

U.S. Small Business Administration Office of Inspector General

**Semiannual Report to Congress
April 1–September 30, 2019**



October 30, 2019

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

Every 6 months, we provide Congress with a report detailing our independent oversight of the U.S. Small Business Administration (SBA). Our fall 2019 semiannual report to Congress provides a summary of the Office of Inspector General's (OIG's) activities from April 1 through September 30, 2019. OIG continues to focus on the most critical risks facing SBA, directing our resources at the most serious management and performance challenges facing the Agency.

During this reporting period, OIG issued 14 reports with 64 recommendations to improve SBA operations and reduce fraud and unnecessary losses in Agency programs. In addition, OIG investigations resulted in 23 indictments and 19 convictions. OIG also provided critical investigative and legal support in reaching multimillion-dollar settlements on four separate small business contracting fraud cases brought under the False Claims Act. Overall, OIG's investigations and audits achieved monetary recoveries and savings of \$71,437,121. OIG also sent 30 present responsibility referrals to SBA and 15 additional present responsibility referrals to other agencies. These referrals typically result in a suspension, debarment, or administrative agreement.

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

- OIG issued Report 19-22, which consolidated our results of our FY 2019 High Risk 7(a) Loan Review Program. Our review of eight early-defaulted loans identified material lender origination and closing deficiencies that justified denial of the guaranty for five loans in the amount of approximately \$8.7 million.
- OIG investigation resulted in a former CEO of a Virginia-based defense contractor agreeing to pay \$20 million to settle allegations related to fraudulent procurement of small business contracts.
- OIG issued Report 19-23 on our audit results of SBA's desktop loss verification process. We found that although the process contributed to SBA meeting its timeliness goals for processing disaster loan applications, controls needed strengthening to mitigate the risk of fraud and ensure program integrity. As a result, SBA disbursed 36,869 of the 73,313, or 50 percent, loans included in our scope, totaling \$594,286,878 of \$1.4 billion, without validating the cause and extent of damages, and there was no assurance that disaster loans were only provided to individuals impacted by Hurricanes Harvey, Irma, or Maria.

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 SBA's management to address the issues and challenges facing the Agency.

A handwritten signature in black ink, appearing to be 'Hannibal Ware', written in a cursive style.

Hannibal "Mike" Ware

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Organization Overviews

The U.S. Small Business Administration

The mission of the U.S. Small Business Administration (SBA) 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 (FYs) 2018–2022 has four overarching goals:

- support small business revenue and job growth,
- build healthy entrepreneurial ecosystems and create business friendly environments,
- restore small businesses and communities after disasters, and
- strengthen SBA's ability to serve small businesses.

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

To deliver business products and services, SBA has its headquarters in Washington, DC, and has staff in 10 regional offices, 68 district offices and corresponding branch offices, and 4 disaster field offices. There also are 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.

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 several 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 possess a high level of integrity. This is critical to the proper administration of SBA's programs because it helps ensure that SBA resources are used by those who need them the most. Copies of OIG reports and other products are available at <https://www.sba.gov/office-of-inspector-general>.

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

The **Audits Division** performs and oversees audits and reviews to evaluate and assist SBA in administering its programs and operations economically, efficiently, and effectively. 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 and financial reporting. The balance of the engagements is discretionary and focuses on high-risk activities and management issues facing SBA.

The **Investigations Division** conducts investigations to deter and detect illegal and improper activities involving SBA's programs, operations, and personnel. OIG criminal investigators carry out a full range of traditional law enforcement functions. The security operations staff conducts required OIG employee background investigations to achieve a high level of integrity in the workforce and adjudicates OIG employees and contractors for issuance of personal identity verification cards pursuant to Homeland Security Presidential Directive-12 background investigations requirements. The OIG Hotline, under the purview of the Investigations Division, reviews allegations of waste, fraud, abuse, or serious mismanagement within SBA or its programs from employees, contractors, and the public. Hotline staff members conduct a preliminary review of all complaints to determine the appropriate course of action and may coordinate reviews of allegations within OIG, SBA program offices, or other government agencies.

The **Management and Operations Division** provides business support (e.g., budget and financial management, human resources, information technology, administrative, and communication) for 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; presents training; assists with prosecuting 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.

OIG's headquarters is in Washington, DC. Its field staff are 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; Federal Way, WA; and Washington, DC.

Small Business Access to Capital

SBA provides small businesses with capital and financial assistance through several key programs and has a financial assistance portfolio of guaranteed and direct loans totaling about \$118.8 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 to ensure that eligible participants most in need of assistance benefit from these programs.

For example, the Agency's largest lending program, the Section 7(a) Loan 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 most 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.

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, to recovering funds.

Office of Inspector General High Risk 7(a) Loan Review Program

OIG issued three management advisories that presented evaluation results of 7(a) loans as part of our ongoing High Risk 7(a) Loan Review Program for FY 2019. The objectives of these evaluations were to determine whether high-dollar/early-defaulted 7(a) loans were originated and closed in accordance with SBA's rules, regulations, policies, and procedures and whether material deficiencies exist that warrant recovery of guaranteed payments to lenders.

The first management advisory presented the evaluation results of two 7(a) loans. Our review of these two high-dollar/early-defaulted 7(a) loans identified that lenders for both loans did not provide sufficient evidence to support that they originated and closed the loans in accordance with SBA's requirements. Specifically, the lenders did not provide adequate documentation to substantiate reasonable assurance that the borrowers met requirements for repayment ability, eligibility, collateral, equity injection, and debt refinance.

As a result, the lenders' material noncompliance with SBA requirements while originating and closing the loans resulted in a combined potential loss to SBA of approximately \$5.3 million. We

recommended that SBA require the lenders to bring the two loans into compliance or seek recovery of approximately \$5.3 million. SBA agreed with the recommendations and has contacted the lenders to obtain additional information to bring the loan into compliance and stated that if the issues are not overcome, recovery will be sought from the lenders. (Access Report 19-15 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-15.pdf>.)

The second management advisory presented the evaluation results of two 7(a) loans. Our review of these two high-dollar/early-defaulted 7(a) loans identified that lenders for both loans did not provide sufficient evidence to support that they originated and closed the loans in accordance with SBA's requirements. Specifically, the lenders did not provide adequate documentation to substantiate reasonable assurance that the borrowers met requirements for eligibility, repayment ability, and equity injection.

As a result, the lenders' material noncompliance with SBA requirements while originating and closing the loans resulted in a combined potential loss to SBA of approximately \$2 million. We recommended that SBA require the lenders to bring the two loans into compliance or seek recovery of approximately \$2 million. SBA agreed with the recommendations and stated they will contact the lenders to obtain additional information to bring the loan into compliance. If the issues are not overcome, SBA will seek recovery from the lenders. (Access Report 19-16 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-16.pdf>.)

The third management advisory presented the evaluation results of one 7(a) loan. Our review of the high-dollar/early-defaulted 7(a) loan found that the lender did not provide sufficient evidence to support that it originated and closed the loan in accordance with SBA's requirements. Specifically, the lender did not appropriately use its delegated authority.

As a result, the lenders' material noncompliance with SBA requirements while originating and closing the loan resulted in a combined potential loss to SBA of approximately \$1.3 million. We recommended that SBA require the lender to bring the loan into compliance or seek recovery of approximately \$1.3 million. SBA agreed with the recommendation and stated that they will contact the lender to obtain additional information to bring the loan into compliance. If the issues are not resolved, SBA will seek recovery from the lender. (Access Report 19-19 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-19.pdf>.)

Consolidated Results of the OIG High Risk 7(a) Loan Review Program

Our review of eight early-defaulted loans in FY 2019 identified material lender origination and closing deficiencies that justified denial of the guaranty for five loans in the amount of approximately \$8.7 million. We issued three advisory memorandums regarding these five loans to SBA for appropriate corrective action. The issues we found in our FY 2019 reviews were similar to those identified in previous evaluations, such as business valuations, affiliates, equity injection, and repayment ability.

SBA agreed with our findings and recommendations on the five loans and agreed to contact the lenders to obtain additional information to bring the loans into compliance. If that's not possible, SBA plans to seek recovery from the lenders. (Access Report 19-22 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-22.pdf>.)

Texas Man to Pay \$336,000 in Restitution for Fraudulent Equity Injection

A Texas man was sentenced in federal court to 3 years of probation. He was also ordered to pay \$336,000 in restitution, joint and severally, with a second man. The first man had previously pled guilty to making a false statement to a federally insured bank.

The investigation revealed that the first man made false statements about the sales price and financial transactions of a Sears Retail Outlet Store he purchased from the second man. Both parties agreed to represent to the bank that the sales price was higher than it was, in order to meet the requirements of Sears, SBA, and the bank. In addition, the first man did not have the funds required for the \$88,544 equity injection, so he borrowed the funds from a friend and misrepresented the source of those funds to the lender. He then purchased a \$88,544 cashier's check and provided it to the second man at the loan closing. Immediately afterward, the second man gave the cashier's check back to the first man, so he could return the funds to his friend.

Attorney to Pay \$307,500 in Restitution to SBA

The attorney for the closing of a bank's \$1.5 million SBA-guaranteed loan to a Georgia manufactured home builder signed a settlement agreement with SBA and the U.S. Department of Justice to pay \$307,500 in restitution to SBA. He had been investigated for closing the loan while knowing that a required \$307,500 equity injection had not been made and that false documentation was provided to SBA regarding that injection. He also allegedly created a post-closing agreement between the bank and the home builder, giving the borrower an additional 90 days to make the injection after the loan closed, while knowing this violated SBA policy. The settlement was agreed to in lieu of any administrative debarment action or other criminal action against him.

This case was investigated jointly with the Federal Deposit Insurance Corporation (FDIC), the Special Inspector General for the Troubled Assets Relief Program (SIGTARP), the Federal Bureau of Investigation (FBI), and the Tift County (GA) Sheriff's Office.

Maryland Man Pleads Guilty to Fraud Involving More Than \$8.2 Million in SBA Loans

A Maryland man pled guilty in federal court to bank fraud and conspiracy to commit bank fraud. Two of the three bank loans involved in the scheme were SBA-guaranteed loans.

The man used false information to obtain a \$5 million SBA-guaranteed loan in the name of a hospitality firm. He again used false information to obtain a \$3,225,000 SBA-guaranteed loan in the name of a second firm. A third loan for \$7,122,500 for a multifamily residential project was not guaranteed by SBA, but also involved false statements to the bank.

The investigation was conducted jointly with the Federal Housing Finance Agency (FHFA) OIG, FDIC OIG, and SIGTARP.

Actions Taken Against Marijuana-Related Businesses

A joint investigation with the Washington State government has resulted in actions against several individuals. In June 2019, SBA issued a Notice of Suspension to three Washington State men, thus prohibiting their participation in SBA programs. The SBA suspension and debarment official had reviewed pending criminal charges against them in the State of Washington and determined that immediate action was necessary to protect the public interest. During the same month, the Washington State Liquor and Cannabis Board (WSLCB) issued a Final Order, cancelling the marijuana retailer license of a cannabis business associated with same three men and a woman.

In April 2014, two men formed a property firm to purchase commercial real estate property in Everett, Washington. A third man was the broker for both the buyer and seller of the property. The three men unsuccessfully applied for marijuana retailer licenses with the WSLCB. However, the female owner of a marijuana business applied for and received a marijuana retailer license at the same property.

During the marijuana business' vetting process with the WSLCB, the woman made false statements about her business' startup financing. She claimed that the business was started with a \$150,000 "loan" from one of the first two men and his wife. However, bank records showed the \$150,000 came from all three men. Two of the men were not vetted as financiers because their contributions were hidden from the WSLCB. In addition, her business did not make payments on the "loan," indicating that it may have been an investment instead.

In November 2014, while the marijuana business was continuing to be vetted by the WSLCB, the property firm and the above three men who owned it obtained a \$1,573,800 SBA loan from a bank to purchase a commercial property and open a new restaurant in Everett, WA. The broker for the buyer and seller of the commercial property misled the bank by not disclosing his ownership interest in the property firm. The other two men conspired with the broker and made false statements to the bank indicating that they were each 50 percent owners of the property firm, when in fact each of the men was a 33.3 percent owner. Moreover, the property firm fraudulently obtained the SBA loan under the pretense of opening of a new restaurant. The true purpose of the loan was to open a Washington State licensed marijuana retail shop. Thus, the three men made several false statements to the bank about the loan's true purpose. If the true nature of the loan proceeds had been disclosed, they would not have been eligible for an SBA loan. This investigation is being conducted jointly with the WSLCB.

Pennsylvania Man to Serve 18 Months in Prison and Pay More Than \$2.4 Million in Restitution

A Pennsylvania man was sentenced in federal court in the District of Delaware to 18 months of incarceration to be followed by 3 years of supervised release. He was also ordered to pay \$2,459,150 in restitution. He had previously pled guilty to (1) bank fraud and (2) conspiracy and attempted bank fraud.

The man admitted that he conspired with a client to obtain loans from two banks under false pretenses. Specifically, he stated that he and his client agreed to submit loan requests in the names of third parties when they knew that the client would control the proceeds. The loans consisted of a \$1.76 million SBA-guaranteed loan funded by the first bank in July 2012, and a \$2.183 million loan funded by the second bank in August 2013. Moreover, he failed to disclose to both banks his extensive business relationship with his client, as well as the \$60,000 loan and BMW he received from the client during the time he acted as the client's loan officer. As part of his guilty plea, the man agreed to forfeit the BMW and \$60,000 in cash.

In addition, he admitted that he submitted a false "Request for Verification of Deposit" form on his client's behalf. The client had requested a \$5 million loan from a third bank for a separate business venture. Although the form showed that the client had maintained a checking account for the business with an average balance of \$1.6 million, the man admitted that the account had been opened the day before he submitted the form and was funded via a single check from a different entity controlled by the client. The form was important because the third bank had determined that the business needed to show proof of equity or cash on hand of at least \$1.38 million to qualify for an SBA guarantee. Although the third bank approved the \$5 million loan, the loan was never funded because SBA determined that the loan did not qualify for the guarantee. This investigation was worked jointly with the FHFA OIG and FDIC OIG.

Disaster Assistance Program

Disaster assistance has been part of the Agency since its inception in 1953. Through its Office of Disaster Assistance, SBA provides long-term, low-interest financial assistance to businesses of all sizes, private nonprofit organizations, homeowners, and renters following a disaster. Each year, SBA approves hundreds of millions of dollars in disaster assistance loans.

The Disaster Loan Program is the only form of SBA assistance not limited to small businesses; the program's disaster loans are the primary form of federal assistance for repairing and rebuilding nonfarm, private sector disaster losses. The program includes four categories of loans for disaster-related losses: home disaster loans, business disaster loans, economic injury disaster loans, and military reservist economic injury loans.

Unfortunately, the need to disburse such loans quickly poses many complications and may create opportunities for dishonest applicants to commit fraud. OIG and GAO audits have identified that SBA's disaster loans have been vulnerable to fraud and losses in the past because loan transactions are often expedited to provide quick relief to disaster survivors, and disaster lending personnel, who are brought into the workforce quickly, may lack enough training or experience. Additionally, the volume of loan applications may overwhelm SBA's resources and its ability to exercise careful oversight of lending transactions. OIG audits and investigations have identified specific instances of fraud as well as necessary systemic improvements to reduce fraud and provide effective and efficient loan delivery and protect taxpayer dollars.

Inspection of SBA's Initial Disaster Assistance Response to Hurricane Florence

This inspection examined SBA's initial disaster assistance response to Hurricane Florence, the first major hurricane of the 2018 Atlantic hurricane season. This category 1 hurricane made landfall over Wrightsville Beach, North Carolina, on September 14, 2018, dumping massive amounts of rain throughout the Carolinas and causing catastrophic flooding.

SBA responded effectively during its initial disaster assistance response for Hurricane Florence. Specifically, SBA provided adequate staffing and surpassed its goals for establishing a field presence, opening Business Recovery Centers, and processing loan applications timely.

In order to establish a presence and assist Hurricane Florence survivors, SBA used staff already onboard to assist Hurricane Maria survivors and rehired previously trained personnel used for Hurricanes Harvey and Irma. As of the end of August 2018, SBA had approximately 1,877 staff onboard. To respond to Hurricane Florence and other disasters, SBA continued to increase its disaster assistance staffing up to 2,808 by the end of November 2018.

In response to Hurricane Florence, SBA surpassed its staffing goals for establishing field presence in both North Carolina and South Carolina. SBA provided staff for the Joint Field Office in North Carolina on September 17, just 3 days after the disaster declaration, and in South Carolina on September 21, 2018, the same day as the disaster declaration. Additionally, SBA opened its first

Business Recovery Center in North Carolina on September 18, 2018, and South Carolina on September 25, 2018, which was within 4 days of each state's disaster declaration.

By the end of November 2018, SBA received 21,183 loan applications for Hurricane Florence. Of those, 17,791, or about 84 percent, were processed to a final decision; 2,743, or about 13 percent, were withdrawn; and 649, or about 3 percent, remained to be processed. SBA approved 9,206 of 17,791, or about 52 percent, totaling approximately \$368 million. Of those, 5,202 loans, or about 57 percent, were disbursed totaling approximately \$93.8 million.

Lastly, we computed SBA's processing times for Hurricane Florence disaster loan applications with a loan approval, denial, or withdrawal as of the end of October 2018 and found that SBA also exceeded their goals. The average processing time was approximately 7 days when computer-generated declines were not included. However, when these computer-generated declines were included, the overall average processing time was approximately 5 days. (Access Report 19-11 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-11.pdf>.)

Audit of SBA's Desktop Loss Verification Process

Loss verification is used to estimate and validate the cost of restoring disaster-damaged property to its pre-disaster condition. In the past, loss verifiers conducted damage assessments solely through on-site inspections. However, in January 2017, SBA implemented the desktop loss verification process.

We found that the desktop loss verification process contributed to SBA meeting its timeliness goals for processing disaster loan applications for Hurricanes Harvey, Irma, and Maria. However, controls needed strengthening to mitigate the risk of fraud and ensure program integrity for the loss verification process. Specifically, SBA did not always validate the cause and extent of damages and repair and replacement costs prior to disbursing loan funds. Further, SBA inappropriately relied on FEMA reports that did not contain pertinent information to validate damages and losses reported in the initial loss verification; and loan files did not contain sufficient documentation to support loan-making decisions. As a result, SBA disbursed 36,869 of the 73,313, or 50 percent, loans included in our scope, totaling \$594,286,878 of \$1.4 billion, without validating the cause and extent of damages, and there was no assurance that disaster loans were only provided to individuals impacted by Hurricanes Harvey, Irma, or Maria.

We made four recommendations to improve controls over the disbursement of loan funds and support for post desktop review (PDR) conclusions. Management partially agreed with recommendations 1 and 2 and agreed with recommendations 3 and 4. Management's planned actions resolved recommendations 3 and 4. Management plans to explore substitutes to the PDR and ensure they contain the information needed to support the damages estimated during the initial desktop loss verification. Further, management stated that it will implement additional controls to require loss verifiers to provide documentation that sufficiently supports the PDR conclusions. While

SBA partially agreed with recommendations 1 and 2, its proposed actions did not fully address them. (Access Report 19-23 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-23.pdf>.)

California Man Sentenced to 79 Months in Prison and Pay More Than \$1.3 Million in Restitution

A California man was sentenced in federal court to 79 months of imprisonment and 5 years of supervised release. He also was ordered to pay \$1,328,982 in restitution. The court also finalized a forfeiture order, which pays the United States the balances of approximately 432 prepaid debit cards and 57 gift cards with a total value of at least \$137,624. He had previously pled guilty to conspiracy to commit wire fraud.

From 2016 until May 2018, the man conspired with others to use stolen identities to apply for fraudulent government benefits. The disaster assistance funds obtained through this conspiracy occurred in relation to major disasters and emergencies, including Hurricanes Harvey and Irma. Once the funds were illicitly obtained, he and his coconspirators transferred the benefits to prepaid debit cards, including Green Dot cards registered under false names. He and his coconspirators then converted the debit cards to cash. This was a joint investigation with the U.S. Department of Homeland Security (DHS) OIG, the U.S. Postal Inspection Service, the Social Security Administration OIG, and the U.S. Secret Service.

New Jersey Couple to Pay More Than \$118,000 in Restitution for Disaster Fraud

A New Jersey man was sentenced in State court to 3 years of probation and was ordered to pay \$118,788 in restitution. He previously had pled guilty to theft by deception. In addition, his wife entered pretrial intervention. She is jointly and severally liable for the restitution.

The couple had falsely claimed in their applications that a home damaged by Hurricane Sandy was their primary residence. In fact, their primary residence at the time of the storm was elsewhere, and the damaged home was a seasonal property. As a result of the fraudulent applications, the couple received \$127,388 in relief funds to which they were not entitled. This included a \$10,000 Homeowner Resettlement Program grant and a \$108,788 Reconstruction, Rehabilitation, Elevation, and Mitigation Program grant, both of which are funded by the U.S. Department of Housing and Urban Development (HUD) and administered by the New Jersey State Department of Community Affairs (DCA). The couple also received an \$8,600 SBA Disaster Home Loan. This case was investigated jointly by the Hurricane Sandy Fraud Task Force comprised of the SBA OIG, HUD OIG, DHS OIG, the New Jersey Division of Criminal Justice, and DCA. The last two are under the direction of the New Jersey Office of the Attorney General.

New York Man to Pay More Than \$104,000 in Monetary Penalties

A New York fashion designer was sentenced in federal court to time served, 2 years of supervised release, \$65,655 in restitution to the New York Governor's Office of Storm Recovery (GOSR), \$14,116

in restitution to the Federal Emergency Management Agency (FEMA), and a \$25,000 fine. He previously had pled guilty to making false statements.

The designer and his spouse, a medical doctor, originally had been arrested by the New York Hurricane Sandy Working Group for filing false applications to collect federal relief funds after Hurricane Sandy. Both men falsely claimed a storm-damaged property was their primary residence, when in fact it was a vacation property. Their primary residence was elsewhere. The investigation disclosed from about December 2013 through August 2016, the two men received \$4,116 in FEMA grants. They were also approved for a \$250,300 home disaster loan but ultimately received \$14,000 from SBA and subsequently paid it in full. Finally, they received \$61,539 from GOSR, under a program administered by HUD. This investigation was conducted jointly by the New York Hurricane Sandy Working Group comprised of DHS OIG, HUD OIG, and SBA OIG, in conjunction with the U.S. Attorney's Office.

Connecticut Man Pleads Guilty to Making False Statement

A Connecticut man pled guilty in federal court to making a false statement for the purpose of obtaining an SBA business disaster loan. He falsified loan documents submitted through the RISE Act following Hurricane Sandy. The man received a \$1,665,000 business disaster loan after alleging that the hurricane had destroyed his marine business. In fact, the structures had been demolished and disposed of in a landfill prior to the storm. He had previously paid \$1,653,257 in restitution to SBA. The investigation is ongoing.

Procurement Assistance

Each year, the federal government spends hundreds of billions of dollars in federal contracts to procure goods and services. SBA has worked to maximize opportunities for small business firms to receive these contract awards. For the current fiscal year, the federal government aims for 23 percent of these award dollars to go to small businesses.

To accomplish this goal, SBA has specific programs that focus on strengthening particular types of small businesses, including firms owned and controlled by service-disabled veteran-owned small businesses (SDVOSBs) and women-owned small businesses (WOSBs), and small businesses that are disadvantaged or located in historically underutilized business zones (HUBZones). For example, the HUBZone Program helps small businesses stimulate their economically challenged 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 also aids 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 SCORE Association, and women's business centers. SBA also designed the Boots to Business Program to provide transitioning service members interested in exploring business ownership or other self-employment opportunities with technical assistance and access to information on available resources and on start-up capital. These programs require effective and efficient management, outreach, and service delivery.

Even with effective controls, some businesses misrepresent their eligibility for the HUBZone, WOSB, SDVOSB, and 8(a) programs in order to wrongfully receive preference for government contracts. OIG and other federal investigations have identified schemes in which companies owned or controlled by nondisadvantaged 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.

Audit of SBA's Oversight of the SCORE Association

The SCORE program is an entrepreneurial development program administered by SBA's Office of Entrepreneurship Education within the Office of Entrepreneurial Development. The SCORE Association is a single cooperative agreement recipient for the program. Established in 1964 as a national, volunteer nonprofit organization, SCORE has been an SBA resource partner for more than 50 years and provides free of charge business and technical assistance to existing and emerging small business owners nationwide. Our audit reviewed SCORE's FY 2017 award of \$10.5 million and the first quarter of FY 2018's award of \$11.5 million to determine whether SBA provided effective oversight over the program's awarded federal funds and the measurement and achievement of program goals.

We determined that program officials need to make major improvements to ensure effective oversight of the SCORE program. We found that program officials did not oversee SCORE's use of federal funds. Specifically, SCORE commingled federal funds with unrestricted donations and used federal funds for unallowable, unallocable, and unsupported costs. We also found that SCORE inappropriately solicited donations for mentoring services, charged for publication materials that did not include the required SBA acknowledgement statement, and improperly managed funds used for cosponsored activities. As a result, we questioned \$713,986 of costs that did not adhere to the cooperative agreement requirements or were not properly supported.

Also, program officials did not accurately measure or report SCORE's performance goal achievements. Further, program officials established only one outcome-based performance measure, which limited SBA's ability to assess whether the program achieved its intended purpose.

We made, and management agreed with, 11 recommendations that, if implemented, will improve SBA's oversight and monitoring of SCORE's use of government funds and its reporting of performance results. In addition, we recommended that SBA recover or remedy \$713,986 of unallowable and unsupported costs. SBA management has planned actions that will resolve all noted recommendations and has demonstrated that it implemented corrective actions to close three of the recommendations. (Access Report 19-12 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-12.pdf>.)

Evaluation of SBA's All Small Mentor-Protégé Program

The objectives of this evaluation were to determine whether SBA implemented effective controls to ensure that it conducted initial application reviews and annual evaluations in accordance with program regulations and that it measured program success. SBA established the All Small Mentor-Protégé program in 2016 to extend SBA-approved mentor-protégé relationships to all small businesses. The program seeks to develop protégé firms through mentor-provided business development assistance and to help protégé firms successfully compete for federal contracts.

We determined that SBA did not implement effective controls to ensure it conducted initial application reviews and annual evaluations to fully align with program regulations. Additionally, SBA did not fully adhere to established processes or ensure it appropriately documented assessments. Further, while SBA identified program performance indicators and a process to measure results, it did not effectively monitor and evaluate the results. As a result, SBA's program may not be developing small businesses as it intended and unqualified businesses, including large businesses, may improperly benefit from the program.

We made four recommendations to improve the overall management and effectiveness of the program's application and annual evaluation processes. SBA management agreed to these recommendations; however, one recommendation is pending resolution. We will work with SBA management to resolve this recommendation through the audit followup process. (Access Report 19-17 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-17.pdf>.)

Review of Women’s Business Center, Inc., Compliance with Cooperative Agreement Requirements

Our review of the Women’s Business Center, Inc., in Mobile, Alabama, (Recipient) resulted from our audit to determine whether SBA has effective oversight to ensure Women’s Business Centers (WBCs) complied with cooperative agreement financial requirements. The purpose of the WBC program is to provide long-term training and counseling to women business owners, including those who are socially and economically disadvantaged, and to assist women in starting and growing small businesses.

We found that the Recipient violated specific terms and conditions of the cooperative agreements by not having available client service facilities and service hours or staffing the WBCs with full-time program directors. Specifically, because the WBCs did not have full-time staff or open and accessible locations, they were not fulfilling their cooperative agreements performance requirements. Further, the Recipient’s refusal to allow SBA OIG auditors access to its office location, personnel, and records during an unannounced site visit occurred even after having been instructed to do so by SBA’s Office of Women’s Business Ownership.

After the Recipient denied OIG auditors access during the site visit, OIG exercised their statutory authority by issuing an administrative subpoena to the Recipient. Through analysis of the resulting information, we found that the Recipient violated federal regulation financial requirements and additional terms and conditions of the cooperative agreements. Additionally, we found that the two WBC facilities, the South WBC and the Rural WBC, were not in operation, and we witnessed a potential client trying to obtain services from a closed location. Through interviews with the building tenants and landlord, we learned that the Recipient has not been at the location for approximately 6 months and is behind by 6 months in its rent payments. Also, the documentation provided by the Recipient was insufficient and incomplete. In addition, the Recipient failed to maintain an adequate financial management system and requisite supporting documents, records, or policies and procedures as required by federal regulations.

We made two recommendations to SBA to pursue actions including, but not limited to, suspension, termination, and nonrenewal of the Recipient’s cooperative agreements, as well as suspension and debarment of the Recipient and its personnel. These findings impel SBA to take prompt corrective action to protect taxpayers’ dollars and help to ensure the integrity of the WBC program. (Access Report 19-20 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-20.pdf>.)

South Carolina Man Sentenced to 51 Months in Prison

A South Carolina man was sentenced in federal court to 51 months of incarceration after having pled guilty to wire fraud. The subject and a second man allegedly had formed a firm and designated the second man as the majority owner in its application to the 8(a) program. The firm was in fact controlled at various times by the subject and a third man through that individual’s two businesses.

An accountant facilitated the fraud by assisting the defendants to prepare false Section 8(a) annual updates, which failed to disclose the firm's actual control by non-disadvantaged individuals.

The subject and his wife allegedly formed a second firm and designated her—a service-disabled veteran—as the owner. That firm was in fact controlled and operated by the subject. The couple allegedly submitted false applications to the Department of Veteran Affairs (VA) Center for Veteran's Enterprise and SBA to enable the second firm to receive economically disadvantaged woman-owned small business status.

Throughout his control of the two firms, the subject transferred or caused to be transferred almost \$1.3 million dollars from the two companies to an investment account used for his personal benefit. Both companies were subsequently controlled by the third man after the subject withdrew from the two companies.

In addition, the third man allegedly caused the formation of a third company and designated a woman as the owner so it could obtain 8(a) certification. The defendants concealed the relationships between this company, the third man, and his affiliated businesses.

Finally, the subject and yet another woman allegedly created a fourth company. She used her employment with the first company to create a paper trail of fictitious jobs performed by the fourth company as a subcontractor to the first company. She then created fictitious invoices on behalf of the fourth company for the purported work and submitted the fictitious invoices to a funding business. This business purchased the fictitious accounts receivable through a factoring agreement and wired approximately \$2,672,700 to a bank account controlled by the defendants.

This is a joint investigation with the Defense Criminal Investigative Service (DCIS), U.S. Department of Agriculture (USDA) OIG, U.S. Army Criminal Investigation Command, U.S. Department of Energy OIG, U.S. Air Force Office of Special Investigations (OSI), and VA OIG.

Florida Firm Enters Into \$500,000 Settlement Agreement

The U.S. Attorney's Office entered into a \$500,000 settlement agreement with a Florida company on behalf of SBA and the National Aeronautics and Space Administration (NASA) to settle False Claims Act allegations for failure to comply with work performance requirements in a NASA 8(a) small business set-aside construction contract.

An 8(a) company, acting as the managing venturer, and the above firm, acting as the partner venturer, entered into a joint venture for the purpose of submitting a proposal to NASA. In September 2013, the joint venture submitted a proposal to bid on a \$6 million NASA procurement contract. This contract involved the demolition of a NASA facility. NASA and SBA specifically designated this contract as an 8(a) set-aside.

The investigation disclosed that, from December 2013 through February 2016, the 8(a) joint venture failed to meet the applicable percentage of work requirements. This case was worked in conjunction with the NASA OIG and U.S. Department of Labor (DOL) OIG.

Legal Actions Taken in \$346 Million Fraud Scheme

A Missouri contractor and the president of a Kansas electric company were indicted in federal court in Missouri for conspiracy, wire fraud, and money laundering related to their roles in a \$346 million contract fraud scheme. A third man, also from Kansas, pled guilty in federal court to conspiracy to commit wire fraud.

The indictment alleged that the three men operated companies with straw owners who qualified as socially and economically disadvantaged individuals or as service-disabled veterans, but who did not actually control the companies. Accordingly, the three men allegedly and fraudulently obtained small business program and veteran-owned business certifications, which they used to obtain approximately \$346 million in federal contract payments to which they were not entitled.

The three men allegedly used a minority service-disabled veteran as the nominal owner of a Missouri-based construction company. However, the Missouri contractor managed and controlled the daily operations of the company, while the original three men controlled the company's long-term decision making. They fraudulently obtained roughly 199 set-aside contracts from 2009 to 2018, for which the government paid the company approximately \$335 million. Moreover, the three men allegedly received about \$11 million from the company by using fraudulent invoices. The service-disabled veteran eventually pled guilty in federal court to making a false statement in connection with his role in the scheme.

Around February 2014, when the construction company was growing too large to compete for federal set-aside contracts, the original three men allegedly used the minority status of an employee to form a second company, which SBA approved as an 8(a) business. Again, the Missouri man controlled the new company's daily operations, while all three men controlled the long-term decision making. They used the new company to fraudulently obtain two set-aside contracts in 2016 valued at approximately \$11 million dollars. The employee later pled guilty in federal court to providing false statements to SBA. The original three men allegedly received approximately \$959,598 from the new company by using fraudulent invoices.

The indictment contains a forfeiture allegation, which would require the Missouri contractor and the president of the Kansas electric company to forfeit to the government any property obtained as a result of the alleged fraud, including approximately \$688,626 in the Missouri contractor's bank accounts, \$5,930,992 in the Kansas president's bank accounts, and \$1,841,095 in the first construction company's bank accounts. They would also forfeit a 2015 Porsche Cayenne, a 2017 Toyota Tacoma, two Rolex watches, the Missouri man's residence, and his Florida property.

This investigation is being conducted jointly with DCIS, General Services Administration (GSA) OIG, U.S. Army Criminal Investigation Command, Internal Revenue Service Criminal Investigation, VA OIG, USDA OIG, U.S. Secret Service, and DOL OIG.

Nearly \$21 Million in Penalties to be Paid in Virginia Fraud Scheme

Four individuals associated with a Virginia diving supply firm and/or a tactical equipment company were subject to recent legal actions.

- The majority owner of the diving supply firm agreed to pay \$20 million to settle civil claims related to a fraudulent scheme in which he and others caused the firm to falsely represent that it qualified as a small business concern when it did not, due to reported affiliation with a number of other companies. He and others caused the firm to bid on, receive, and submit claims for payment under contracts it was not eligible to receive because these contracts were limited to qualified small businesses.
- The general counsel of the diving supply firm agreed to pay \$225,000 to settle civil claims related to the above fraudulent scheme. The counsel and others caused the firm to bid on, receive, and submit claims for payment under contracts it was not eligible to receive because these contracts were limited to qualified small businesses.
- An employee of the tactical equipment company was sentenced in federal court to serve 6 months of home confinement followed by 48 months of probation. He was also ordered to pay \$242,035 in restitution. The man had previously pled guilty to making a false statement to SBA. He had signed a letter which falsely represented the eligibility of the company to receive set-aside contracts under the 8(a) program.
- Another employee of the tactical equipment company was sentenced in federal court to 1 month of confinement followed by 2 years of supervised release. He was also ordered to pay \$479,641 in restitution. He previously had pled guilty to aiding and abetting a false statement. The man had helped draft a letter delivered to SBA that falsely represented the eligibility of the company to receive set-aside contracts under the Women-Owned Small Business Program.

Various aspects of this investigation are being worked jointly with the DCIS, GSA OIG, Naval Criminal Investigative Service, Homeland Security Investigations, and FBI.

New Jersey Company and Co-Owner to Pay \$2.4 Million in Civil Settlement

A New Jersey construction company and its co-owner executed a \$2.4 million civil settlement. The company is a service-disabled veteran-owned (SDVO) business, which fraudulently claimed its SDVO status. As a front company for a second firm owned by the same man, it fraudulently received approximately \$54 million in SDVO set-aside contracts on behalf of the second firm. This investigation is ongoing with VA OIG.

Massachusetts Firm to Pay \$1.3 Million for Fraud Scheme

The U.S. Department of Justice executed a \$1.3 million civil settlement with a Massachusetts-based general contracting firm and its owner. The firm had fraudulently obtained its HUBZone status. Its principal office was located outside a designated HUBZone area in violation of government contracting regulations. Moreover, the firm had fraudulently obtained approximately \$5 million in HUBZone set-aside government contracts.

Finally, the firm and SBA have entered into an administrative agreement. The agreement states that SBA will not take administrative actions against the firm based on the above-mentioned conduct. This investigation is being worked jointly with GSA OIG and the U.S. Army Criminal Investigation Command.

Retired Army Colonel to Serve 60 Months in Prison and Pay More Than \$1.2 Million

A retired U.S. Army colonel in Georgia was sentenced in federal court to 60 months in prison and 3 years of supervised release. He was later ordered to forfeit \$1,202,861. He had previously pled guilty to conspiracy for his part in a bribery and fraud scheme involving Army contracts.

His guilty plea and sentence resulted from his involvement in a bribery and kickback scheme that directed more than \$20 million in U.S. Army and private company contracts in the Fort Gordon/Augusta, GA, area to an 8(a) research and engineering firm.

The investigation showed that, from 2008 through 2014, the subject retired colonel, two other retired colonels who had been convicted, and a fourth retired colonel, steered contracts to the firm and a separate company owned by the fourth colonel in return for bribes to the subject and one of the convicted colonels.

The subject colonel's wife received more than \$1.2 million in salary and commissions for a "no-show" job at the company owned by the fourth colonel. These were used as bribes and inducements in exchange for the subject colonel using his active duty officer status to take actions resulting in U.S. Army contracts being awarded to the 8(a) firm and the fourth colonel's company as a subcontractor. This is a joint investigation with DCIS and the U.S. Army Criminal Investigation Command.

Insurance Company to Pay More Than \$1 Million in Civil Claims

An insurance company agreed to pay \$1,040,035 to settle civil claims relating to the issuance of surety bonds to a firm for work performed on 8(a) contracts. The firm failed to disclose to SBA its affiliation with a large, non-8(a) general contractor and its two principals. The United States contends that the firm manipulated its finances and falsified financial records provided to SBA to remain in the 8(a) program. Moreover, the insurance company allegedly learned that the firm was submitting false claims.

Specifically, the United States alleges that the insurance company had information about the firm's structure and organization, finances, business practices, and operations by virtue of the underwriting

process and its ongoing business relationship. Thus, the insurance company knew or should have known that the firm was violating 8(a) regulations. Nonetheless, the insurance company continued to bond the firm's projects, allowing it to continue to fraudulently bid on 8(a) set-aside contracts. The settlement is the result of the coordinated effort between the U.S. Attorney's Office, DCIS, U.S. Department of Defense, USDA OIG, and SBA OIG.

Guilty Pleas and a \$500,000 Settlement in Colorado HUBZone Fraud Case

A Colorado woman pled guilty in federal court to falsification of documents. As the majority owner of a firm, she was responsible for the preparation of documents submitted to SBA in connection with contracts set aside for HUBZone certified companies. A second woman, an employee of the firm, pled guilty in federal court to misprision of a felony. The U.S. Attorney's Office had previously reached a \$500,000 civil settlement agreement with the firm and its majority owner to resolve allegations that they made false statements to the HUBZone program.

The majority owner had directed the employee to help her prepare documents submitted to SBA in connection with contracts set aside for HUBZone certified companies. The investigation revealed that, around 2011 to 2012, the two women had created false documents for maintaining HUBZone certification. Because of their certification through submitting false documents and statements to the HUBZone Program, the firm was awarded set-aside government contracts with the GSA, U.S. Air Force, and U.S. Army that it otherwise would not have been eligible to receive. This investigation has been conducted jointly with the DCIS, U.S. Army Criminal Investigation Command, U.S. Air Force OSI, and GSA OIG.

Colorado Men Plead Guilty in Contract Steering Scheme

A Colorado man pled guilty in federal court to an illegal supplementation of government salary. A second man pled guilty in federal court to conspiracy to commit bribery, receipt of a bribe, attempted extortion under color of official right, and criminal conflict of interest. Finally, a third man pled guilty in federal court to conspiracy to commit bribery.

The owner of an 8(a) business relayed information about its relationship with a consulting firm, which was operated by two of the defendants to gain access to government contracts through the other man, a former SBA Business Opportunity Specialist and VA Small Business Utilization Specialist. During the investigation, an undercover operation exposed the close relationship among the three men which existed to steer VA contract opportunities to small businesses who also had a contract with the consulting firm. The plea agreement by one of the defendants acknowledged that he paid another defendant to maintain an appearance that the close relationship between these individuals would help their clients secure government contracts. This is a joint investigation with the FBI and VA OIG.

Agency Management

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, the Chief Information Officer, and the Chief Operating Officer 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.

Weaknesses Identified During the FY 2018 Federal Information Security Modernization Act Review

The Federal Information Security Modernization Act (FISMA) requires that OIG reviews SBA's information security program. To determine SBA's compliance with FISMA, OIG contracted with an independent public accountant, KPMG, to perform review procedures relating to FISMA. OIG monitored KPMG's work and reported SBA's compliance with FISMA in the Agency FISMA filings in October 2018. We also assessed the Agency's progress in implementing open recommendations and compared our current year assessment with our fiscal year 2017 FISMA evaluation. In addition to the 5 open FISMA recommendations noted in appendix II, OIG made 18 new recommendations to address FISMA-related vulnerabilities. SBA fully agreed with all 18 recommendations. (Access Report 19-09 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-09.pdf>.)

SBA's Cloud Migration and Oversight

When evaluating options for new information technology (IT) deployments, agencies are required to default to cloud-based solutions whenever a secure, reliable, cost-effective cloud option exists. Cloud computing allows users to access and use shared data and computing services. The cloud also provides users access to resources without agencies having to build additions to their infrastructure.

Our evaluation identified that SBA needs to improve its cloud migration and oversight controls in risk management, security, data mobility, and IT investments to meet federal guidance and standards. Our scope included SBA's cloud systems inventory, as well as SBA's cloud migration efforts and oversight from fiscal years 2017 through 2018. We provided eight recommendations to improve SBA's cloud migration and oversight efforts. SBA management fully agreed with four recommendations and partially agreed with four recommendations. We found that the planned corrective actions resolved each of the eight recommendations. (Access Report 19-10 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-10.pdf>.)

SBA's FY 2018 Compliance With the Improper Payments Elimination and Recovery Act of 2010

The objectives of this evaluation were to (1) determine whether SBA was compliant with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) using guidelines outlined in the Office of Management and Budget (OMB) Memorandum M-18-20, Appendix C to OMB Circular No. A-

123, Requirements for Payment Integrity Improvement, and (2) assess progress SBA made in remediating improper payment-related recommendations. We performed limited procedures and consulted with a statistician to evaluate the accuracy and completeness of the program-specific improper payment rates. To achieve our objectives, 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 2018 Agency Financial Report (AFR).

Our overall qualitative review of Agency efforts to prevent and reduce improper payments showed that SBA continued to maintain controls to prevent and reduce improper payments. Further, SBA was generally compliant in meeting the minimum requirements in accordance with OMB guidance. In accordance with IPERA, SBA published and posted an AFR on its website, conducted program-specific risk assessments, and published improper payment estimates for all programs and activities identified as susceptible to significant improper payments. We noted that for the disbursements for goods and services area, this was the second consecutive year that SBA reduced its rate of improper payments and had improper payment amounts that were less than the statutory threshold of \$10 million. As a result, on February 19, 2019, SBA submitted a memo to OMB requesting relief from reporting improper payments for disbursements for goods and services.

SBA also published extracts from the applicable programmatic corrective action plans in the AFR for three of five areas tested for FY 2018 reporting and published and met the annual reduction target for three of the applicable five areas tested, including the disaster loan program. However, we noted that SBA eased controls for the disaster program regarding the requirement for justifications to exceed the maximum acceptable fixed debt, which was the primary cause for improper payments in FY 2018.

We concluded that SBA was not compliant with IPERA because the actual improper payment rate for 7(a) and 504 CDC loan guaranty approvals exceeded the annual reduction target for FY 2018.

The report contains two recommendations that the Agency agreed to implement. Both recommendations will remain open until OIG receives documentation demonstrating that these recommendations have been addressed. We requested that SBA provide us within 90 days their progress in addressing these recommendations. (Access Report 19-13 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-13.pdf>.)

SBA's FY 2018 and 2019 Cash Contributions and Gifts

The objective of this review was to determine whether SBA had adequate controls over soliciting, accepting, holding, and utilizing cash contributions and gifts. To accomplish our objective, we interviewed key SBA employees and reviewed various management and financial records available for FYs 2018 and 2019. We also reviewed applicable laws, regulations, policies, procedures, and SBA documents such as internal and external correspondence, financial management system reports, accounting records, and various other documents.

We found that SBA complied with the Acts regarding soliciting and accepting cash contributions and gifts. SBA's Office of Communications and Public Liaison obtained proper approval from the Office of General Counsel for the 2018 National Small Business Week cosponsored activity. The 21 entities that cosponsored 2018 National Small Business Week, with cash contributions, were properly vetted through SBA program offices to ensure no business relationships existed that would cause a conflict of interest. Also, the Agency accepted a \$100,000 unsolicited gift and determined the donor had no conflict of interest with the Agency. The funds were deposited and held in the Business Assistance Trust Fund. Further, the Agency utilized gift funds in accordance with SBA regulations and policy. However, we determined that the Office of Strategic Alliances did not implement adequate controls to oversee and monitor cash held on account by its National Small Business Week fiscal agent on behalf of the Agency. As a result, cash held by the fiscal agent may be vulnerable to the risk of mismanagement, loss, or unauthorized use.

This report had three recommendations that SBA management agreed to implement. (Access Report 19-14 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-14.pdf>.)

Audit of SBA's Suspension and Debarment Process

The objectives of this audit were to determine whether SBA had sufficient controls in place to prevent suspended or debarred entities from receiving federal contracts through SBA's preference contracting programs and small business loans. Suspension and debarment actions are designed to protect the federal government from potential harm posed by individuals or entities who demonstrate a lack of business integrity. Entities suspended, debarred, declared ineligible, or otherwise excluded from participating in government programs are maintained in the System for Award Management (SAM).

We found that SBA had not established sufficient controls over its suspension and debarment process to prevent ineligible individuals or entities from participating in small business programs or to control the risk presented by potentially irresponsible entities participating in federal government programs. Also, lending partners did not always review SAM to verify the eligibility of entities to participate in SBA's loan programs prior to approving SBA-guaranteed loans valued at \$3.8 million, nor did they maintain evidence to support they had reviewed the system. In addition, suspending and debarring officials' delayed action to process referrals for debarment resulted in \$80.3 million in contract awards to entities who demonstrated causes for debarment. We identified 15 referrals for suspension and debarment that had been pending review without action by suspending and debarring officials for an average of 620 days. During that time, federal agencies awarded contracts to three entities that were referred for debarment because they circumvented federal contracting rules to gain access to the 8(a) Business Development Program. Also, by not documenting the basis of their declinations of suspension or debarment referrals, including explanation for declinations, suspending and debarring officials could expose SBA to adverse legal action.

We made six recommendations to improve the oversight and management of SBA's suspension and debarment program to prevent ineligible entities from participating in SBA's contracting and loan programs. SBA management agreed with two of the six recommendations and partially agreed with the other four recommendations. SBA management's planned actions resolve three recommendations; however, three other recommendations are pending resolution. The OIG will work with SBA management to resolve this recommendation through the audit followup process. (Access Report 19-18 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-18.pdf>.)

FY 2019 Risk Assessment of SBA's Charge Card Programs

This risk assessment was performed in accordance with the Office of Management and Budget Memorandum M-13-21, Implementation of the Government Charge Card Abuse Prevention Act of 2012. Our objectives were to (1) assess risks of illegal, improper, or erroneous purchases and payments associated with SBA's purchase and travel card programs and (2) determine the status of prior year recommendations.

Our assessment showed that the risk of illegal, improper, or erroneous use of SBA's purchase and travel charge cards is low due to the Agency's continuous monitoring and related oversight efforts. SBA continued to implement controls, policies, and procedures to administer its purchase and travel charge card programs but needs to take additional measures for administrative controls over its purchase cards program. We made one recommendation to strengthen SBA's risk management controls for the purchase card program. The Agency agreed to implement the recommendation. (Access Report 19-21 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-21.pdf>.)

Colorado SCORE Assistant Sentenced to Probation and Restitution

The former administrative assistant of the Denver SCORE chapter pled guilty in State court to a Class 1 misdemeanor. She was sentenced to 24 months of probation and ordered to pay \$2,525 in restitution to SBA. In addition, the sentencing assessed fees totaling \$1,503. The investigation disclosed that she had utilized SCORE credit cards for her personal expenses. During her interview, she admitted the same thing to SBA OIG agents. Her unauthorized use of SCORE credit cards totaled approximately \$2,525. This investigation was conducted jointly with the Adams County (CO) District Attorney's Office.

Other Significant OIG Activities

OIG Background Investigations Ensure Integrity

During this reporting period, OIG initiated 54 background investigations and issued 6 security clearances for OIG employees and contractors. Moreover, OIG adjudicated 29 background investigative reports. Finally, OIG processed 1,561 internal name check requests for Agency activities such as success stories and “Small Business Person of the Year” nominees.

OIG Promotes Debarment and Other Administrative Enforcement Actions

OIG promotes program integrity by making present responsibility referrals to SBA and to other agencies. These present responsibility referrals often result in suspensions, debarments, and similar administrative enforcement actions. These actions protect taxpayer funds from parties that are not a good risk for the government. A typical OIG referral contains a summary of allegations, suggested administrative record (evidence supporting the case), and a draft notice of suspension or proposed debarment in certain instances. Most OIG administrative referrals involve SBA’s loan and contract programs. OIG ensures that a suspension and debarment official reviews all appropriate allegations arising in other contexts, such as the investigation of False Claims Act qui tam cases. During this reporting period, OIG sent 30 present responsibility referrals to SBA and had 15 actions taken based upon referrals to other agencies.

OIG Provides Training to Multiple Agencies on Small Business Procurement Integrity and Other Oversight Concerns

On May 2, 2019, OIG continued its partnership with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Training Institute and delivered the fifth annual Small Business Procurement Integrity Seminar. This year’s seminar was held in Houston, Texas, and trained members of the Federal Oversight Community on how to identify, develop, and pursue small business contracting fraud matters. SBA OIG also presented a stand-alone full day small business procurement fraud program to the Department Of Justice OIG on May 14, 2019, and a half-day stand-alone small business procurement fraud program to the Department of Homeland Security OIG on September 12, 2019. Additionally, the SBA OIG continued teaching a 2-hour small business procurement fraud block in the CIGIE Training Institute’s Criminal Investigator Academy’s Contract and Grant Fraud Training Program in Kentucky and Minnesota during May and August, respectively. These classes trained more than 150 Federal Oversight Officials from agencies representing most of the federal government’s small business purchases.

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

completed by the public. OIG often identifies material weaknesses in the proposals and works with the Agency to promote more effective controls to deter waste, fraud, and abuse. During the reporting period, OIG reviewed 67 proposed revisions of these program directives and submitted comments designed to improve 27 of these initiatives.

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 a Small Business Development Center (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 also include this approval in OIG's Semiannual Report to Congress. SBA did not submit any surveys of SBDC clients for OIG review during the reporting period.

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 398 complaints. The Hotline conducts a preliminary review of each allegation and may consult with OIG's Investigations Division, Audits Division, and Office of Counsel to determine the appropriate course of action. Referrals within OIG may result in corrective actions, audits, or administrative, civil, or criminal investigations. Matters referred to SBA program offices for further action are monitored by Hotline staff for timely response, for adequate resolution of the allegations, and to document any corrective action taken.

In 2018, OIG was recertified under the Office of Special Counsel (OSC) 2302(c) Certification Program. The program requires federal agencies to inform their workforces about the rights and remedies available to them under the Whistleblower Protection Act, the Whistleblower Protection and Enhancement Act, and related civil service laws. In accordance with the certification requirements, the whistleblower coordinator provided training to all OIG and Agency employees on protections against whistleblower retaliation and other prohibited personnel practices. OIG was initially certified in 2015.

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

Reporting Period Statistical Highlights

Summary of OIG Dollar Accomplishments

Dollar Accomplishments as a Result of Investigations and Related Activities	
Potential Investigative Recoveries and Fines	\$36,220,262
Asset Forfeitures Attributed to OIG Investigations	\$2,368,629
Loans/Contracts Not Approved or Canceled as a Result of Investigations	\$0
Investigations Subtotal	\$38,588,891
Dollar Accomplishments as a Result of Audit Activities	
Disallowed Costs Agreed to by Management	\$32,848,230*
Recommendations That Funds Be Put to Better Use Agreed to by Management	\$0
Audit Subtotal	\$32,848,230
Total OIG Dollar Accomplishments	\$71,437,121

*Includes \$18,733,799 in questioned costs retroactively disallowed by the Agency at the time of final action.

Efficiency and Effectiveness Activities Related to Audit, Other Reports, and Followup Activities

Reports Issued	14
Recommendations Issued	64
Dollar Value of Costs Questioned	\$686,863,009
Dollar Value of Recommendations That Funds Be Put to Better Use	\$0
Recommendations for Which Management Decisions Were Made	60
Recommendations Without a Management Decision	11
Collections as a Result of Questioned Costs	\$213,181

Indictments, Convictions, and Case Actions

Indictments From OIG Cases	23
Convictions From OIG Cases	19
Cases Opened	25
Cases Closed	35

SBA Personnel Actions Taken as a Result of Investigation

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

Program Actions Taken During the Reporting Period as Result of OIG Action

Present Responsibility Referrals to the Agency	30
Pending at the Agency as of September 30, 2019	35*
Suspensions Issued by the Agency	19
Proposed Debarments Issued by the Agency	4
Final Debarments Issued by the Agency	2
Proposed Debarments Declined by the Agency	0
Administrative Agreements Entered by the Agency in Lieu of Debarment	0
Present Responsibility Actions by Other Agencies	15

*SBA closed five of these matters outside of the reporting period.

Agency Legislative and Regulatory Proposals Reviewed

Legislation, Regulations, Standard Operating Procedures, and Other Issuances Reviewed	67
Comments Provided by OIG to Improve Legislation, Regulations, Standard Operating Procedures, and Other Issuances	27

Full Year Statistical Highlights, FY 2019

Summary of OIG Dollar Accomplishments

Dollar Accomplishments As a Result of Investigations and Related Activities	
Potential Investigative Recoveries and Fines	\$72,576,053
Asset Forfeitures Attributed to OIG Investigations	\$4,827,399
Loans/Contracts Not Approved or Canceled as a Result of Investigations	\$0
Investigations Subtotal	\$77,403,453
Dollar Accomplishments As a Result of Audit Activities	
Disallowed Costs Agreed to by Management	\$33,567,403*
Recommendations that Funds Be Put to Better Use Agreed to by Management	\$0
Audit Subtotal	\$33,567,403
Total OIG Dollar Accomplishments	\$110,970,856

*Includes \$18,733,799 in questioned costs retroactively disallowed by the Agency at the time of final action.

Efficiency and Effectiveness Activities Related to Audit, Other Reports, and Followup Activities

Reports Issued	23
Recommendations Issued	94
Dollar Value of Costs Questioned	\$ 687,582,182
Dollar Value of Recommendations That Funds Be Put to Better Use	\$0
Recommendations for Which Management Decisions Were Made	91
Recommendations Without a Management Decision	11
Collections as a Result of Questioned Costs	\$408,496

Indictments, Convictions, and Case Actions

Indictments From OIG Cases	49
Convictions From OIG Cases	36
Cases Opened	59
Cases Closed	66

SBA Personnel Actions Taken as a Result of Investigation

Dismissals	2
Resignations/Retirements	2
Suspensions	1
Reprimands	1
Other	1

Program Actions Taken During the Fiscal Year as Result of OIG Action

Present Responsibility Referrals to the Agency	38
Pending at the Agency as of September 30, 2019	35
Suspensions Issued by the Agency	19
Proposed Debarments Issued by the Agency	9
Final Debarments Issued by the Agency	14
Present Responsibility Matters Declined by the Agency	1*
Administrative Agreements Entered by the Agency in Lieu of Debarment	1
Present Responsibility Actions by Other Agencies	19

*OIG does not count matters where SBA has ceded lead agency as declinations.

Agency Legislative and Regulatory Proposals Reviewed

Legislation, Regulations, Standard Operating Procedures, and Other Issuances Reviewed	112
Comment Memoranda Provided by OIG to Improve Legislation, Regulations, Standard Operating Procedures, and Other Issuances	37

Reports Issued

Agency Management

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Weaknesses Identified During the FY 2018 Federal Information Security Modernization Act Review	19-09	4/9/2019	\$0	\$0
SBA's Cloud Migration and Oversight	19-10	4/9/2019	\$0	\$0
SBA's FY 2018 Compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA)	19-13	5/23/2019	\$0	\$0
SBA's 2018 and 2019 Cash Contributions and Gifts	19-14	6/19/2019	\$0	\$0
Audit of SBA's Suspension and Debarment Process	19-18	9/18/2019	\$83,200,000	\$0
FY 2019 Risk Assessment of SBA's Charge Card Programs	19-21	9/25/2019	\$0	\$0
Program Subtotal	6	—	\$83,200,000	\$0

Credit/Capital Programs

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
OIG High Risk 7(a) Loan Review Program	19-15	7/10/2019	\$5,335,790	\$0
The Office of Inspector General High Risk 7(a) Loan Review Program	19-16	8/14/2019	\$2,059,132	\$0
Office of Inspector General High Risk 7(a) Loan Review Program	19-19	9/19/2019	\$1,267,223	\$0
Consolidated Results of the OIG High Risk 7(a) Loan Review Program	19-22	9/26/2019	\$0	\$0
Program Subtotal	4	—	\$8,662,145	\$0

Disaster Assistance

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Inspection of SBA's Initial Disaster Assistance Response to Hurricane Florence	19-11	4/17/2019	\$0	\$0
Audit of SBA's Desktop Loss Verification Process	19-23	9/26/2019	\$594,286,878	\$0
Program Subtotal	2	—	\$594,286,878	\$0

Contracting/Counseling Programs

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Audit of SBA's Oversight of the SCORE Association	19-12	4/25/2019	\$713,986	\$0
Review of Women's Business Center, Inc., Compliance With Cooperative Agreement Requirement	19-20	9/19/2019	\$0	\$0
Evaluation of SBA's All Small Mentor-Protégé Program	19-17	9/17/2019	\$0	\$0
Program Subtotal	3	—	\$713,986	\$0

Reports With Questioned Costs

	Reports	Recommendations*	Questioned Costs**	Unsupported Costs***
A. No management decision made by March 31, 2019	0	0	\$0	\$0
B. Issued during this reporting period	6	14	\$686,863,009	\$686,863,009
Subtotal (Universe from which management decisions could be made in this reporting period)	6	14	\$686,863,009	\$686,863,009
C. Management decisions made during this reporting period	5	9	\$14,114,431	\$14,114,431
(i) Disallowed costs	5	9	\$14,114,431	\$14,114,431
(ii) Costs not disallowed	0	0	\$0	\$0
D. No management decision made by September 30, 2019	2	4	\$672,748,578	\$672,748,578

* 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.

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, 2019	—	—	—
B. Issued during this reporting period	—	—	—
Subtotal (Universe from which management decisions could be made in this reporting period)	—	—	—
C. Management decisions made during this reporting period	—	—	—
(i) Recommendations agreed to by SBA management	—	—	—
(ii) Recommendations not agreed to by SBA management	—	—	—
D. No management decision made by September 30, 2019	—	—	—

Reports From Prior Periods With Overdue Management Decisions

Report Number	Report Title	Issue Date	Recommendation	Reason for Delay	Timetable for Resolution
18-22	Improvements Needed in SBA's Oversight of 8(a) Continuing Eligibility Processes	9/7/2018	We recommend that the Administrator require the Associate Administrator for Government Contracting and Business Development to revise its current process to ensure that it accurately identifies all high-risk firms to receive continuing eligibility reviews from the Office of Certification and Eligibility.	OIG held monthly meetings with program officials requesting recommendation resolution. Program officials recently submitted their proposed actions for this recommendation. OIG is currently evaluating the proposed actions.	November 2019
18-22	Improvements Needed in SBA's Oversight of 8(a) Continuing Eligibility Processes	9/7/2018	We recommend that the Administrator require the Associate Administrator for Government Contracting and Business Development to establish and implement clear policies and procedures for evaluating 8(a) continuing eligibility, including ensuring that district offices use standardized analysis tools that conform with 8(a) continuing eligibility requirements found in 13 CFR 124, and train employees on these procedures.	OIG held monthly meetings with program officials requesting recommendation resolution. Program officials recently submitted their proposed actions for this recommendation. OIG is currently evaluating the proposed actions.	November 2019
18-22	Improvements Needed in SBA's Oversight of 8(a) Continuing Eligibility Processes	9/7/2018	We recommend that the Administrator require the Associate Administrator for Government Contracting and Business Development to develop and implement a comprehensive oversight plan to ensure completion of continuing eligibility reviews of all 8(a) firms, monitor the quality of continuing eligibility reviews, and eliminate duplication between the Office of Certification and Eligibility and the district offices.	OIG held monthly meetings with program officials requesting recommendation resolution. Program officials recently submitted their proposed actions for this recommendation. OIG is currently evaluating the proposed actions.	November 2019

Report Number	Report Title	Issue Date	Recommendation	Reason for Delay	Timetable for Resolution
18-22	Improvements Needed in SBA's Oversight of 8(a) Continuing Eligibility Processes	9/7/2018	We recommend that the Administrator require the Associate Administrator for Government Contracting and Business Development to establish and implement clear policies and procedures that include timelines for sending Notices of Intent to Terminate and to Graduate Early firms after eligibility issues are first identified.	OIG held monthly meetings with program officials requesting recommendation resolution. Program officials recently submitted their proposed actions for this recommendation. OIG is currently evaluating the proposed actions.	November 2019
18-22	Improvements Needed in SBA's Oversight of 8(a) Continuing Eligibility Processes	9/7/2018	We recommend that the Administrator require the Associate Administrator for Government Contracting and Business Development to establish and implement clear policies and detailed procedures, consistent with 13 CFR 124.112(c), to timely and effectively review and address complaints regarding 8(a) continuing eligibility, including communicating the content of the complaint to the district office, and train employees implementing the 8(a) program on the updated procedures.	OIG held monthly meetings with program officials requesting recommendation resolution. Program officials recently submitted their proposed actions for this recommendation. OIG is currently evaluating the proposed actions.	November 2019

Reports From Prior Periods With Open Recommendations as of September 30, 2019

Report Number	Title	Date Issued	Number of Open Recommendations	Aggregate Potential Cost Savings
15-16	SBA Needs to Improve Its Oversight of Loan Agents	9/25/2015	1	—
17-19	Audit of SBA's Microloan Program	9/28/2017	2	\$137,199,806
18-03	Independent Auditor's Report on the SBA's FY 2017 Financial Statements	11/14/2017	1	—
18-07	Accuracy of the FY 2015 7(a) Loan Guaranty Purchase Improper Payments Rate	12/11/2017	1	\$ 1,903,213
18-13	Evaluation of SBA 7(a) Loans Made to Poultry Farmers	3/6/2018	1	—
18-18	Audit of SBA's Women-Owned Small Business Federal Contracting Program	6/20/2018	4	—
18-21	OIG High Risk 7a Loan Review Program 2018	8/15/2018	2	\$1,351,565
18-22	Improvements Needed in SBA's Oversight of 8(a) Continuing Eligibility Processes	9/7/2018	9	—
18-23	OIG High Risk 7(a) Loan Review Program	9/13/2018	2	\$1,303,403
19-02	Consolidated Findings of OIG Reports on SBA's Grant Programs FYs 2014-2018	11/8/2018	2	—
19-06	SBA's District Offices' Customer Service	12/19/2018	4	—
19-07	Audit of SBA's Controls Over 7(a) Loans Sold on the Secondary Market	3/14/2019	1	—
19-08	SBA's HUBZone Certification Process	3/28/2019	5	\$589,000
	Total		35	\$142,346,987

Significant Recommendations From Prior Reporting Periods Without Final Action as of September 30, 2019

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
15-16	9/25/2015	Develop benchmarks for contractor performance and require the FTA to implement appropriate application controls and followup procedures with lenders to ensure the integrity of the Form 159 database.	9/20/2018	1/31/2020
17-19	9/28/2017	Continue efforts to improve the information system to include outcome-based performance measurements and ensure the data captured can be used to effectively monitor the Microloan Program compliance, performance, and integrity.	1/4/2018	3/31/2020
17-19	9/28/2017	Update the microloan reporting system manual to reflect current technology capabilities.	1/4/2018	3/31/2020
18-03	11/14/2017	We recommend that the Associate Administrator for Capital Access monitor and perform procedures over the service organization's attestation report regarding user control considerations. This assessment should be performed annually.	1/10/2018	3/31/2020
18-13	3/6/2018	Review the arrangements between integrators and growers under the revised regulations, and establish and implement controls, such as supplemental guidance, to ensure SBA loan specialists and lenders make appropriate affiliation determinations.	3/1/2018	10/31/2019
18-18	6/20/2018	Implement a Women-Owned Small Business Federal Contracting Program certification process as required by the National Defense Authorization Act for FY 2015.	9/28/2018	6/30/2020
18-18	6/20/2018	In coordination with the Office of Federal Procurement Policy and the General Services Administration, strengthen controls in the Federal Procurement Data System-Next Generation to prevent federal agencies' contracting officers from using ineligible North American Industry Classification System codes.	9/28/2018	2/28/2019
18-21	8/15/2018	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$799,159 on the guaranty paid by SBA.	8/7/2018	11/15/2019
18-21	8/15/2018	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$552,406 on the guaranty paid by SBA.	8/7/2018	10/30/2019

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
18-22	9/7/2018	We recommend that the Administrator require the Associate Administrator for Government Contracting and Business Development to revise its current process to ensure that it accurately identifies all high-risk firms to receive continuing eligibility reviews from the Office of Certification and Eligibility.	Overdue	—
18-22	9/7/2018	We recommend that the Administrator require the Associate Administrator for Government Contracting and Business Development to establish and implement clear policies and procedures for evaluating 8(a) continuing eligibility, including ensuring that district offices use standardized analysis tools that conform with 8(a) continuing eligibility requirements found in 13 CFR 124, and train employees on these procedures.	Overdue	—
18-22	9/7/2018	We recommend that the Administrator require the Associate Administrator for Government Contracting and Business Development to develop and implement a comprehensive oversight plan to ensure completion of continuing eligibility reviews of all 8(a) firms, monitor the quality of continuing eligibility reviews, and eliminate duplication between the Office of Certification and Eligibility and the district offices.	Overdue	—
18-22	9/7/2018	We recommend that the Administrator require the Associate Administrator for Government Contracting and Business Development to develop and implement a centralized process to track and document all adverse actions and voluntary withdrawals from the 8(a) program, from recommendation through resolution.	9/7/2018	12/30/2019
18-22	9/7/2018	We recommend that the Administrator require the Associate Administrator for Government Contracting and Business Development to establish and implement clear policies and procedures that include timelines for sending Notices of Intent to Terminate and to Graduate Early firms after eligibility issues are first identified.	Overdue	—

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
18-22	9/7/2018	We recommend that the Administrator require the Associate Administrator for Government Contracting and Business Development to establish and implement clear policies and detailed procedures, consistent with 13 CFR 124.112(c), to timely and effectively review and address complaints regarding 8(a) continuing eligibility, including communicating the content of the complaint to the district office, and train employees implementing the 8(a) program on the updated procedures.	Overdue	—
18-22	9/7/2018	We recommend that the Administrator require the Associate Administrator for Government Contracting and Business Development to develop a robust system for tracking complaints that are received regarding firms' continuing eligibility for the 8(a) program, and tracking the actions taken to address the complaints.	9/7/2018	9/30/2019
18-23	9/13/2018	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$448,287 plus interest on the guaranty paid by SBA.	9/20/2018	10/15/2019
18-23	9/13/2018	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$855,116 plus interest on the guaranty paid by SBA.	9/20/2018	10/15/2019
19-02	11/8/2018	We recommend that the Administrator require that the three grants administration offices collaborate to implement controls to ensure that grants officers and program personnel enforce requirements that recipients submit all required financial and performance reports and verify that the reported information is accurate and complete.	11/9/2019	9/30/2020
19-02	11/8/2018	We recommend that the Administrator require that the three grants administration offices collaborate to implement controls to ensure that grants officers and program personnel responsible for reviewing grant applications verify that the applicants' proposals include plans to measure performance that will help SBA determine program outcomes.	11/9/2018	9/30/2019
19-06	12/19/2018	We recommend that the Administrator require the Associate Administrator for the Office of Field Operations to coordinate with the Office of Communications and Public Liaison to revise SOP 90 75 4, Outreach Activities, to clarify the expectation for using SBA Form 20, Outreach Event Survey, and establish a process to collect and analyze customer feedback.	12/19/2018	11/1/2019

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
19-06	12/19/2018	We recommend that the Administrator require the Associate Administrator for the Office of Field Operations to enforce the policy to timely record customer service activities in the ACR and establish requirements for documenting and maintaining support for the customer service activities reported.	12/19/2018	11/1/2019
19-06	12/19/2018	We recommend that the Administrator require the Associate Administrator for the Office of Field Operations to implement controls for hierarchical reviews and approvals for district directors ACR entries.	12/19/2018	11/1/2019
19-06	12/19/2018	We recommend that the Administrator require the Associate Administrator for the Office of Field Operations to implement a plan and establish a timeframe to improve the functionality of the ACR or replace the system.	12/19/2018	11/1/2019
19-07	3/14/2019	Update secondary market guidance to ensure that it aligns with current secondary market requirements.	3/21/2019	12/31/2019
19-08	3/28/2019	We recommend that the Administrator require the Associate Administrator for the Office of Government Contracting and Business Development to update and implement HUBZone guidance based on the current certification process, including standardizing the analysis and oversight process (to include conducting independent research and analyses to identify indicators of potential fraud), and training HUBZone Office employees on this guidance.	3/29/2019	10/31/2019
19-08	3/28/2019	We recommend that the Administrator require the Associate Administrator for the Office of Government Contracting and Business Development to implement a plan to mitigate IT issues affecting the HUBZone certification process.	3/29/2019	1/1/2020
19-08	3/28/2019	We recommend that the Administrator require the Associate Administrator for Government Contracting and Business Development to monitor hold times to ensure that the Program Office accurately reports overall timeliness of eligibility determinations.	3/29/2019	1/31/2020

Significant Recommendations From This Reporting Period

Report Number	Title	Date Issued	Recommendation
19-09	Weaknesses Identified During the FY 2018 Federal Information Security Modernization Act Review	4/9/2019	Enforce the Risk Management Framework Implementation Procedures in establishing a process to maintain an accurate software and hardware inventory.
19-09	Weaknesses Identified During the FY 2018 Federal Information Security Modernization Act Review	4/9/2019	Formally implement and communicate the enterprise risk management strategy across the organization.
19-09	Weaknesses Identified During the FY 2018 Federal Information Security Modernization Act Review	4/9/2019	Ensure all systems have a configuration management plan that is implemented and maintained as required by SBA IT Security Policy SOP 90 47 4.
19-09	Weaknesses Identified During the FY 2018 Federal Information Security Modernization Act Review	4/9/2019	Establish a process for providing approval and justification for deviations from the baseline configuration as required by NIST SP 800 53.
19-09	Weaknesses Identified During the FY 2018 Federal Information Security Modernization Act Review	4/9/2019	Address identified vulnerabilities in systems during assessment process and enforce policy to ensure patches are applied to all systems as required by SBA IT Security Policy SOP 90 47 4.
19-09	Weaknesses Identified During the FY 2018 Federal Information Security Modernization Act Review	4/9/2019	Develop a process to ensure that evidence of audit logging of privileged users is maintained as required by SBA IT Security Policy SOP 90 47 4.
19-09	Weaknesses Identified During the FY 2018 Federal Information Security Modernization Act Review	4/9/2019	Develop a centralized process to monitor and track hardware that has been sanitized before re-use or disposal as required by SBA IT Security Policy SOP 90 47 4.

Report Number	Title	Date Issued	Recommendation
19-09	Weaknesses Identified During the FY 2018 Federal Information Security Modernization Act Review	4/9/2019	Ensure privacy impact assessments are completed as required by SBA IT Security Policy SOP 90 47 4.
19-09	Weaknesses Identified During the FY 2018 Federal Information Security Modernization Act Review	4/9/2019	Ensure that all systems have current up-to-date security control assessments as required by SBA IT Security Policy SOP 90 47 4.
19-09	Weaknesses Identified During the FY 2018 Federal Information Security Modernization Act Review	4/9/2019	Coordinate with SBA program offices to ensure that systems hosted by contractors and cloud vendors are backed up as required by SBA IT Security Policy SOP 90 47 4.
19-10	SBA's Cloud Migration and Oversight	4/9/2019	We recommend that the Administrator direct the Office of the Chief Information Officer to enhance its cloud inventory controls through periodic updates and reconciliation of Cyber Security Assessment and Management with the current environment in accordance with SBA's IT Security Policy.
19-10	SBA's Cloud Migration and Oversight	4/9/2019	We recommend that the Administrator direct the Office of the Chief Information Officer to instruct the vulnerability and baseline scanning teams to use Cyber Security Assessment and Management to update security plans, in accordance with NIST guidance.
19-10	SBA's Cloud Migration and Oversight	4/9/2019	We recommend that the Administrator direct the Office of the Chief Information Officer to develop and implement policies and procedures to formalize data ownership, and systems and data interoperability and portability in migrating systems to the cloud, as specified in NIST SP 500-291, Cloud Computing Standards Roadmap.
19-10	SBA's Cloud Migration and Oversight	4/9/2019	We recommend that the Administrator direct the Office of the Chief Information Officer to coordinate with system owners and contracting officers to ensure reviewed contracts with cloud service providers specify data ownership, as well as data and system portability and interoperability as specified in NIST SP 500-291, Cloud Computing Standards Roadmap.
19-10	SBA's Cloud Migration and Oversight	4/9/2019	We recommend that the Administrator direct the Office of the Chief Information Officer to develop a process for capturing performance goal estimates and actual cost savings and cost avoidance for IT initiatives, such as cloud migration and data center consolidation, as required by OMB Circular A-11.

Report Number	Title	Date Issued	Recommendation
19-10	SBA's Cloud Migration and Oversight	4/9/2019	We recommend that the Administrator direct the Office of the Chief Information Officer to ensure Agency contracts and related oversight controls, such as cloud service master agreements and associated service level agreements, with cloud service providers clearly define roles and responsibilities, performance metrics, and remediation plans for non-compliance in accordance with OMB Circular No. A-123 and NIST SP 500-291, Version 2.
19-12	Audit of SBA's Oversight of the SCORE Association	4/25/2019	We recommend that the Administrator require the Associate Administrator for the Office of Entrepreneurial Development to implement financial oversight procedures of the SCORE program to ensure the program office enforces the cooperative agreement requirements for SCORE to use the federal funds for allowable, allocable, and reasonable expenses; adhere to contract award procedures; document its procurement procedures; and separate the restricted and unrestricted funds.
19-12	Audit of SBA's Oversight of the SCORE Association	4/25/2019	We recommend that the Administrator require the Associate Administrator for the Office of Entrepreneurial Development to require SCORE to develop clear guidance and provide training to all SCORE chapter leadership on properly generating and using program income and require that the SCORE Association maintain records showing that leadership were trained.
19-12	Audit of SBA's Oversight of the SCORE Association	4/25/2019	We recommend that the Administrator require the Associate Administrator for the Office of Entrepreneurial Development to recover \$696,743 for unallowable and unallocable expenses for improperly awarded contracts, excessive executive compensation, Foundation costs, alcohol, excessive local mileage reimbursements, out-of-period costs and program income, and prohibited solicited donations.
19-12	Audit of SBA's Oversight of the SCORE Association	4/25/2019	We recommend that the Administrator require the Associate Administrator for the Office of Entrepreneurial Development to remedy \$17,243 in unsupported expenses for nonitemized charges from meals with alcohol and for expenses reimbursed without receipts.
19-12	Audit of SBA's Oversight of the SCORE Association	4/25/2019	We recommend that the Administrator require the Associate Administrator for the Office of Entrepreneurial Development to modify the terms and conditions in the notice of award to ensure whistleblower reporting procedures emphasize unrestricted access to the Office of the Inspector General Hotline and require SCORE to update its standard operating manual to include whistleblower reporting that complies with the Whistleblower Protection Act.
19-12	Audit of SBA's Oversight of the SCORE Association	4/25/2019	We recommend that the Administrator require the Associate Administrator for the Office of Entrepreneurial Development to implement procedures to review and reconcile SCORE's achievements reported in its quarterly performance reports to the performance results in the Entrepreneurial Development Management Information System to ensure performance results are accurate and complete.

Report Number	Title	Date Issued	Recommendation
19-12	Audit of SBA's Oversight of the SCORE Association	4/25/2019	We recommend that the Administrator require the Associate Administrator for the Office of Entrepreneurial Development to establish additional outcome-based program goals and measurements to assess whether the program achieved all its objectives.
19-13	SBA's FY 2018 Compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA)	5/23/2019	We recommend that the Acting Administrator require the Director for the Office of Financial Program Operations to submit to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Reform, and OMB, within 90 days of this report, a plan for the 7(a) loan guaranty approvals program that includes (a) measurable milestones for becoming compliant with IPERA, (b) designation of an accountable senior Agency official, and (c) the establishment of an accountability mechanism, describing the actions the Agency will take to become compliant.
19-13	SBA's FY 2018 Compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA)	5/23/2019	We recommend that the Acting Administrator require the Director for the Office of Financial Program Operations to submit to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Reform, and OMB, within 90 days of this report, a plan for the 504 loan guaranty approvals program that includes (a) measurable milestones for becoming compliant with IPERA, (b) designation of an accountable senior Agency official, and (c) the establishment of an accountability mechanism, describing the actions the Agency will take to become compliant.
19-14	SBA's 2018 and 2019 Cash Contributions and Gifts	6/19/2019	We recommend that the Acting Administrator direct the Associate Administrator for the Office of Communications and Public Liaison to Develop and implement prescriptive and rigorous controls to oversee and monitor excess cash held by the fiscal agent for recurring activities such as NSBW on behalf of SBA and in accordance with the requirements of OMB Circular No. A-123. These controls should be incorporated into SOP 90 75 4 and include the receipt and recurring review of bank statements for cash held on account.
19-14	SBA's 2018 and 2019 Cash Contributions and Gifts	6/19/2019	We recommend that the Administrator direct the Associate Administrator for the Office of Communications and Public Liaison Obtain bank records (starting in 2016) from its fiscal agent for NSBW and reconcile those transactions to OSA's official cosponsorship file.
19-14	SBA's 2018 and 2019 Cash Contributions and Gifts	6/19/2019	We recommend that the Administrator direct the Associate Administrator for the Office of Communications and Public Liaison to implement a process to ensure that responsibilities stipulated in the NSBW cosponsorship agreement are aligned with requirements in SOP 90 75 4.
19-15	OIG High Risk 7(a) Loan Review Program	7/10/2019	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$3,000,297 plus interest on the guaranty paid by SBA.
19-15	OIG High Risk 7(a) Loan Review Program	7/10/2019	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$2,335,493 plus interest on the guaranty paid by SBA.

Report Number	Title	Date Issued	Recommendation
19-16	The Office of Inspector General High Risk 7(a) Loan Review Program	8/14/2019	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$1,367,417 plus interest on the guaranty paid by SBA.
19-16	The Office of Inspector General High Risk 7(a) Loan Review Program	8/14/2019	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$691,715 plus interest on the guaranty paid by SBA.
19-18	Audit of SBA's Suspension and Debarment Process	9/18/2019	We recommend that the Administrator require the Associate Administrator for the Office of Capital Access to update SOP 50 10 5 (J) to include a requirement for lending partners to review the System for Award Management and maintain documentation in the loan file to support their review.
19-18	Audit of SBA's Suspension and Debarment Process	9/18/2019	We recommend that the Administrator require the suspending and debarring officials to dedicate resources to monitor and process suspension and debarment referrals.
19-18	Audit of SBA's Suspension and Debarment Process	9/18/2019	We recommend that the Administrator require the suspending and debarring officials to establish and implement controls to ensure the accuracy of reporting on suspension and debarment actions to OIG, Interagency Suspension and Debarment Committee, and Congress.
19-18	Audit of SBA's Suspension and Debarment Process	9/18/2019	We recommend that the Administrator require the Associate Administrator for the Office of Capital Access to rescind the SBA loan guaranty for the \$2.9 million loan and assess the lender's eligibility for continued participation in the SBA lending program.
19-18	Audit of SBA's Suspension and Debarment Process	9/18/2019	We recommend that the Administrator require the suspending and debarring officials to finalize internal suspension and debarment policies and include guidelines for timely processing of referrals and updating the System for Award Management.
19-18	Audit of SBA's Suspension and Debarment Process	9/18/2019	We recommend that the Administrator require the suspending and debarring officials to establish and implement formal policy requiring SBA suspending and debarring officials to document and retain their declination decisions.
19-19	Office of Inspector General High Risk 7(a) Loan Review Program	9/19/2019	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$1,267,223 plus interest on the guaranty paid by SBA.
19-20	Review of Women's Business Center, Inc. Compliance with Cooperative Agreement Requirement	9/19/2019	We recommend that the Administrator require the Associate Administrator for the Office of Entrepreneurial Development to take action in accordance with federal regulations (2 CFR 200.338, Remedies for Noncompliance), to remedy the Women's Business Center, Inc., noncompliance with its two cooperative agreements.
19-20	Review of Women's Business Center, Inc., Compliance with Cooperative Agreement Requirement	9/19/2019	We recommend that the Administrator require the Associate Administrator for the Office of Entrepreneurial Development to refer the Women's Business Center, Inc., and its personnel to the Suspension and Debarment Official for a present responsibility determination.

Report Number	Title	Date Issued	Recommendation
19-21	FY 2019 Risk Assessment of SBA's Charge Card Programs	9/25/2019	We recommend that the Administrator direct the Chief Financial Officer and Associate Administrator for Performance Management to implement a quality control process to ensure that official records for Agency cardholders and approving officials are accurate and complete.
19-23	Audit of SBA's Desktop Loss Verification Process	9/26/2019	Update Disaster Credit Management System to coincide with the SBA policies and procedures that require post desktop reviews be conducted after loan approval and prior to disbursements.
19-23	Audit of SBA's Desktop Loss Verification Process	9/26/2019	Establish controls to ensure post desktop reviews are conducted for all approved loans \$25,000 or less prior to any disbursements of funds, as required.
19-23	Audit of SBA's Desktop Loss Verification Process	9/26/2019	Ensure that tools or methods used to substitute SBA on-site inspections for post desktop reviews contain appropriate and sufficient information needed to validate the damages, losses, and estimated repair and replacement costs obtained during the initial desktop loss verification.
19-23	Audit of SBA's Desktop Loss Verification Process	9/26/2019	Implement controls to require loss verifiers to provide sufficient documentation to support their post desktop review conclusions regarding the validity of the initial desktop verification and their assessment of the extent of damages and losses and the cost to restore the property to its pre-disaster condition.

Significant Management Decisions With Which OIG Disagrees

There were no significant management decisions with which OIG disagrees during this reporting period.

Significant Revised Management Decisions

There were no significant revised management decisions during this reporting period.

Federal Financial Management Improvement Act

OIG's Independent Public Accountant, KPMG, found in the FY 2018 financial statement audit that there were no instances in which SBA's financial management systems did not substantially comply with the Federal Financial Management Improvement Act of 1996.

Instances of Interference

There were no attempts by SBA officials to interfere with OIG independence during the reporting period.

Investigations Reporting Statistics

Investigative Reports Issued

Report Type	Number of Reports
Report of Investigation	35
Preliminary Case Closing Reports of Investigation	8
Total	43

Persons Referred for Prosecution

Referred To	Number of Persons
Department of Justice	16
State Attorney	2
Local Attorney	0
Total	18*

*Number includes persons and entities referred for prosecution.

Whistleblower Retaliation Cases

SBA OIG investigated allegations that a volunteer of the Seattle SCORE Association, formerly named the "Service Corps of Retired Executives," was improperly terminated by the SCORE District Director after the volunteer provided assistance to SBA OIG during an investigation into theft/embezzlement within the SCORE program. The theft/embezzlement investigation resulted in the criminal conviction of a Seattle SCORE chapter employee who exploited poor financial controls at SCORE to embezzle funds.

The investigation substantiated the allegations. Interviews and record reviews determined that the District Director terminated the volunteer with the knowledge and oversight of the SCORE National

Vice President of Field Operations after they found out that the volunteer had assisted SBA OIG with another investigation.

During an interview, the District Director admitted to terminating the volunteer, in part, due to the volunteer's assistance with the SBA OIG investigation. The District Director stated that another reason for the volunteer's termination was his inactivity with SCORE. However, the OIG investigation revealed that the volunteer was an active member of SCORE.

During an interview, the National Vice President of Field Operations admitted that he approved the volunteer's termination notification based partly on the volunteer's cooperation with SBA OIG's investigation.

SBA OIG also learned that the SCORE Board of Directors concluded that the Seattle chapter had adequate basis for terminating the volunteer's status with SCORE and that SCORE did not have an obligation to reinstate the individual as a volunteer. This determination was made by an outside law firm hired by SCORE. SBA OIG noted that during the law firm's review, the law firm did not interview the volunteer.

This matter was referred to SBA management for their determination as to the relevance of the OIG's findings.

Investigations Involving a Senior Government Employee Where Misconduct Was Substantiated

There were no OIG investigation involving a senior government employee where misconduct was substantiated during the reporting period.

Investigations Involving a Senior Government Employee That Is Closed and Not Disclosed to the Public

There were no OIG investigations involving a senior government employee that is closed and not disclosed to the public during this reporting period.

Legal Actions Summary

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
AK	GC	FBI, GSA/OIG	Individuals received equipment from the Federal Surplus Property Program (FSP) and subsequently sold the equipment, which violated the rules of FSP. Individuals were able to receive equipment through FSP because their business was in the 8(a) program.	Individual was sentenced to 60 months of imprisonment and 3 years of supervised release and was ordered to forfeit \$1,028,142 and pay an assessment of \$100.
CA	DL	USSS, DHS/OIG, DOL/OIG, SSA/OIG, USPIS	Individual stole identities and fraudulently applied for disaster assistance loans.	Individual was sentenced to 79 months of incarceration and 5 years of supervised release, was ordered to pay \$1,328,982 in restitution, and forfeited \$137,624.
CO	GC	FBI, Energy/OIG, VA/OIG	Individuals conspired to pay and receive bribes in exchange for securing government contracts.	Three individuals pled guilty.
CO	OT	—	Individual used SCORE credit cards for personal use.	Individual pled guilty and was sentenced to 24 months of probation, ordered to pay \$2,525 in restitution, and assessed a fee of \$1,503.
CT	DL	—	Company falsified documents to obtain an SBA loan in the aftermath of Superstorm Sandy.	Individual pled guilty.
CT	GC	GSA/OIG	Company fraudulently obtained HUBZone status to obtain contracts the company would not otherwise be entitled to.	Individual and company entered into a civil settlement in the amount of \$1.3 million.
DC	IA	—	Individual possessed a controlled substance while on government property.	Individual retired while under investigation.
DC	IA	—	Individual smoked marijuana in a bathroom located in a government building.	Individual was terminated.
FL	DL	—	Individual provided false information to obtain government assistance in the aftermath of Hurricane Irma.	Individual pled guilty and was sentenced to 3 years of supervised release and ordered to pay \$32,038 in restitution and a \$100 special assessment fee.
FL	DL	DHS/OIG	Individual falsified the location of their primary residence to obtain government assistance in the aftermath of Hurricane Matthew.	Individual was sentenced to 24 months of probation and ordered to pay \$10,022 in restitution, a \$5,000 fine, and a \$100 court fee.
FL	GC	Army/CID, DOL/OIG, NASA/OIG	Individual made materially false statements regarding criminal history and federal tax debt to gain access to a government facility.	Company entered into a civil settlement agreement in the amount of \$500,000 to settle false claims.

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
GA	GC	Army/CID, DCIS	Individuals conspired to commit conflict of interest violations and engaged in a scheme to defraud the U.S. Army through overbilling and illegally steering 8(a) sole-source contracts.	Individual was sentenced to 60 months of incarceration, 3 years of supervised release and ordered to forfeit \$1,202,861 and pay a special assessment of \$100.
GA	BL	FBI, FDIC/OIG, SIGTARP/OIG, USDA/OIG	Individual made false statements regarding an equity injection and entered into a secondary agreement that was not disclosed to SBA.	Individual was ordered to pay \$307,500 in restitution.
IL	GC	FBI, GSA/OIG	Individuals misrepresented the eligibility of a company to receive set-aside 8(a) contracts to which the company would not otherwise be entitled.	Individual entered into a civil settlement agreement in the amount of \$100,000.
KS	BL	FDIC/OIG, FHFA/OIG, USDA/OIG, FBI	Individual failed to report a financial liability on an SBA Personal Financial Statement to obtain an SBA loan.	Two individuals were indicted.
KS	GC	—	Individuals falsified documents for Woman Owned Small Business certification to obtain set-aside contracts the company would not have otherwise been eligible to receive.	Individual was indicted.
LA	DL	DHS/OIG	Individual falsified the location of their primary residence to obtain government assistance in the aftermath of a major disaster.	Individual was sentenced to 71 months of incarceration and ordered to pay \$23,684 in restitution and a fine of \$10,000.
MD	BL	FDIC/OIG, FHFA/OIG	Individuals conspired to submit fraudulent information to obtain SBA-guaranteed loans.	One individual pled guilty. Another individual was sentenced to 30 months of incarceration, 3 years of supervised release, and a special assessment of \$100. Another individual was sentenced to 18 months of incarceration, 3 years of supervised release, and ordered to pay \$2,459,150 in restitution and a special assessment of \$200.
MI	GC	GSA/OIG, VA/OIG	Company misrepresented itself as a Service-Disabled Veteran-Owned Small Business to obtain government contracts to which the company would not otherwise be entitled.	Individual indicted.

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
MO	GC	—	Individual used another’s service-disabled veteran status to obtain government set-aside contracts to which it would not otherwise be entitled. Individual also provided false information regarding past work performance to obtain government contracts.	Two individuals indicted and three individuals pled guilty.
NJ	GC	FBI, IRS/CI, VA/OIG	Company fraudulently claimed Service-Disabled Veteran-Owned (SDVO) status and served as a front company to obtain SDVO set-aside contracts to which the company would not otherwise be entitled.	Company entered into a civil settlement agreement in the amount of \$2.4 million.
NJ	DL	HUD/OIG	Individual falsified the location of their primary residence to obtain government assistance in the aftermath of Superstorm Sandy.	Individual pled guilty.
NJ	DL	HHS/OIG, DHS/OIG, HUD/OIG, NJ DCA	Individuals falsified the location of their primary residence to obtain government assistance in the aftermath of Superstorm Sandy.	Individual pled guilty.
NJ	DL	HHS/OIG, DHS/OIG, HUD/OIG, NJ DCA	Individual falsified the location of their primary residence to obtain government assistance in the aftermath of Superstorm Sandy.	Individual pled guilty.
NY	BL	DHS, FBI, FDIC/OIG, SIGTARP/OIG	Bank employee accepted bribes and used position to approve loans to entities in which there was a personal financial interest.	Individual was indicted.
NY	DL	DHS/OIG, HUD/OIG	Individuals falsified the location of their primary residence to obtain government assistance in the aftermath of Superstorm Sandy.	Individual was sentenced to 2 years of supervised release and ordered to pay \$79,711 in restitution, a \$25,000 fine, and \$100 special assessment fee.
OK	GC	FBI, NCIS, Army/CID, DCIS, GSA/OIG	Two Individuals used loan proceeds for personal expenses and one individual accepted bribes as influence for conducting business transactions.	One individual pled guilty and two individuals indicted.
OK	BL	Treasury/OIG	Individual provided false statements to obtain an SBA loan.	Individual was sentenced to 33 months of incarceration, 5 years of supervised release, and 3 years of supervised release and was ordered to pay \$4,754,488 in restitution and a special assessment of \$200.
PR	DL		Individual provided false information to obtain government assistance in the aftermath of Hurricane Irma.	Individual was indicted.
SC	GC	DCIS, USDA/OIG	Individuals falsely represented the eligibility of a company to receive set-aside 8(a) contracts to which the company would not otherwise be entitled.	Individual was indicted and company entered into a civil settlement agreement in the amount of \$1.04 million.

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
SC	GC	Army/CID, IRS/CI, DCIS, Energy/OIG, USDA/OIG, VA/OIG	Individuals conspired to defraud the government by making material false statements on their 8(a) annual updates, which failed to disclose the actual control by non-disadvantaged individuals, submitting false applications to obtain Economically Disadvantaged Woman-Owned Small Business status and 8(a) certification, and submitting fictitious invoices for purported work.	Individual was sentenced to 51 months of incarceration and ordered to pay an assessment of \$100.
TX	DL	DHS/OIG	Individual made false statements against the government in support of disaster benefit applications.	Individual was indicted.
TX	DL	—	Individual submitted false invoices and altered checks to induce payments for disaster loan proceeds.	Individual was sentenced to 6 months of incarceration and ordered to pay \$64,200 in restitution.
TX	DL	DHS/OIG	Individuals falsified the location of their primary residence to obtain government assistance.	Individual pled guilty.
TX	BL	DHS/OIG	Individuals made false statements to the lender to obtain an SBA loan. One of the individuals also misrepresented the source of funds for the equity injection payment.	Individual was sentenced to 3 years of probation and ordered to pay restitution in the amount of \$336,000, jointly and severally, and a special assessment of \$100.
TX	DL	—	—	Individual pled guilty and was ordered to pay \$19,866 in restitution.

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
VA	GC	FBI, NCIS, DCIS, GSA/OIG	Individuals falsely represented the eligibility of a company to receive set-aside 8(a) contracts to which the company would not otherwise be entitled.	One individual was sentenced to 1 month of incarceration and 2 years of supervised release and was ordered to pay \$479,641 in restitution and a special assessment of \$100. Another individual was sentenced to 30 months of incarceration and 36 months of supervised release and was ordered to pay \$524,533 in restitution and a special assessment of \$100. Another individual was sentenced to 6 months of home confinement and 48 months of probation and was ordered to pay \$242,035 in restitution and a \$100 special assessment fee. Two individuals entered into separate civil agreements in the amounts of \$20,000,000 and \$225,000.
WA	BL	—	Individuals conspired to make false statements regarding the true purpose of a loan that a company would not have otherwise been entitled to receive.	Individual ordered to pay \$1600 in fees and ordered to complete 100 hours of community service.
WA	BL	—	Individuals conspired to make false statements regarding the true purpose of a loan that a company would not have otherwise been entitled to receive.	Company removed from program.
WA	GC	—	Individual accepted bribe in exchange for steering contracts.	Individual suspended for 1 week.

Legal Actions Summary Program Codes

- BL—Business Loans
- DL—Disaster Loans
- GC—Government Contracting and Section 8(a) Business Development
- IA—Internal Affairs
- OT—Business Loans

Joint Investigation Agency Acronyms

- Defense Criminal Investigative Service (DCIS)
- Department of Health and Human Services Office of Inspector General (HHS/OIG)
- 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 Justice Office of Inspector General (DOJ/OIG)
Department of Labor Office of Inspector General (DOL/OIG)
Department of Treasury Office of Inspector General (Treasury/OIG)
Department of Veterans Affairs Office of Inspector General (VA/OIG)
Federal Bureau of Investigation (FBI)
Federal Deposit Insurance Corporation Office of Inspector General (FDIC/OIG)
General Services Administration Office of Inspector General (GSA/OIG)
Internal Revenue Service – Criminal Investigation (IRS/CI)
New Jersey Department of Community Affairs (NJ DCA)
New Jersey Division of Criminal Justice (NJ DCJ)
Social Security Administration Office of Inspector General (SSA/OIG)
United States Army/Criminal Investigation Division (Army/CID)
United States Department of Agriculture Office of Inspector General (USDA/OIG)
United States Naval Criminal Investigative Service (NCIS)
United States Postal Inspection Service (USPIS)
United States Secret Service (USSS)

Cosponsored and Other Activities

SBA's authorization to cosponsor events requires OIG to report to Congress on the Administrator's use of that authority semiannually. The following list of activities was provided by the Office of Strategic Alliances.

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Opportunity Zone Summit	South Florida DO - City of Miami	Miami, FL	September 26, 2019
Mentor-Protégé Conference	HQ GCBD - American Small Business Alliance	Washington, DC	September 25, 2019
Veterans Business & Entrepreneur Event	South Florida DO - Miami Military Museum; Miami Vet Center	Miami, FL	September 25, 2019
Quarterly Faith-Based and Community Business Outreach	Nevada DO - Paragon Diversity Group, Inc., Nevada Women's Business Center, Armed Forces Chamber	Las Vegas, NV	September 16, 2019
North Carolina Veteran Small Business Forum	North Carolina DO - North Carolina Veteran's Business Association	Raleigh, NC	September 16, 2019
US Cote D'Ivoire: A Prosper Africa Trade Development Forum	HQ OIT - Cote D'Ivoire Economic Promotion Service in the USA, Canada, Mexico, The African & Caribbean Business Council	Essington, PA	September 12, 2019
New Hampshire Small Business Matchmaker	New Hampshire DO - New Hampshire Small Business Development Center University of New Hampshire Peter T. Paul College of Business & Economics, New Hampshire Procurement Technical Assistance Center Division of Economic Development Department of Business & Economic Affairs	Manchester, NH	September 11, 2019
National Veterans Small Business Week	Wichita DO - 1 Million Cups Wichita	Wichita, KS	September 11, 2019
Boots to Business - Reboot	Massachusetts DO - Westfield State University	Westfield, MA	September 10, 2019
Financial Empowerment Workshop Series	Washington Metropolitan DO - FSC First, Capital One Bank	Largo, MD	September 9, 2019
Small Business Workshop Series	Nebraska DO - Lincoln City Libraries	Lincoln, NE	September 9, 2019
Government Procurement Training Series, FY 2020	North Dakota DO - North Dakota Small Business Development Center University of North Dakota - ND PTAC	World Wide Web, North Dakota	September 6, 2019
Charleston Small Business Roundtable	West Virginia DO - Charleston Area Alliance - West Virginia State University Economic Development Center - West Virginia Small Business Development Center	Charleston, WV	September 3, 2019
2019 Emerging Leaders Graduation Ceremony	West Virginia DO - National Contract Management Association-University of Charleston	Charleston, WV	September 3, 2019
Drive 8(a) Recruitment Summit Cocoa & Other events in South Florida District	South Florida DO - Urban Pulse Direct	Cocoa, FL	August 22, 2019
Drive 8(a) Nashville/SBA In Your Community	Tennessee DO - American Baptist College	Nashville, TN	August 22, 2019

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Senator Leahy's 23rd Annual Women's Economic Opportunity Conference	Vermont DO - Office of U.S. Senator Patrick Leahy, Vermont Small Business Development Center, Vermont Technical College, Vermont Agency of Transportation, Vermont Community Loan Fund, Vermont Procurement Technical Assistance Center, Vermont Department of Labor, Vermont Manufacturing Extension Center, Vermont Agency of Human Services Office of Economic Opportunity, Vermont Economic Development Authority, Vermont Works for Women, Vermont Women's Fund, Women Business Owners Network, Center for Women & Enterprise, Vermont Center for Emerging Technologies, Change the Story Vermont, SCORE Champlain Valley Chapter, Community Capital of Vermont, Capstone Community Action, Vermont State Employees Credit Union, Mercy Connections	Randolph Center, VT	August 19, 2019
Hispanic Heritage Small Business Outreach Event	Cincinnati BO - US Bank; Xavier University	Cincinnati, OH	August 15, 2019
2019 Emerging Leaders San Juan and Ponce Graduation Ceremony	Puerto Rico & Virgin Island DO - Banco Popular de Puerto Rico	San Juan, PR	August 1, 2019
Operation Entrepreneurship	Pittsburgh DO - Fayette County Cultural Trust, Seton Hill University Wukich Center for Entrepreneurial Opportunities	Connellsville, PA	August 1, 2019
Business Workshops	Wyoming DO - Laramie County Library System, Wyoming Small Business Development Center Network	Cheyenne, WY	July 12, 2019
Spirit of Small Business Awards Program & Luncheon	Los Angeles DO - Pacific Coast Business Times	Santa Barbara, CA	June 14, 2019
9th Annual Southern California Small Business & Government Contracting Conference	Orange County/Inland Empire DO - Orange County Inland Empire Small Business Development Center Network, Orange County Hispanic Chamber of Commerce, Netquarry, Inc. aka BidSpeed, The Latino Coalition, Union Bank, US Bank, Wells Fargo	Garden Grove, CA	June 12, 2019
2019 Emerging Leaders	Cincinnati BO - Union Institute & University, Wood & Lamping	Cincinnati, OH	June 6, 2019
Opportunity Zone-Investment Matchmaking/ Access to Capital Fair	Georgia DO - Development Authority of Clayton County Clayton County Government	Morrow, GA	June 6, 2019
2019 Puerto Rico SBIR Road Tour	Puerto Rico & Virgin Island DO - Puerto Rico Science, Technology and Research Trust - Colmena66, Puerto Rico Trade and Export Company	San Juan, PR	June 3, 2019
2019 Emerging Leaders	Kentucky DO - Bellarmine University	Louisville, KY	May 29, 2019
Export Trade Assistance Partnership Program	Orange County/Inland Empire DO - Riverside County Economic Development Agency Office of Foreign Trade	Riverside, CA	May 23, 2019

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
2019 Vermont Small Business Awards Ceremony	Vermont DO - Vermont Business Magazine	Waterbury, VT	May 22, 2019
Los Angeles District Office 2019 Small Business Awards	Los Angeles DO - Economic Development Collaborative Ventura County	Los Angeles, CA	May 15, 2019
Government Contracting & Business Development and Lender Matchmakers Workshops	Rhode Island DO - Newport County Chamber of Commerce, University of Rhode Island Rhode Island Small Business Development Center, Rhode Island SCORE	Newport, RI	May 14, 2019
SBA Small Business Week Block Party Celebration	Boise DO - City of Caldwell, Idaho, Buy Idaho, Inc. Destination Caldwell, Caldwell Chamber of Commerce	Caldwell, ID	May 9, 2019
2019 New Mexico Small Business Week	New Mexico DO - Albuquerque Hispano Chamber of Commerce	Albuquerque, NM	May 7, 2019
National Small Business Week 2019	HQ OCPL - SCORE Association, Various Cosponsors	Washington, DC	May 5, 2019
West Virginia VA Rural Lending Forum	West Virginia DO - USDA Rural Development, West Virginia State Office, City of Bluefield, West Virginia Small Business Development Center, Farm Service Agency, West Virginia State Office, Western Pennsylvania Association of SBA Guaranteed Lenders	Bluefield, WV	May 3, 2019
2019 South Florida Small Business Week Awards Ceremony	South Florida DO - The Florida International University Board of Trustees on behalf of Florida Small Business Development Center, Florida International University; The City of Doral	Doral, FL	May 3, 2019
Drive 8(a) Recruitment Summit	South Florida DO - Urban Pulse Direct, LLC	Lauderdale Lakes, FL	May 3, 2019
Small Business Awards Event	Columbus DO - Huntington National Bank	Westerville, OH	April 30, 2019
Maryland PTAC HUBZone Connections Event	Washington Metropolitan Area DO - Maryland Procurement Technical Assistance Center; Prince George's County Economic Development Corporation; HUBZone Contractors National Council; University of Maryland; State of Maryland, Dept. of Labor Licensing and Regulation	College Park, MD	April 30, 2019
Drive 8(a) with the SBA	Georgia DO - Atlanta Minority Business Development Agency Business and Advanced Manufacturing Centers-Georgia Institute of Technology	Atlanta, GA	April 30, 2019
National Small Business Week	Utah DO - Salt Lake Area Chamber of Commerce, Sandy Area Chamber of Commerce, Salt Lake Chamber Women's Business Center, Utah SBDC Network, SCORE	Salt Lake City, UT	April 26, 2019
HUBZone Certification: Empowering Your Business and Community	Georgia DO - Decide DeKalb Development Authority	Lithonia, GA	April 26, 2019
The Good, the Bad, and the Ugly	West Virginia DO - SBA Business Solutions, Inc., Enhanced Consultive Solutions, LLC	World Wide Web	April 24, 2019
35th Annual MD Small Business Week Awards Luncheon	Baltimore DO - Maryland Small Business Week Awards Program, Inc.	Woodlawn, MD	April 24, 2019

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
Emerging Leaders 2019	Pittsburgh DO - Allegheny Intermediate Unit, Western Pennsylvania Association of SBA Guaranteed Lenders	Homestead, PA	April 17, 2019
Massachusetts 2019 Emerging Leaders Program	Massachusetts DO - Worcester Polytechnic Institute, Massachusetts Small Business Development Center Network, SCORE Worcester County Chapter 173, Center for Women & Enterprise, Hometown Bank, Berkshire Bank, TD Bank, NA, UNIBANK	Worcester, MA	April 17, 2019
2019 Salute to Small Business	South Carolina DO - South Carolina Chamber of Commerce, University of South Carolina Small Business Development Center, SCORE South Carolina, South Carolina Research Authority	Columbia, SC	April 12, 2019
Small Business Week Matchmaking Event	Puerto Rico & Virgin Island DO - Colegio de Ingenieros y Agrimensores de Puerto Rico	San Juan, PR	April 12, 2019
Small Business Week Breakfast and Awards Ceremony	Puerto Rico & Virgin Island DO - Puerto Rico Bankers Association	Carolina, PR	April 12, 2019
Dynamic Networking for Small Business: A federal and prime networking event	West Virginia DO - National Contract Management Association	Fairmont, WV	April 4, 2019
Emerging Leaders 2019	Utah DO - Weber State University, Sandy Area Chamber of Commerce	Farmington, UT	April 4, 2019
2019 Small Business Awards Ceremony Luncheon	Washington Metropolitan Area DO - DC Women's Business Center	Greenbelt, MD	April 4, 2019
Webinar	West Virginia DO - FranData, Capital Growth Solutions	World Wide Web	April 4, 2019
Tri-State Rural Lending Forum	West Virginia DO - West Virginia Small Business Development Center, Robert C. Byrd Institute, Western Pennsylvania Association of SBA Guaranteed Lenders, US Department of Agriculture Rural Development, Farm Service Agency	Huntington, WV	April 4, 2019
Charlotte 2019 Emerging Leaders Program	North Carolina DO - Central Piedmont Community College	Charlotte, NC	April 4, 2019
Maine 2019 Emerging Leaders Program	Maine DO - TechPlace, Bangor Savings Bank	Brunswick, ME	April 3, 2019
Nevada 2019 Emerging Leaders Program	Nevada DO - Women's Business Enterprise Council West, Mutual of Omaha Bank, First Security Bank of Nevada, Bank of George, BBSI Las Vegas, Bank of Nevada, SCE Federal Credit Union, JPMorgan Chase Bank, Capstone Brokerage	Las Vegas, NV	April 2, 2019
2019 10th Annual Hawaii Small Business Fair	Hawaii DO - Hawaii State Department of Business Development and Tourism, Leeward Community College	Pearl City, HI	April 2, 2019
2019 Nevada Small Business Awards	Nevada DO - Women's Business Enterprise Council West	Las Vegas, NV	April 2, 2019
Fresno 2019 Emerging Leaders Program	Fresno DO - Minority Business Development Agency Business Center Fresno, SCORE Central Valley Chapter 380	Fresno, CA	April 2, 2019

Appendix: External Peer Reviews

Section 5(a) of the IG Act requires OIGs to report peer review results in their Semiannual Reports to Congress. The following information is provided in accordance with these requirements.

Audits 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's Audits Division was reviewed by the U.S. Department of State OIG for the year ended March 31, 2018. In September 2018, SBA OIG received a peer review rating of "pass."

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 CIGIE Quality Standards for Investigations require external peer reviews of OIG investigative functions be conducted every 3 years.

In September 2017, the U.S. Federal Deposit Insurance Corporation (FDIC) OIG reviewed our Investigations Division. The FDIC OIG issued its final report December 19, 2017. The FDIC found that the system of internal safeguards and management procedures for the investigative function of OIG was compliant with the quality standards established by the CIGIE and the applicable Attorney General Guidelines. (OIGs can be assessed as either compliant or noncompliant.) No recommendations were offered.

Reporting Requirements in the Inspector General Act of 1978, As Amended

Section	Reporting Requirement	Location
4(a)(2)	Review of legislation and regulations	Other Significant OIG Activities
5(a)(1)	Significant problems, abuses, and deficiencies	Throughout
5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	Significant Recommendations From This Reporting Period
5(a)(3)	Prior significant recommendations on which corrective action has not been completed	Significant Recommendations from Prior Reporting Periods Without Final Action as of September 30, 2019
5(a)(4)	Matters referred to prosecutive authorities	Legal Actions Summary
5(a)(5)	Instances in which requested information was refused	N/A
5(a)(6)	List of audit, inspection, and evaluation reports	Reports Issued; Reports With Questioned Costs
5(a)(7)	Significant reports	Throughout
5(a)(8)	Audit, inspection, and evaluation statistical tables	Statistical Highlights
5(a)(9)	Audit, inspection, and evaluation reports with recommendations that funds be put to better use	Reports With Recommendations That Funds Be Put to Better Use
5(a)(10)	Audit, inspection, and evaluation reports without management decision, without comment within 60 days, or with unimplemented recommendations	Reports From Prior Periods With Overdue Management Decisions; Reports From Prior Periods With Open Recommendations as of September 30, 2019
5(a)(11)	Revised management decisions	Significant Revised Management Decisions
5(a)(12)	Management decisions with which the Inspector General disagrees	Significant Management Decisions With Which OIG Disagrees
5(a)(13)	Information described under section 05(b) of the Federal Financial Management Improvement Act of 1996	Federal Financial Management Improvement Act
5(a)(14)-(16)	Peer review results	External Peer Reviews
5(a)(17),(18)	Investigative statistical tables and supporting metrics	Investigations Reporting Statistics
5(a)(19)	Investigations involving a senior government employee where allegations of misconduct were substantiated	Investigations Involving a Senior Government Employee Where Misconduct Was Substantiated
5(a)(20)	Whistleblower retaliation	Whistleblower Retaliation Cases
5(a)(21)	Attempts to interfere with the independence of OIG	Instances of Interference
5(a)(22)	Each closed inspection, evaluation, and audit not disclosed to the public; each closed investigation involving a senior government employee not disclosed to the public	Investigations Involving a Senior Government Employee That Is Closed and Not Disclosed to the Public

Make a Difference

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

Online: <https://www.sba.gov/oig/hotline>

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

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