & D.

\*\* Information is different from what was previously reported due to database corrections.

# Appendix V: OIG Reports

## From Prior Periods with Overdue\* Management Decisions

Report Number	Title	Date Issued	Status
12-22	The SBA's Ratification Process May Lead to Anti-Deficiency Act Violations	9/28/2012	Management has not responded to one recommendation in the report.
13-08	The SBA Mismanaged Certain 8(a) Information Technology Contracts	2/3/2012	Management has not responded to one recommendation in the report.
13-14	The SBA's 417 Unauthorized Commitments Impacted Mission-Related Services and Increased Costs	3/28/13	Management has not responded to two recommendations in the report.
13-21	SBA's Enterprise-wide Controls Over Co-sponsored Activities	9/26/2013	Management has not responded to one recommendation in the report.
14-14	Improving the Accuracy of Performance Reporting to Better Manage Disaster Loan Processing Time Expectations	6/30/2014	Management has not responded to two recommendations in the report.
15-02	Independent Auditors' Report on the SBA's FY 2014 Financial Statements	11/17/2014	Management has not responded to one recommendation in the report.

\* Overdue as of September 30, 2015. "Overdue" is defined as more than 180 days from the date of issuance.

# Appendix VI: OIG Reports

Without Final Action as of September 30, 2015

Report Number	Title	Date Issued	Date of Management Decision	Final Action Target Date
11-06	Weaknesses Identified During the FY 2010 FISMA Review	1/28/2011	3/28/2011	9/30/2011
11-14	SBA's Funding of Information Technology Contracts Awarded to ISIKA Technologies, Inc.	6/2/2011	8/1/2011	12/31/2011
12-02	Independent Auditors' Report on the SBA's FY 2011 Financial Statements	11/14/2011	12/22/2011	**
12-04	Small Business Administration's Rationale for Excluding Certain Types of Contracts from the Annual Small Business Procurement Calculations Needs to be Documented	12/6/2011	9/23/2015	**
12-15	Weaknesses Identified During the FY 2011 Federal Information Security Management Act Review	7/16/2012	8/16/2012	12/30/2012
12-22	The SBA's Ratification Process Could Lead to Possible Anti-Deficiency Act Violations	9/28/2012	10/12/2012	3/31/2013
13-03	Benefits of Mentor Protégé Joint Ventures are Unknown: Robust Oversight is Needed to Avoid Abuse and Assure Success	10/23/2012	1/24/2013	9/30/2013
13-04	Independent Auditor's Report on the SBA's FY 2012 Financial Statements	11/14/2012	2/20/2013	9/30/2013
13-08	The SBA Mismanaged Certain 8(a) Information Technology Contracts	12/3/2012	*	**
13-16R	Purchase Reviews Allowed \$4.6 Million in Improper Payments on 7(a) Recovery Act Loans	6/14/2013	3/28/2014	4/30/2015
13-17	The SBA's Portfolio Risk-Management Program Can be Strengthened	7/2/2013	9/30/2013	**
13-18	The SBA Did Not Effectively Manage Defaulted Disaster Loans to Maximize Recovery from 2006 to 2011	9/27/2013	3/31/2014	**
13-21	SBA Enterprise-wide Controls Over Co-sponsored Activities	9/26/2013	*	**
14-03	Opportunities Exist to Further Improve Quality and Timeliness of HUBZone Certifications	11/19/2013	11/14/2013	9/30/2014

\* Management decision dates vary with different recommendations.

\*\* Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision	Final Action Target Date
14-04	Audit of SBA's FY 2013 Financial Statements dated 11/16/13	12/16/2013	*	**
14-07	Management Letter-SBA's FY 2013 Financial Statement Audit	1/15/2014	9/8/2014	10/1/2014
14-08	Improvement is Needed to Ensure Effective Quality Control at Loan Operation Centers	1/17/2014	1/17/2014	9/30/2015
14-09	Purchase Reviews Allowed \$3.1 Million in Improper Payments on 7(a) Recovery Act Loans	1/29/2014	1/23/2014	4/30/2015
14-12	Weaknesses Identified During the FY 2013 Federal Information Security Management Act Review	4/30/2014	4/30/2014	**
14-15	Opportunities Exist for the SBA to Improve the Monitoring of Non-Manufacturer Rule Waivers and Determine the Impact on Small Businesses	8/14/2014	8/11/2014	11/30/2014
14-17	Evaluation of SBA's 2013 and 2014 Cash Gifts	8/27/2014	8/27/2014	2/27/2015
14-18	Agencies are Overstating Small Disadvantaged Business and HUBZone Goaling Credit by Including Contracts Performed by Ineligible Firms	9/24/2014	9/10/2014	3/31/2015
14-19	Improvements Needed in the SBA's Oversight of the Financial Management of the District of Columbia Small Business Development Center	9/29/2014	9/29/2014	**
14-20	Controls Governing Economic Injury Disaster Loan Approval Need Improvement	9/29/2014	9/18/2015	12/22/2015
14-21	Review of the LMAS Incremental Improvement Projects	9/30/2014	9/25/2014	5/31/2015
15-02	Independent Auditor's Report of the SBA's FY2014 Financial Statements	11/17/2014	*	**
15-04	Management Letter - SBA's FY 2014 Financial Statement Audit	12/17/2014	3/30/2015	9/30/2015
15-06	Improvement is Needed in SBA's Oversight of Lender Service Providers	3/12/2015	*	**

\* Management decision dates vary with different recommendations.

\*\* Target dates vary with different recommendations.

Report Number	Title	Date Issued	Date of Management Decision	Final Action Target Date
15-07	Weaknesses Identified During the FY 2014 Federal Information Security Management Act Review	3/13/2015	3/3/2015	**
15-09	The OIG High Risk 7(a) Loan Review Program Recommends \$1.8 Million in Recoveries	3/20/2015	*	**
4-34	Audit of SBA's Process for Complying with the Federal Managers' Financial Integrity Act Reporting Requirements	7/29/2004	9/9/2004	6/30/2013
8-12	Oversight of SBA Supervised Lenders	5/9/2008	6/20/2008	12/31/2014
ROM 11-04	Quality of SBA's Recovery Act Data on Public Websites	3/22/2011	10/6/2011	**

\* Management decision dates vary with different recommendations.

\*\* Target dates vary with different recommendations.

# Appendix VII: Significant Recommendations

From Prior Reporting Periods Without Final Action as of September 30, 2015

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
ROM 11-04	3/22/2011	We recommend the Chief Financial Officer research the \$21,627,140 in Appendix I to determine whether the award has been made or the funds should be deobligated. This research should result in these actions being posted to FPDS.gov.	10/6/2011	6/30/2012
ROM 11-04	3/22/2011	We recommend the Chief Financial Officer deploy an independent statistical verification and validation of all SBA transactions awarded and subsequently reported to FPDS.gov.	10/6/2011	6/30/2012
ROM 11-04	3/22/2011	We recommend the Chief Financial Officer research the \$695,157 in Appendix II to determine the disposition of these awards and whether Recovery Act obligations were actually used to fund the awards. If not, these awards need to be corrected in PRISM, and FPDS.gov, and the contract files.	10/6/2011	1/31/2012
11-14	6/2/2011	We recommend that the CFO establish procedures to discontinue SBA's practice of inappropriately obligating funds on contracts in anticipation of future needs.	8/1/2011	12/31/2011
12-02	11/14/2011	We recommend the CIO coordinate with SBA program offices to enhance security vulnerability management processes. Specifically, SBA should: (a) redistribute procedures and train employees on the process for reviewing and mitigating security vulnerabilities, (b) periodically monitor the existence of unnecessary services and protocols running on their servers and network devices, (c) perform vulnerability assessments with administrative credentials and penetration tests on all SBA offices from a centrally managed location with a standardized reporting mechanism that allows for trending, on a regularly scheduled basis in accordance with NIST guidance, (d) develop a more thorough approach to track and mitigate configuration management vulnerabilities identified during monthly scans, and (e) monitor security vulnerability reports for necessary or required configuration changes to their environment.	12/22/2011	3/31/2012
12-02	11/14/2011	We recommend the CIO coordinate with SBA program offices to oversee the review and validation of financial system accounts on a quarterly basis.	12/22/2011	4/30/2012

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
12-04	12/6/2011	We recommend that the Associate Administrator, Government Contracting and Business Development revise the Goaling Guidelines for the Small Business Preference Programs to include contracts awarded and/or performed overseas in the small business goaling baseline beginning with fiscal year 2011.	9/23/2015	11/30/2015
13-03	10/23/2012	To ensure the SBA achieves its “Priority Goal” of increasing small business participation in government contracting while ensuring that the benefits of SBA’s small business programs flow to the intended recipients, we recommend that the Associate Administrator for Government Contracting and Business Development develop specific, measurements (outputs and outcomes) to evaluate benefits of the joint venture agreements to protégé	1/24/2013	9/30/2013
13-16R	6/14/2013	Seek recovery of \$680,900 from American Bank of Commerce on the guaranty paid by SBA.	3/28/2014	4/30/2015
13-21	9/26/2013	We recommend the Office of Strategic Alliances establish controls, such as a reporting system, to ensure that all activities are timely and properly closed out, and that all required documents and reports, as specified in SOP 90 75 3, are obtained.	1/23/2014	12/12/2014
14-03	11/19/2013	Update HUBZone guidance based on the current certification process, which includes the full supporting documentation review. Consider incorporating into the guidance a search of FPDS-NG database to ensure the firm is not receiving contracts with HUBZone status during the HUBZone application review and a method to maintain a complete history of the firm's status in the DSBS.	11/14/2013	9/30/2014
14-03	11/19/2013	Review the HUBZone certification process and identify a means to meet the deadlines established by regulation, through an improved business process.	11/14/2013	9/30/2014

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
14-04	12/16/2013	KPMG recommends that the Chief Information Officer coordinates with SBA program offices to grant elevated network privileges per business needs only and enforce the concept of least privilege or implement mitigating controls to ensure that activities performed using privileged network accounts (including service accounts) are properly monitored.	5/22/2014	12/31/2014
14-04	12/16/2013	KPMG recommends that the Associate Administrator, Office of Capital Access, in coordination with the Chief Information Officer, designs and implements a combination of preventative and detective controls to address the issues and related risks in the condition above, and ensure an auditable trail of software changes is maintained to prevent and detect unauthorized changes to production programs.	3/28/2014	10/6/2015
14-04	12/16/2013	KPMG recommends that the Chief Information Officer coordinates with SBA program offices to enforce a network access security baseline(s) across the network, consistent with SBA security policy, Office of Management and Budget directives, and United States Government Configuration Baseline requirements.	4/9/2014	9/30/2014
14-09	1/29/2014	#2 - Seek recovery of \$685,691 (less any amounts received from liquidation) from Florida Community Bank (formerly First Peoples Bank) on the guaranty paid by the SBA.	1/23/2014	4/30/2015
14-14	6/30/2014	Report the processing time for automatically declined applications and pre-loss verification declined applications separately from applications that require more extensive processing, rather than continue averaging these processing times together.	Overdue	12/31/2014
14-14	6/30/2014	Establish and report disaster loan processing time goals based on actual average processing times, net of automatically declined and pre-loss verification declined applications. Additionally, we recommend the established goals also consider the full processing time for all applications with withdrawals that had reacceptances.	Overdue	12/31/2014

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
14-15	8/14/2014	Complete and publish the Standard Operating Procedure for the Non-Manufacturer Rule Waiver Program.	8/11/2014	11/30/2014
14-18	9/24/2014	In coordination with the Office of Federal Procurement Policy and the General Services Administration strengthen controls between the SBA's Dynamic Small Business Search Database and the System for Award Management to ensure accuracy of 8(a) and HUB-Zone certification data in FPDS-NG.	9/10/2014	3/31/2015
14-18	9/24/2014	Modify the Dynamic Small Business Search so that a firm's profile and certification information for HUBZone and 8(a) status remains visible and accurate to agency contracting officers or develop an alternate list to verify a firm's status.	9/10/2014	3/31/2015
14-19	9/29/2014	Update SOPs 60 15 and 60 16 to address subsequent statutory and regulatory changes, and to establish adequate controls to ensure effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.	9/29/2014	3/31/2016
14-19	9/29/2014	Implement controls to ensure that Lead Centers exclude excess sub-recipient costs when computing indirect costs.	9/29/2014	9/30/2016
14-20	9/29/2014	Develop a checklist for key requirements and ensure loan officers complete the checklist prior to approving the loan. Include specific requirements such as whether the applicant sustained an economic injury, and whether all required supporting documentation is included in the electronic loan file. Additionally, develop written requirements for loan officers and supervisory loan officers to verify that all documents required to support a loan decision are included in the electronic loan file prior to recommending approval of the loan.	9/18/2015	12/22/2015
15-06	3/12/2015	Develop a method to appropriately identify lender service provider participation within SBA loan programs and their associated loan portfolios to evaluate performance.	7/31/2015	1/15/2016
15-06	3/12/2015	Establish a formal process and procedures for addressing referrals related to lender service providers.	3/11/2015	9/30/2015

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Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
15-09	3/20/2015	Require Monterey County Bank to bring the loan into compliance, and, if not possible, seek recovery of \$413,704 (less any amounts received from liquidation) from Monterey County Bank on the guaranty paid by SBA for the loan.	3/20/2015	10/2/2015
15-09	3/20/2015	Require Ridgestone Bank to bring the loan into compliance, and, if not possible, seek recovery of \$900,175 (less any amounts received from liquidation) from Ridgestone Bank on the guaranty paid by SBA for the loan.	3/23/2015	4/2/2016
15-09	3/20/2015	Require USC Credit Union to bring the loan into compliance and, if not possible, seek recovery of \$471,905 (less any amounts received from liquidation) from USC Credit Union on the guaranty paid by SBA for the loan.	3/23/2015	10/2/2015

## Appendix VIII: Significant Recommendations

Report Number	Title	Date Issued	Recommendation
15-10	SBA's Oversight of the Women Owned Small Business (WOSB) Federal Contract Program	5/14/2015	Provide additional, updated training and outreach to the contracting community explaining that program set-aside requirements are for awards for goods and services within certain NAICS codes in which women-owned firms have been identified as being underrepresented or substantially underrepresented.
15-10	SBA's Oversight of the Women Owned Small Business (WOSB) Federal Contract Program	5/14/2015	Provide additional, updated training to WOSBP firms, potential WOSBP firms, and contracting officers on current repository and documentation requirements.
15-10	SBA's Oversight of the Women Owned Small Business (WOSB) Federal Contract Program	5/14/2015	Revise the self-certification forms (SBA Forms 2413 and 2414) to include the name of the individual who is in control of day-to-day operations if different than the owner.
15-10	SBA's Oversight of the Women Owned Small Business (WOSB) Federal Contract Program	5/14/2015	Revise the SBA Financial Form 413- WOSB Program to ensure it properly provides financial information in accordance with the program requirements.
15-10	SBA's Oversight of the Women Owned Small Business (WOSB) Federal Contract Program	5/14/2015	Perform eligibility examinations on WOSB and EDWOSB firms identified in this report as potentially ineligible.
15-11	FY 2014 Evaluation of SBA's Progress in Reducing Improper Payments	5/15/2015	We recommend that the Associate Administrator for Entrepreneurial Development recover \$168,000 of unallowable indirect costs from SCORE.
15-11	FY 2014 Evaluation of SBA's Progress in Reducing Improper Payments	5/15/2015	We recommend that the Associate Administrator for Entrepreneurial Development develop and implement a more robust test plan that provides reasonable assurance of detecting improper payments for Hurricane Sandy technical assistance grants for FY 2015 improper payment reporting.
15-11	FY 2014 Evaluation of SBA's Progress in Reducing Improper Payments	5/15/2015	We recommend that the Associate Administrator for Entrepreneurial Development provide training to SBA personnel responsible for developing the test plan and performing the Agency's improper payment review for Hurricane Sandy technical assistance grants to ensure the detection of improper payments.

Report Number	Title	Date Issued	Recommendation
15-11	FY 2014 Evaluation of SBA's Progress in Reducing Improper Payments	5/15/2015	We recommend that the Associate Administrator for Entrepreneurial Development develop and implement a corrective action plan that includes the underlying causes of the improper payments identified by OIG in its review of FY 2014 Hurricane Sandy technical assistance grants
15-12	Improvement is Needed in SBA's Separation Controls and Procedures	5/26/2015	We recommend the Chief Financial Officer/Chief Acquisition Officer revise guidance to require the COR to monitor contractor status and provide a standardized method to do so. This guidance should reinforce COR responsibilities for monitoring a contractor's system or network access, identification card receipt and return, SBA separation date, system, or network deactivation and security notification date.
15-13	Hurricane Sandy Expedited Loan Processes	7/13/2015	We recommend that ODA clarify income continuity standards and materiality thresholds for different income sources and provide guidance on debt analysis for RAPID loan applications.
15-15	SBA Needs to Improve Its Management of Disaster Technical Assistance Grants	7/31/2015	Develop and implement policies and procedures for advancing funds
15-15	SBA Needs to Improve Its Management of Disaster Technical Assistance Grants	7/31/2015	Account for and de-obligate Phase 2 funds unexpended by August 31, 2015.
15-15	SBA Needs to Improve Its Management of Disaster Technical Assistance Grants	7/31/2015	Prepare a closeout report for Sandy technical assistance grants that covers the challenges, successes, and actions to take based on QED's experience. Using the closeout report, develop a plan for deploying technical assistance resources in the wake of a disaster.
15-15	SBA Needs to Improve Its Management of Disaster Technical Assistance Grants	7/31/2015	Review the expenditures for the \$335,217 transfer of funds to ensure these costs are supportable and allowable, and document the rationale for approving the transfer.
15-15	SBA Needs to Improve Its Management of Disaster Technical Assistance Grants	7/31/2015	Develop and implement policies and procedures for ensuring the reallocation of funds between budget cost categories is assessed for the percentage of increases and decreases on a quarterly basis.
15-16	SBA Needs to Improve Its Oversight of Loan Agents	9/25/2015	Establish and implement procedures for the regular monitoring of SBA Form 159 data to identify concerning trends or risk patterns.
15-16	SBA Needs to Improve Its Oversight of Loan Agents	9/25/2015	Develop performance metrics for loan agents that, if exceeded, would trigger closer SBA examination of a loan agent's activity and performance.

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Report Number	Title	Date Issued	Recommendation
15-16	SBA Needs to Improve Its Oversight of Loan Agents	9/25/2015	Establish and implement procedures for reporting any concerning trends or suspected fraudulent activity of loan agents to Agency management and OIG.
15-16	SBA Needs to Improve Its Oversight of Loan Agents	9/25/2015	Develop benchmarks for contractor performance and require the FTA to implement appropriate application controls and follow-up procedures with lenders to ensure the integrity of the Form 159 database.
15-16	SBA Needs to Improve Its Oversight of Loan Agents	9/25/2015	Implement a process using permissible information to uniquely identify loan agents involved with SBA lending programs for tracking purposes.

## Appendix IX: Cosponsored & Other Activities

April 1, 2015-September 30, 2015

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Emerging Leaders 2015	Rhode Island DO - Center for Women & Enterprise, Rhode Island Small Business Development Center - University of Rhode Island, SCORE Joseph GE Knight Chapter 13, Northern Rhode Island Chamber of Commerce, Central Rhode Island Chamber of Commerce, Rhode Island Procurement Technical Assistance Center, Minority Business Enterprise Compliance Office, South Eastern Economic Development Corporation, Chafee Center for International Business, Bank RI, Coastway Community Bank	Providence, RI	4/1/2015
Small Business University Educational	Washington DC DO - Northern Virginia Community College Workforce Development Division	Annandale, VA	4/1/2015
Emerging Leaders 2015	Mississippi DO - Mississippi e-Center @ Jackson State University, Greater Jackson Chamber Partnership/Jackson Chamber of Commerce, City of Jackson, Mississippi Minority Business Alliance, Inc., Mississippi Development Authority	Jackson, MS	4/2/2015
Lender/Borrower Matchmaking Event	Oklahoma DO - Black Chamber of Commerce	Oklahoma City, OK	4/2/2015
Women's Business Enterprise National Council Training	Baltimore DO - Women Presidents' Educational Organization, Maryland Capital Enterprises, Inc.	Columbia MD, Owings Mills MD, Washington, DC	4/8/2015
Connecting Veteran-Owned Small Businesses to Corporate Supply Chains and Franchising Opportunities	HQ/Office of Veteran Business Development-International Franchise Association, Marriott International, Inc.		4/8/2015
Oregon Small Business Week Award Event 2015	Portland DO - Albina Community Bank, Columbia State Bank, Evergreen Business Capital, KBNP Radio 1410 - The Money Station, KeyBank, NW Business Development Association, Port of Portland, SCORE Portland Chapter 11,	Portland, OR	4/8/2015

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Emerging Leaders 2015	Michigan DO - Automation Alley, Center for Empowerment and Economic Development WBC, Detroit Economic Growth Corporation, Detroit Regional Chamber, Michigan Black Chamber of Commerce, Michigan Economic Development Corporation, Michigan Minority Supplier Development Council, Michigan Small Business Development Center, Michigan State University Detroit Center, SCORE Chapter 18, TechTown	Detroit, MI	4/10/2015
Emerging Leaders 2015	Philadelphia DO - Manufacturers & Traders Trust Company, United Bank of Philadelphia, Russell Dinkins, Radio Show Host – The Boardroom Program, East River Bank, Susquehanna Bancshares, Inc.	Philadelphia, PA	4/10/2015
Emerging Leaders 2015	Nevada DO - ACCION Nevada * New Mexico * Arizona* Colorado, CPLC Southwest/Prestamos CDFI, Nevada Women’s Business Center, Nevada SCORE/Chapter 0243, Nevada PTAC, Bank of America, Nevada Small Business Development Center, Vegas PBS	Las Vegas, NV	4/10/2015
Small Business Awards Luncheon 2015	Utah DO - Mountain West Small Business Finance, Utah Certified Development Company	Salt Lake City, UT	4/10/2015
Procurement Seminar	New Mexico DO - City of Albuquerque Economic Development	Albuquerque,	4/10/2015
Massachusetts Small Business Forum on Resources and Disaster Assistance	Massachusetts DO - South Eastern Economic Development Corporation	Taunton, MA	4/10/2015
Small Business Workshop	Illinois DO - U.S. Department of Labor - Employee Benefits Security Administration	Chicago, IL	4/10/2015
MillennialTreds Twitter Chats	HQ/Office of Entrepreneurship Education - Kauffman Foundation	World Wide Web	4/21/2015
2015 SBA Illinois District Office Small Business Week Activities	Illinois DO - Chicago SCORE, U.S. Bancorp, Chatham Business Association	Chicago, IL	4/23/2015
How to Make Your Business Bankable	Santa Ana DO - City of Huntington Beach’s Office of Business Development	Huntington Beach, CA	4/23/2015
Small Business Week 2015	St. Louis DO-Small Business Week of Eastern Missouri, Inc.	St. Louis, MO	4/23/2015

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Small Business Week	Connecticut DO - Connecticut Small Business Develop-	Storrs, CT	4/23/2015
2015 Small Business Award Ceremony	Washington, DC DO - Montgomery County Economic Development, SCORE Washington DC Chapter	Silver Spring, MD	4/23/2015
Global Access Program Video Conference Series	Santa Ana DO - Riverside Community College District Inland Empire Center for International Trade Development, California State University San Bernardino College of Business and Public Administration, California State University San Bernardino Center For Global Management	San Bernardino, CA	4/23/2015
Information Session for Milwaukee Small Businesses on Micro-enterprise Loan Pro-	Wisconsin DO - Federal Reserve Bank of Chicago	Milwaukee, WI	4/23/2015
Connecticut Business Expo	Connecticut DO - Hartford Business Journal, Metro Hartford Alliance	Hartford, CT	4/23/2015
2015 SBA Illinois District Office Lender	Illinois DO - Chicago SCORE, Small Business Growth Corporation	Chicago, IL	4/24/2015
Small Business Workshop Reaching Out to You/National Small Business Week	Kansas City DO - Federal Deposit Insurance Corporation, Urban Financial Services Coalition, Kansas City Kansas Community College	Kansas City, MO	4/27/2015
Small Business Awards Ceremony	Columbus DO - Community Capital Development Corporation, 5/3 Bank, Heartland Bank, Huntington National Bank, First Financial, KeyBank, Telhio Credit Union, HCDC, Ohio State Development Corporation, Communi-	Grove City, OH	4/30/2015
Encore Entrepreneur	West Virginia DO-West Virginia State University Extension Service Economic Development Center, West Virginia Chapter of the American Association of Retired Persons, Charleston SCORE Chapter #256	Charleston, WV	5/1/2015
Boots to Business Reboot	West Virginia DO-West Virginia State University Parkersburg	Parkersburg, WV	5/1/2015

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
3rd Annual SBA Los Angeles Faith Based Small Business Summit	Los Angeles DO - University of Southern California Cecil Murray Center for Community Engagement, University of Southern California Small Business Diversity Office, Am-Pac TriState CDC	Los Angeles, CA	5/5/2015
Small Business Week	Los Angeles DO - Los Angeles Area Chamber of Com-	Los Angeles, CA	5/13/2015
Opening Doors to Government Contracting for Women & Minorities	Syracuse DO-Mohawk Valley Small Business Development Center, Women's Business Center of NYS, Utica SCORE, North Country Procurement Technical Assistance Center, The Business Training Institute, Inc.	New York, NY	5/13/2015
Small Business Hiring	Illinois DO - The Veterans Exchange	Chicago, IL	5/22/2015
SBA Day at the Ballpark 2015: Awards Ceremony & Recognition of Philadelphia District "Small Business Week" Award	Philadelphia DO - Constant Contact	Philadelphia, PA	6/3/2015
Aroostook County	Maine DO - Northern Maine Development Commission,	Caribou, ME	6/3/2015
Aroostook County	Maine DO - Northern Maine Development Commission,	Presque Isle, ME	6/3/2015
Austin Entrepreneurship Expo	San Antonio DO - National Women's Business Council, Women's Business Center at BiGAUSTIN, SCORE Austin, Texas State University Small Business Development Center, City of Austin Economic Development Department	Austin, TX	6/3/2015
Spirit of Small Business Awards Program &	Los Angeles DO - Pacific Coast Business Times	Goleta, CA	6/5/2015
Develop and print the Oklahoma How-to Guide for Small Businesses	Oklahoma DO - The Journal Record Publishing Company	Oklahoma City, OK	6/17/2015
Tech Tips Webinar Series	Santa Ana DO - Microsoft Community Connections	World Wide Web/Telephone	6/22/2015

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
SmallBiz4Youth Mentoring Campaign	HQ/Office of Entrepreneurship Education - Small Business Majority	World Wide Web	6/23/2015
Small Business Finance Bootcamp	Buffalo DO- Livingston County Chamber of Commerce, SCORE Rochester Chapter 23, Niagara Small Business Development Center, Geneseo Outreach Office	Geneseo, NY	6/23/2015
Burlington Business Fair	Vermont DO - City of Burlington Economic Development Office, Champlain Valley Office of Economic Opportunity Micro Business Development Program	Burlington, VT	6/23/2015
American Supplier Initiative B2B Matchmaking Event: Puerto Rico is Open for Business	Puerto Rico & Virgin Islands DO - Puerto Rico Trade and Export Company, Puerto Rico Industrial Development Company	San Juan, PR	7/6/2015
Skokie Area Resources for Small Businesses Workshops Event	Illinois DO - Oakton Community College, U.S. General Services Administration	Skokie, IL	7/9/2015
8(a) Transition Workshops	Georgia DO - The Southern Company, Georgia Minority Supplier Development Counsel, University of Georgia Small Business Development Center	Atlanta, GA	7/9/2015
Small Business Outreach Activities	Massachusetts DO - Brazil New England Chamber of Commerce, Inc.	Farmingham, MA	7/9/2015
Mississippi Meet the Lenders - Small Business Borrower-Lender Matchmaking Event	Mississippi DO - Federal Deposit Insurance Corporation	Pearl, MS	7/13/2015
Boots to Business Reboot	HQ/Office of Veteran Business Development - Syracuse University Institute for Veterans and Military Families,	Nationwide	7/15/2015
Too Young to Retire	Syracuse DO - City of Ithaca Office of Economic Development, Tompkins County Area Development, New York State Small Business Development Center Binghamton University, American Association of Retired Persons	Ithaca, NY	7/16/2015
InnovateHER Women's Summit	HQ/Office of Women's Business Ownership - Association of Women's Business Centers	Washington, DC	7/19/2015
Monthly Business Ba-	New York DO - City of Yonkers, Yonkers Public Library	Yonkers, NY	7/22/2015

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
2015 Back to Business Conference	Georgia DO - General Services Administration, Office of Caesar C. Mitchell, Atlanta City Council President	Atlanta, GA	7/22/2015
Women and Minority	New York DO - Office of Congresswoman Kathleen Rice	Freeport, NY	7/30/2015
Women Entrepreneurs Small Business Boot	Lower Rio Grande Valley DO - Brownsville Chamber of Commerce	Brownsville, TX	7/30/2015
Vermont's 19th Annual Women's Economic Opportunity Conference	Vermont DO - Office of U.S. Senator Patrick Leahy, Vermont Technical College - Vermont Small Business Development Center, Vermont Agency of Transportation, Vermont Commission on Women, Vermont Community Loan Fund, Vermont Procurement Technical Assistance Center, Vermont Department of Labor, Vermont Manufacturing Extension Center, SCORE Montpelier, Vermont Agency of Human Services - Office of Economic Opportunity, Vermont Business Education Corporation, Vermont Economic Development Authority, Vermont Works for Women, U.S. Department of Agriculture - Rural Development, Vermont Women's Fund, Women Business Owners Net-	Randolph, VT	8/17/2015
Selling to the Government Training Series	Wyoming DO - Wyoming Entrepreneur Procurement Technical Assistance Center	Casper, Laramie, WY	8/18/2015
Small Business Workshops	Wyoming DO - Wyoming Entrepreneur Small Business Development Center, Laramie County Library System	Cheyenne, WY	8/18/2015
Affordable Care Act Education Workshop	Wyoming DO - Enroll Wyoming	Casper, Laramie, WY	8/18/2015

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
InnovateHER Innovating for Women Business Challenge 2016	<p>HQ/Office of Women's Business Ownership - Alaska Small Business Incubator, LLC, Albany Center for Economic Success, All In The Family Comprehensive Enrichment Center, Alliance of Women Entrepreneurs, Arch Grants - Entrepreneur Startup Business Development Corporation, Arkansas Regional Innovation Hub, Baba's Cooking School LLC t/a EatsPlace, Balch Springs Chamber of Commerce, Brownstown Downtown Development Authority, Camden CoLab - Rutgers Camden Technology Assistance Campus, Center for Entrepreneurship and Economic Development (CEED) Bethune-Cookman University, Center for Innovation and Entrepreneurship - University of North Carolina Wilmington, City of Columbia - Office of Business Opportunities, City of Cottonwood Heights, Cognitect, Inc., CONNECT Foundation, Davis Painting, Inc., DEN at Dartmouth University, Desert Lightening - Desert Hot Springs Chamber Foundation, Diversity Solutions Market &amp; Women Entrepreneur Resources, East River Family Strengthening Collaborative - BRIDGES, Inc., EcoTech Visions, Equita Accelerator, Inc., Fairmount Innovation Lab - Artmorpheus Inc., Florida Institute of Technology, weVENTURE - Melbourne Office, Fosterly, LLC, Franklin Business Incubator, Gateway Technical College, Go Africa Network Inc., Grand Rapids Opportunity for Women, Great Turning Advisors, LLC, HCDC, Inc. , Her Corner, LLC, Houston Community College, Ignite Quad Cities - Quad Cities Chamber, Independent Business Association of Detroit , Innovation Greenhouse at the University of North Texas, Insight Product Development - Insight Accelerator Labs, InSoCal CONNECT Foundation - Murrieta Innovation Center, Institute for Entrepreneurial Excellence - University of Pittsburgh, Iowa Black Business Coalition, Inc., Iowa Startup Accelerator, Kennedy Ventures, LLC, Landing Zone, LLC, Lansing Economic Area Partnership, Local Shopper LLC dba LocalShops1, Long Beach City College Advancement and Economic Development, Magnolia Business Alliance, Manufacture New York, Inc.</p>	Nationwide	8/19/2015

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
InnovateHER Innovating for Women Business Challenge 2016	Marshall University Research Corporation - Robert C. Byrd Institute for Advanced Flexible Manufacturing, Maui Economic Development Board, Mercy Connections, Inc., Meylah Corporation, Mindwarehouse LLC, Missouri Small Business and Technology Development Center, Mom Owned Business Association, Mountain BizCapital Inc. dba Mountain BizWorks, New Mexico Community Capital New Ventures Maine - University of Maine - Augusta - University of Maine System, North Carolina State University - Poole College of Management, Piloto Labs, Inc., PowerMoves.NOLA, Purdue University's Krannert Women in Management, Regional Economic Development Center of Southern New Hampshire, Rocky Mountain Business Incubator Collaborative, LLC dba Salida Business Incubator, SCAPE - Southwest Colorado Accelerator Program for Entrepreneurs, SEED Spot, Southeast Economic Development Fund, Inc., Springboard Enterprises, St. Gregory's University, Startup Junkie Consulting, STLG Intellectual Property Law Firm, Substantial Magazine, Sultan Ventures, Supply Chain Visions, Inc., Sustainable Atlanta dba The Center for Civic Innovation, Sustainable Valley Technology Group, TechLAB Innovation Center, The Adelante Movement, The Chicagoland Entrepreneurial Center dba 1871, The D.J. Legacy Group, LLC - dba Hera Hub DC, The Entrepreneurial Development Center, Inc., The Hive West Virginia Beckley Center - New River Gorge Regional Development Authority, The Inside Story LLC, The Jackson Smith Group, The Venue Event Center, LLC, The Werx Foundation, Inc., The Wholesome Health Lounge, University of Oregon's Lundquist Center for Entrepreneurship, University of Toledo Minority Business Assistance Center, UpTech, Ventureprise - University of North Carolina Charlotte, Vermont Center for Emerging Technologies, West Virginia University, West Virginia Wesleyan College, Western Women's Business Center, weVENTURE Orlando - Florida Institute of Technology, Women Veterans Business Center, Women's Business Development Council of Flori-	Nationwide	8/19/2015

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Small Business and Government Maximizing Entrepreneurship, Driving Innovation	HQ/Office of Advocacy - University of California San Diego - von Liebig Entrepreneurism Center, San Diego State University Research Foundation	San Diego, CA	8/24/2015
Small Business Lender Match Maker Forum	West Virginia DO - U.S. Department of Agriculture, U.S. Department of Housing and Urban Development, U.S.	Morgantown, WV	8/24/2015
Immigrant Entrepre-	North Dakota DO - Greater Fargo Moorhead Economic	Fargo, ND	8/24/2015
Entrepreneur Assistance Workshop Series	New York DO - Carroll Gardens Association, Inc.	Brooklyn, NY	8/31/2015
Lender Export Finance	Syracuse DO - New York Business Development Corpora-	Syracuse, NY	9/2/2015
New Hampshire Small Business Matchmaker	New Hampshire DO - New Hampshire Procurement Technical Assistance Program, New Hampshire Small Business Development Center - University of New Hampshire	Manchester, NH	9/2/2015
Small Business Expo and Statement of Sup-	Buffalo DO - Employer Support for the Guard and Reserve	Buffalo, NY	9/2/2015
The Beacon Council	South Florida DO - The Beacon Council	World Wide	9/3/2015
InnovateHER Women's Business Challenge 2016	HQ/Office of Women's Business Ownership - Association of Women's Business Centers, Microsoft Corporation	Washington, DC	9/8/2015
South Suburban Cook County Business Boot	Illinois DO - U.S. Department of Housing and Urban Development, Southland Chicago Economic Development	Chicago Heights, IL	9/22/2015
Lender Recognition Awards Breakfast	Utah DO - Mountain West Small Business Finance, Utah Certified Development Company, Salt Lake Community	Sandy, UT	9/22/2015
Connecting Veteran-Owned-Small Businesses to Corporate Supply Chains and Franchising Opportu-	HQ/Office of Veteran Business Development-International Franchise Association, Marriott International, Inc.	Washington, DC	9/28/2015

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Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
2015 Business Connect - Business Matchmaking Event	San Antonio DO - San Antonio Hispanic Chamber of Commerce	San Antonio, TX	9/30/2015
Monthly Business Forum FY 2016	New York DO - White Plains Public Library	White Plains, NY	9/30/2015
Alumni Educational Series	Massachusetts DO - Interise, Inc.	Massachusetts Statewide	9/30/2015

## Appendix X: Legal Actions Summary

April 1, 2015-September 30, 2015

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
CA	BL		A business failed to maintain adequate reserves in its Loan Loss Reserve Fund (LLRF) as required by SBA. The business was required to fund its LLRF at levels determined by the riskiness of its 504 loan portfolio, yet knowingly concealed from SBA hundreds of troubled loans to avoid its obligation to fully fund its LLRF.	Business and principle agreed to turn over assets totaling \$6 million and the principle agreed to pay an additional \$200,000 in a civil settlement.
CA	BL	FBI, FDIC/OIG, FHFA/OIG, TIGTA	Individuals conspired to issue loans under favorable terms to unqualified or under-qualified borrowers by supplying or knowingly accepting false and fraudulent information in the borrower's loan application.	Individuals were indicted and pled guilty.
CA	BL	FBI	Individuals conspired to defraud a bank and SBA by making false statements to obtain an SBA Business Loan.	One individual was sentenced to 18 months of incarceration, and 3 years of supervised release. A second individual was sentenced to 8 months of incarceration and 3 years supervised release. Both were ordered jointly and severally to pay \$1,620,000. A third individual was sentenced to 3 years of supervised release.
CA	BL	Riverside CA DA's Office	Two individuals submitted false information to a bank in order obtain a \$1.4 million SBA-guaranteed loan.	Individual pled guilty and was sentenced to 30 days of incarceration and 36 months of summary probation.
CA	BL	FBI, TIGTA	An individual made false statements and submitted false documents in obtaining two SBA express loans.	Individuals found guilty.

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
CA	GC	FBI, IRS, NCIS, DCIS, GSA/OIG	An individual used his position as a Federal employee to extort bribes from businesses seeking to do business with the Government, including contractors in the SBA 8(a) Program.	Eleven individuals have pled guilty. Two individuals were sentenced to 5 years of supervised probation, 60 days of home confinement with electronic monitoring, 200 hours of community service, and a \$1000 fine.
CO	BL	FBI, FHFA/OIG,	Individuals conspired to obtain a \$2 million SBA-guaranteed loan by concealing the borrower's extensive criminal history.	Individuals pled guilty and were ordered to pay \$646,124 in restitution. One individual was sentenced to 3 years of probation.
CO	GC	Army/CID, IRS, DCIS, GSA/OIG	An individual conspired with others to conceal millions of dollars in assets in order for the business to maintain its SBA 8 (a) status.	Individual pled guilty and was sentenced to 6 months incarceration, 2 years of supervised release, ordered to pay \$1,171,179 in restitution and a \$250,000 fine.
FL	GC	DCIS, NASA/OIG	A business created a front company to obtain Federal Government contracts via SBA's 8(a) Program.	Individual agreed to pay \$58,587 in a civil settlement. The business agreed to pay \$250,000 in a civil settlement.
FL	GC	USCG, DHS/OIG, DCIS	Individuals falsely certified that the principal office for their business was located in a designated HUBZone.	Business and two principles agreed to pay \$250,000 plus contingency payments of 5 percent of gross annual revenue of the business.
FL	GC	USCG, DCIS, DHS/OIG	An individual falsely certified to SBA that its principal office was located in a designated HUBZone, when in fact, it was actually located in a non-HUBZone.	Individual was indicted and pled guilty.

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
FL	GC	DCIS	An individual provided fraudulent documents in order to obtain two Government small business contracts. In 2004, the individual was indefinitely debarred for cause from participating in all Federal procurement programs.	Individual was sentenced to 30 months of incarceration followed by 36 months of supervised release and a \$100 assessment.
IL	BL	ED/OIG, FHFA/OIG, HUD/OIG	Individuals used a mentally-disabled person's identifying information to obtain an SBA-guaranteed bank loan.	Individuals pled guilty.
IL	BL	FBI, IRS, FDIC/OIG	A bank employee conspired with an individual to "flip" gas stations using fraudulent SBA-guaranteed loans.	Individual was indicted and pled guilty.
IL	DL	FBI	Individuals made false statements to a bank and SBA in order to secure an SBA economic injury disaster loan.	Individuals indicted.
IA	BL	FBI, FDIC/OIG, Iowa Dept. of Criminal Investigations	An individual assisted others in acquiring fraudulent loans by filling out loan documents without the knowledge or consent of the purported borrowers.	Individual pled guilty.
KS	BL	IRS, USSS, FDIC/OIG	A loan officer and bank customers were involved in a fraudulent scheme to provide funding to a business using the SBA Express Loan Program.	Individuals pled guilty.
LA	DL		An individual created and submitted a fraudulent document in order to stop SBA from garnishing another individual's wages. The garnishment was a result of a defaulted \$196,000 SBA loan.	Individual charged by information.
MD	BL	USPIS	An individual submitted altered IRS documents to inflate business income in order to qualify for SBA 7(a) loans.	Individual pled guilty.
MD	GC	IRS, DCIS, DOL/OIG	Individuals misrepresented their business as a service-disabled veteran-owned small business in order to obtain Government contracts. In addition, they conspired to misrepresent documents related to past performance.	Individuals were indicted and pled guilty.

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
MD	GC	Air Force/OSI, DCIS, DOI/OIG, SSA/OIG	Individuals conspired to utilize an SBA certified 8(a) firm as a pass-through for several million dollars' worth of Government contracts to another company.	One individual was sentenced to 41 months of incarceration and 3 years of supervised release, and ordered to forfeit \$694,893 and pay a \$100 assessment. A second individual was sentenced to 21 months of incarceration and 3 years of probation, and ordered to forfeit \$554,541 and pay a \$100 assessment.
MD	GC		A business made false statements to obtain Federal Government contracts via SBA's 8(a) Program.	The business and two principals agreed to pay \$7.8 million in a civil settlement.
MI	BL	FBI, USSS	An individual submitted false documentation to obtain an SBA express loan using another individual's personal information and forging the individual's signature on loan documents.	Two individuals were sentenced to 24 months of incarceration and 60 months of probation. A third individual was sentenced to 24 months of supervised release.
MO	BL	FBI	Individuals, including an SBA employee, conspired to fraudulently obtain SBA express loans and community express lending status for a bank. They proceeded to use the status to obtain fraudulent loans.	SBA employee sentenced to 3 years of probation and ordered to pay \$91,855 in restitution. A second individual was sentenced to one year and a day imprisonment, and three years of supervised release.
NJ	DL	NJ/DCA, DHS/OIG, HUD/OIG	Individuals filed false applications to obtain rental assistance from the Federal Emergency Management Agency. These individuals asserted that they were forced to relocate to a rental home as a result of storm related damage to their property, when in reality they were never forced to relocate.	Individuals were indicted and pled guilty.
NJ	DL	NJ/DCA, DHS/OIG, HUD/OIG	An individual who received Federal disaster aid from various agencies falsely claimed that a storm-damaged home she owned was her primary residence.	Individual entered into pre-trial diversion and was ordered to pay \$17,621 in restitution.

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
NJ	DL	NJ/DCA, DHS/OIG, HUD/OIG	Individuals falsely claimed on applications for Federal disaster assistance that a storm damaged property was their primary residence, when in fact, it was their vacation home.	Individuals entered into pretrial diversion and were ordered to pay \$19,822 in restitution.
NJ	DL	NJ/DCA, DHS/OIG, HUD/OIG	An individual submitted fraudulent documents related to his rental assistance application.	Individual indicted.
NJ	DL	NJ/DCA, DHS/OIG, HUD/OIG	Individuals falsely claimed a seasonal bed and breakfast was their primary residence, when in fact their primary residence was located in Florida.	Individuals charged by complaint-summons.
NJ	DL	NJ/DCA, DHS/OIG, HUD/OIG	An individual submitted false documents related to various Hurricane Sandy disaster grants and loans. The individual claimed that a storm damaged home was his primary residence, when he was actually living in another location.	Individual charged by complaint-summons.
NJ	DL	NJ/DCA, DHS/OIG, HUD/OIG	An individual claimed that his primary residence was damaged by Hurricane Sandy. The investigation found that the property was a vacation home and not a primary residence.	Individual was sentenced to 18 months of probation and ordered to pay \$155 in fees and assessments in addition to \$116,900 in restitution.
NJ	DL		An individual submitted a false document related to various Hurricane Sandy disaster grants and loans, including a \$40,000 SBA disaster loan. The individual claimed a property as a primary residence when it was in fact a secondary home.	Individual charged by complaint-summons.
OH	GC	DCIS	An individual repeatedly submitted falsified documents to SBA and other Government agencies regarding their true principal office location in order to retain their HUBZone designation.	Individual was sentenced to 12 months of imprisonment and two years of supervised release, and ordered to pay \$6,755,034 in restitution.
TN	GC	FBI, USSS, DOI/OIG, VA/OIG	Individuals conspired to fraudulently obtain SBA 8(a) certification for a company in order to obtain \$9 million in sole-source and set-aside contracts.	Individual entered into pretrial diversion.

State	Program	Jointly with	Alleged Violation(s) Prosecuted	Legal Action
VA	GC	DHS/OIG, GSA/OIG, USPS/OIG, VA/OIG	An individual conspired with other SDVOSBs to obtain Government contracts through fraud and misrepresentation.	Individual was indicted and pled guilty.
WA	BL		An individual received SBA loans by using false financial and criminal history information in the loan application process.	Individual indicted.
WA	BL	FBI	Two individuals conspired to submit false and fraudulent information to a bank in order to obtain a \$50,000 SBA business express loan.	Individual was sentenced to 30 months of incarceration and 60 months of supervised release, and ordered to pay \$379,143 in restitution.
WV	GC	FBI, IRS, DCIS, DOL/OIG, VA/OIG	Individuals conspired to defraud the government by violating regulations related to the SBA 8(a) and SDVOSB Programs for the purpose of obtaining lucrative Government contracts.	Individuals indicted.
WI	BL	FBI	An individual provided falsely inflated financial statements to support his application for an SBA-guaranteed loan.	Individual was sentenced to 12 months and 1 day of incarceration, followed by 180 days of house arrest and 1 year probation, pay a \$25,000 fine and \$621,858,039 in restitution.
PR	GC	VA/OIG	Individuals conspired to use a SDVOSB as a pass-through or front company for a SBA graduated 8(a) firm. The business received contracts from VA totaling \$6.6 million.	Individuals were indicted and pled guilty.

**Legal Actions Summary Program Codes:**

Business Loans (BL)  
 Disaster Loans (DL)  
 Government Contracting and Section 8(a) Business Development (GC)  
 Integrity Assurance (IA)  
 Microloan Program (ML)

**Joint-investigation Agency Acronyms:**

Defense Criminal Investigative Service (DCIS)  
 Department of Homeland Security Immigration and Customs Enforcement (DHS/ICE)  
 Department of Homeland Security Office of Inspector General (DHS/OIG)  
 Department of Housing and Urban Development Office of Inspector General (HUD/OIG)  
 Department of Interior Office of Inspector General (DOI/OIG)  
 Department of Labor Office of Inspector General (DOL/OIG)

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Department of Transportation Office of Inspector General (DOT/OIG)	National Aeronautics and Space Administration Office of Inspector General (NASA/OIG)
Department of Veterans Affairs Office of Inspector General (VA/OIG)	Naval Criminal Investigative Service (NCIS)
District of Columbia Office of Inspector General (DC/OIG)	New Jersey Department of Community Affairs (New Jersey DCA)
Federal Bureau of Investigation (FBI)	Social Security Administration Office of Inspector General (SSA/OIG)
Federal Deposit Insurance Corporation Office of Inspector General (FDIC/OIG)	United States Air Force Office of Special Investigations (Air Force/OSI)
Federal Housing Finance Agency Office of Inspector General (FHFA/OIG)	United States Army/Criminal Investigation Division (Army/CID)
General Services Administration Office of Inspector General (GSA/OIG)	United States Coast Guard (USCS)
Internal Revenue Service – Criminal Investigation (IRS/CI)	United States Postal Inspection Service (USPIS)
	United States Secret Service (USSS)

# Appendix XI: External Peer Reviews

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Section 5(a) of the IG Act provides the requirements for reporting the results of peer reviews in OIG Semiannual Reports to Congress. The following information is provided in accordance with these requirements.

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## Auditing Division

Generally Accepted Government Auditing Standards (GAGAS) issued by GAO require that audit organizations performing audits and attestation engagements in accordance with GAGAS must have an external peer review performed by reviewers independent of the audit organization being reviewed at least once every 3 years.

OIG did have a peer review conducted during this semiannual reporting period, however the report has not yet been issued. The results of the 2015 peer review will be reported in the Spring 2016 SAR. OIG's last peer review was conducted by the National Aeronautics and Space Administration Office of Inspector General, which issued its final report on September 27, 2012. OIG received a rating of "Pass" in that report (Federal audit organizations can receive a rating of Pass, Pass with Deficiencies, or Fail). There are no outstanding recommendations from previous peer reviews of OIG.

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## Peer Reviews Conducted

OIG did not conduct a peer review during the Fall 2015 reporting period.

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## Investigations Division

Section 6(e)(7) of the IG Act, Attorney General Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority, and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Quality Standards for Investigations require external peer reviews of OIG investigative functions be conducted every 3 years.

OIG received its review in September 2014, which was conducted by the US Department of the Interior, Office of Inspector General. The final report, dated November 13, 2014, found the system of internal safeguards and management procedure for the investigative function of SBA OIG complied with CIGIE's quality standards and the applicable Attorney General Guidelines. (OIGs can be assessed as either "compliant" or "noncompliant".) No recommendations were offered.

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## Peer Reviews Conducted

In June 2015, OIG conducted a peer review of the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP). On September 18, 2015, OIG issued its final report. OIG found that the system of internal safeguards and management procedures for the investigative function of SIGTARP complied with CIGIE's quality standards and the applicable Attorney General Guidelines. (OIGs can be assessed as either "compliant" or "noncompliant.") No recommendations were offered.

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# Appendix XII: OIG Organization

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OIG has three divisions and several supporting program offices to carry out its functional responsibilities.

The **Auditing Division** performs and oversees audits and reviews to promote the economical, efficient, and effective administration of SBA programs and operations. Key areas of emphasis are SBA's loan programs, disaster assistance, business development and Government contracting programs, as well as mandatory and other statutory audit requirements involving computer security, financial reporting, and other work. The balance of the engagements is discretionary and focuses on high-risk activities and management issues facing SBA.

The **Investigations Division** manages a program to detect and deter illegal and improper activities involving SBA's programs, operations, and personnel. The criminal investigations staff carries out a full range of traditional law enforcement functions. The security operations staff conducts name checks and, where appropriate, fingerprint checks on program applicants to prevent known criminals and wrongdoers from participating in SBA's programs. The security operations staff also conducts required employee background investigations to achieve a high level of integrity in the Agency's workforce and adjudicates OIG employees and contractors for issuance of PIV cards pursuant to HSPD-12 background investigations requirements.

The **Management and Administration Division** provides business support (e.g., budget and financial management, human resources, IT, and procurement) for the various OIG functions and activities.

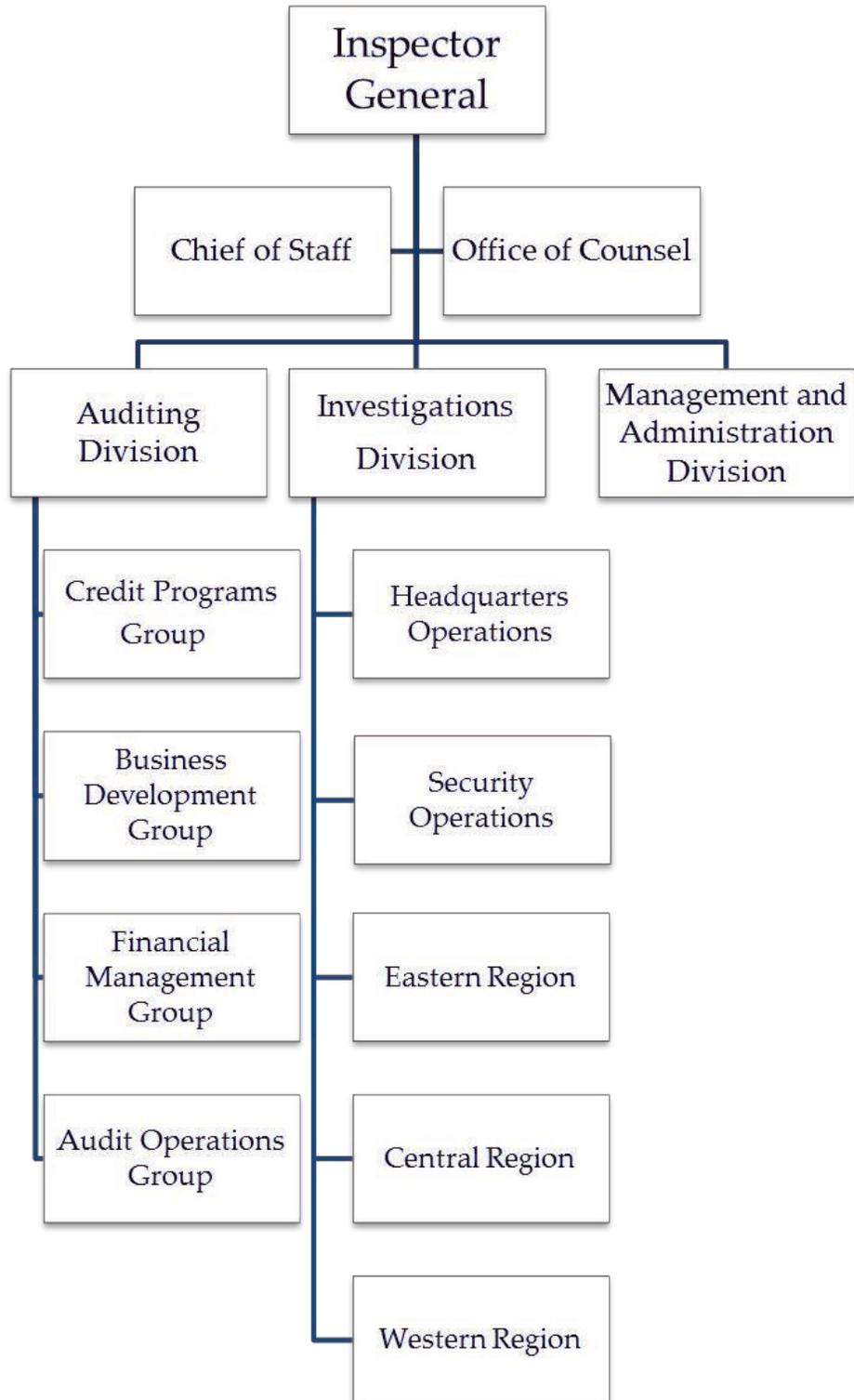
The **Office of Counsel** provides legal and ethics advice to all OIG components; represents OIG in litigation arising out of or affecting OIG operations; assists with the prosecution of criminal, civil, and administrative enforcement matters; processes subpoenas; responds to Freedom of Information and Privacy Act requests; and reviews and comments on proposed policies, regulations, legislation, and procedures.

The **OIG Hotline**, under the purview of the **Chief of Staff**, reviews allegations of waste, fraud, abuse, or serious mismanagement within SBA or its programs from employees, contractors, and the public. A preliminary review of all complaints is conducted to determine the appropriate course of action. As part of the review process, hotline staff may coordinate reviews of allegations within OIG, SBA program offices, or other governmental agencies.

OIG headquarters is located in Washington, DC; and has field staff located in Atlanta, GA; Chicago, IL; Dallas-Fort Worth, TX; Detroit, MI; Denver, CO; Herndon, VA; Houston, TX; Kansas City, MO; Los Angeles, CA; Miami, FL; New York, NY; Philadelphia, PA; Tacoma, WA; and Washington, DC.

# Appendix XIII: Organization Chart

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# Make a Difference!

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To promote integrity, economy, and efficiency, we encourage you to report instances of fraud, waste, or mismanagement to the OIG Hotline.\*

## Online:

<http://www.sba.gov/office-of-inspector-general/2662>

## Call:

1-800-767-0385 (Toll Free)

## Write or Visit:

U.S. Small Business Administration  
Office of Inspector General  
Investigations Division  
409 Third Street, SW (5th Floor)  
Washington, DC 20416

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\*In accordance with Sections 7 and 8L(b)(2)(B) of the Inspector General Act, confidentiality of a complainant's personally identifying information is mandatory, absent express consent by the complainant authorizing the release of such information.