

U.S. Small Business Administration Office of Inspector General

**Semiannual Report to Congress
October 1, 2018–March 31, 2019**



April 30, 2019



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 spring 2019 semiannual report to Congress provides a summary of OIG's activities from October 1, 2018, through March 31, 2019. OIG continues to focus on the most critical risks facing SBA. Our resources are directed at key SBA programs and operations, including financial assistance, government contracting and business development, financial management and information technology, disaster assistance, Agency management challenges, and security operations.

During this reporting period, OIG issued 8 reports with 30 recommendations to improve SBA operations and reduce fraud and unnecessary losses in Agency programs. In addition, OIG investigations resulted in 22 indictments and 17 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 \$42,860,116. OIG also sent 8 present responsibility referrals to SBA and 4 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 published Report 19-01, Report on the Most Serious Management and Performance Challenges Facing the Small Business Administration in Fiscal Year 2019. This report represents our current assessment of Agency programs and/or activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement, or inefficiencies.
- OIG published Report 19-06, SBA's District Offices' Customer Service, an audit performed in response to a congressional request about the perceived disparity in the effectiveness of SBA district offices. We determined SBA did not have an effective process in place to assess customer service and made four recommendations to enhance the overall management of district offices' customer service.
- OIG published Report 19-07, Audit of SBA's Controls Over 7(a) Loans Sold on The Secondary Market. We determined that internal controls related to the sale of loans into the secondary market and SBA's reviews for lender compliance on defaulted loans were generally effective.

- A Texas man was sentenced in federal court to 24 months imprisonment and 36 months of supervised release and was ordered to pay over \$4.7 million in monetary penalties. He and two others had conspired to obtain SBA and U.S. Department of Agriculture loans through false financial documents.
- A defense contractor agreed to pay \$2,250,000 in restitution related to a former employee (1) conspiring to obtain payments under Section 8(a) contracts, (2) causing contracts to be awarded through cash payments to government officials and services not to be rendered as promised, and (3) unlawfully obtaining confidential government procurement information.

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 read 'Hannibal Ware', with a large, stylized initial 'H'.

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) 2014–2018 has three overarching goals:

- growing businesses and creating jobs
- serving as the voice for small businesses
- building an agency that meets the needs of today's and tomorrow's 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 various OIG functions and activities.

The **Office of Counsel** provides legal and ethics advice to all OIG components; represents OIG in litigation arising out of or affecting OIG operations; 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.

Management Challenges

Each year, OIG identifies the most serious management and performance challenges facing SBA. In accordance with the Reports Consolidation Act of 2000 and Office of Management and Budget (OMB) Circular A-136, SBA reports this information in its agency financial report. The management challenges represent areas that OIG considers particularly vulnerable to fraud, waste, abuse, or mismanagement, or which otherwise pose significant risk to the Agency, its operations, or its credibility. Each management challenge generally has originated from one or more reports issued by OIG or the Government Accountability Office (GAO).

For each management challenge, OIG provides SBA with recommended remedial actions together with an assessment of Agency progress on each recommended action during the preceding fiscal year. If enough progress occurs during the previous fiscal year, OIG assigns a higher color score and the arrow indicator shows upward movement. The following table provides a summary of this year's management challenges. (Access Report 19-01 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-012.pdf>.)

#	Challenge	Status at End of FY 2017				Change From Prior Year	
		Green	Yellow	Orange	Red	Up ↑	Down ↓
1	Small Business Contracting	0	2	0	0	0	0
2	IT Leadership	0	6	0	0	1	0
3	Human Capital	0	1	0	0	0	0
4	SBA Loan Program Risk Management and Oversight	3†	1	0	0	3	0
5	8(a) Business Development Program	0	3	0	0	3	0
6	Ensuring Quality Deliverables and Reducing Improper Payments at SBA Loan Operation Centers	2	0	0	0	2	0
7	Disaster Assistance Program	1	3	1	0	1	1
8	Grant Management Oversight (New)	0	0	0	0	0	0
	Total	6	16	1	0	10	1

† For challenge 4 recommendation 2, 7(a) was rated green, while 504 was rated yellow. For simplicity, it is reflected as green in this table.

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.

Arizona Attorney to Serve 18 Months in Prison and Pay Nearly \$1.4 Million to SBA

An Arizona attorney was sentenced in federal court to 18 months of incarceration and 3 years of probation based on his previous guilty plea to concealment of assets in bankruptcy. He later received an amended sentence that added \$1,392,000 in restitution to SBA. In addition, the Arizona Supreme Court ordered a suspension of his practice as an attorney for 6 months and 1 day based partly on his guilty plea.

The investigation revealed that he applied for an SBA Section 504 loan in order to purchase and improve an office condominium serving as the location of his law practice. SBA approved and guaranteed the \$1.5 million loan issued by a financing corporation. The loan partly funded a \$4,583,000 project, including the purchase and remodeling of his law office.

In April 2013, SBA approved a \$450,000 offer in compromise (OIC) which settled the outstanding loan amount of \$1,520,807. The OIC was approved because of the attorney's false representations during his bankruptcy proceedings, including those related to SBA financial statements within his OIC packet. Moreover, the attorney, his father, and his fiancé conspired to conceal assets from the

bankruptcy court and creditors, including the SBA loan. By accepting an erroneous OIC from the attorney, SBA incurred a \$1,392,000 loss. The investigation was conducted jointly with the Internal Revenue Service, Criminal Investigation (IRS CI).

California Man Pleads Guilty to Making False Statement to a Bank

The owner of a California insurance agency pled guilty in federal court to making a false statement to a federally insured bank. He admitted that, around November 2015, he caused a false SBA form to be submitted for a \$2,325,000 SBA-guaranteed loan to purchase two businesses. The SBA form falsely stated that the owner would only use loan proceeds for the business purposes specified in the application documents and that the information provided was true and accurate.

To support the loan application, the owner caused a false asset purchase agreement to be submitted to a bank through his loan broker. The agreement falsely inflated the business' purchase price. Based on the owner's false SBA form and purchase agreement, the SBA loan closed and approximately \$648,000 was later deposited into two bank accounts he controlled. The remainder of the loan went to purchase the two businesses. The owner used the \$648,000 for his own benefit, including tuition, credit card, and mortgage payments. This is an ongoing investigation with the Federal Bureau of Investigation (FBI) and U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigation (HSI).

Oklahoma Man Pleads Guilty to Bank and Bankruptcy Fraud

An Oklahoma man pled guilty in federal court to bank fraud and bankruptcy fraud. He confessed to fraudulently obtaining approximately \$5 million in SBA-guaranteed loans from a bank from 2015 to 2017. In addition, the man admitted to intentionally making false representations in the U.S. Bankruptcy Court in 2017. This case is continuing pending further judicial action.

Texas Man Sentenced to Prison and Ordered to Pay Over \$4.7 Million in Penalties

A Texas man was sentenced in federal court to 24 months imprisonment, to be followed by 36 months of supervised release. He had previously pled guilty to conspiracy to commit bank fraud. The court also ordered him to sell three separate properties and apply the net proceeds towards \$3,740,165 in restitution. Finally, the court ordered \$1 million in forfeiture.

From around October 2008 to March 2011, the defendant and two other men conspired to obtain guaranteed loans from both SBA and the U.S. Department of Agriculture (USDA). These loans were secured using fraudulent pretenses.

In January 2009, one of the men, with the defendant's and the third man's assistance, applied for a \$2 million SBA-guaranteed loan from a Utah bank in order to purchase a hotel in Tyler, TX. As part of the application, the third man submitted a personal financial statement signed by the loan applicant that contained materially false information. This misled the bank into believing that the applicant had over \$2.3 million in personal assets. In any event, the bank required the loan applicant to provide

\$687,000 in cash injection. Accordingly, the defendant fraudulently created the appearance of more than \$250,000 in the applicant's business account to mislead the bank into believing that the applicant could satisfy the cash injection requirement.

In May 2009, the same applicant, again with the other two men's assistance, applied for a \$4,650,000 USDA Rural Development guaranteed loan from the same bank in order to purchase a hotel in Paris, TX. This time, the third man submitted financial verification documents signed by the loan applicant that misled the bank into believing that the applicant had over \$6 million in personal assets. Because the bank required the applicant to provide \$1,550,000 in cash injection, the defendant caused \$1,475,000 to be transferred into business accounts in the applicant's name, even though the defendant actually controlled the accounts. This misled the bank into believing that the applicant could satisfy the cash injection requirement.

Texas Man to Pay \$336,000 in Restitution

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

The investigation revealed that an individual intended to purchase a Sears retail outlet from the Texas 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. Moreover, because the prospective buyer did not have the \$88,544 required for equity injection, he borrowed the funds from a friend and misrepresented the source of those funds to the bank. The prospective buyer then purchased a \$88,544 cashier's check and provided it to the seller at closing. Immediately after closing on the loan, the seller gave the cashier's check back to the prospective buyer, so he could return the funds to his friend. This investigation is ongoing.

Virginia Woman to Serve 66 Months in Prison and Pay Over \$328,000 in Restitution

A Virginia woman was sentenced in federal court to 66 months of incarceration to be followed by 3 years of supervised release. She was also ordered to pay \$328,651 in restitution. She previously had pled guilty to mail fraud and aggravated identity theft.

The woman had fraudulently obtained a \$150,000 SBA guaranteed loan from a bank. She had used her father's information, without his knowledge or consent, to obtain the loan. In addition, she embezzled approximately \$180,000 from her previous employer.

This investigation was conducted jointly with the U.S. Postal Inspection Service (USPIS) and the Newport News (VA) Police Department.

Audit of SBA's Controls Over 7(a) Loans Sold on the Secondary Market

We conducted an audit of SBA's controls over loans sold on the secondary market. Between FYs 2013 and 2017, approximately 59,000 7(a) loans were approved, disbursed, and sold on the secondary market, totaling \$45 billion.

We determined that internal controls related to the sale of loans into the secondary market and SBA's reviews for lender compliance on defaulted loans were generally effective. However, opportunities exist to strengthen controls to further mitigate the risk of loss for loans sold on the secondary market. Specifically, we found that the Office of Credit Risk Management (OCRM) did not communicate the results of their secondary market loan sale reviews to the National Guaranty Purchase Center and the Commercial Loan Servicing Centers. Also, SBA did not always provide statutory reports to Congress timely, and SBA's lender guidance for the secondary market was outdated. Lastly, SBA did not properly determine lender compliance with loan program requirements for one of the loans reviewed.

As a result, there is a risk that SBA could improperly purchase secondary market loans that OCRM identified as having material noncompliance with SBA requirements. Additionally, Congress may not have the necessary information to make informed decisions regarding SBA's secondary market operations, and new lenders may not have consistent and updated guidance to ensure compliance with SBA requirements. Finally, by charging off an ineligible loan, SBA incurred a loss of \$130,173.

We made and management agreed with five recommendations that, if implemented, will strengthen SBA's internal controls, enhance external communication, and seek loan repair or recovery of funds on the ineligible loan that was charged off. SBA management's proposed actions resolve all five of our recommendations. (Access Report 19-07 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-07.pdf>.)

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, to private nonprofit organizations, to homeowners, and to 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: (1) home disaster loans, (2) business disaster loans, (3) economic injury disaster loans, and (4) 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 in order 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 to provide effective and efficient loan delivery and protect taxpayer dollars.

California Man Pleads Guilty to Wire Fraud Charge

A California man pled guilty in federal court to conspiracy to commit wire fraud. In a related matter, \$256,904 in U.S. currency was forfeited to the U.S. government after previously having been seized during the execution of a federal search warrant in California.

The previous resulted from a joint investigation initiated by the U.S. Department of Homeland Security (DHS) OIG. It had received allegations of identity theft and fraudulent claims for government assistance in response to Hurricanes Harvey, Irma, and Maria, as well as the California wildfires. The investigation revealed that identity thieves fraudulently applied for disaster assistance funding using stolen personally identifiable information (PII) of victims living in declared disaster areas. The identity thieves primarily utilized reloadable Green Dot debit cards for direct deposits of Federal Emergency Management Agency (FEMA) disaster assistance funds and withdrew millions of dollars in stolen FEMA funds in many ways, including through automated teller machines around the country. SBA OIG joined the investigation upon determining that many victims also had their stolen PII used to apply for associated SBA disaster assistance loans.

This is a joint investigation by a task force consisting of the DHS OIG, USPIA, U.S. Department of Labor (DOL) OIG, Social Security Administration (SSA) OIG, U.S. Department of Housing and Urban

Development (HUD) OIG, U.S. Citizenship and Immigration Services (USCIS), U.S. Secret Service (USSS), and SBA OIG. DHS OIG is the lead organization.

Louisiana Woman to Serve Time in Prison and Pay Restitution

A Louisiana woman was sentenced in federal court to 1 month in prison, 7 months of home incarceration and monitoring, and 24 months of supervised release. She was also required to pay \$20,900 in restitution. The woman previously had pled guilty to fraud in connection with major disaster or emergency benefits.

Her indictment for fraud-related activities resulted from a referral by an SBA employee to SBA's disaster processing and disbursement center on another matter. A male borrower originally had been approved for a \$20,900 loan for personal property loss sustained while residing in Oklahoma. However, it was later discovered through FEMA that multiple registrations existed for the same individual. A review of the loan file found that the man allegedly presented numerous fabricated documents to the processing and disbursement center. Moreover, the investigation revealed that the post office box listed for the man on the disaster loan application was registered to the Louisiana woman. The investigation is being conducted jointly with DHS OIG.

Multiagency Task Force Uncovers Hurricane Sandy Fraud

For years, a multiagency task force has investigated fraud related to the aftermath of Hurricane Sandy. The task force is comprised of the New Jersey Division of Criminal Justice, New Jersey Department of Community Affairs (DCA), DHS OIG, HUD OIG, U.S. Department of Health and Human Services OIG, and SBA OIG, under the direction of the New Jersey Office of the Attorney General. The following are recent cases.

- A New Jersey man pled guilty in state court to falsifying or tampering with records in connection with filing false applications following Hurricane Sandy. As a result, he received approximately \$169,334 in relief funds to which he was not entitled. The man falsely claimed in his applications that a home damaged by Hurricane Sandy was his primary residence when it was really a seasonal/weekend property at the time. Consequently, he received \$2,820 from FEMA, a \$10,000 Homeowner Resettlement Program (RSP) grant, and \$143,414 in grant funds from the Reconstruction, Rehabilitation, Elevation and Mitigation (RREM) Program. The last two grants are funded by HUD and administered by DCA. He also received a \$13,100 SBA disaster home loan which was charged off with a \$9,375 balance.
- A former New Jersey police officer was sentenced in state court to 5 years in prison, and his wife was sentenced to 3 years of probation and 50 hours of community service. The couple was also ordered to jointly pay restitution on a relief funds balance of \$170,377. A jury had previously found them guilty of conspiracy, theft by deception, and unsworn falsification for filing \$187,074 in false applications following Hurricane Sandy. The couple had applied for an SBA disaster home loan using a fraudulent address as their primary address when, in fact, their primary residence was elsewhere. As a result of the fraudulent applications, they

received \$2,820 from FEMA, a \$90,200 SBA disaster home loan, a \$69,054 RREM grant, a \$10,000 RSP grant, and a \$15,000 Sandy Homeowner and Renter Assistance Program grant, for a total of \$187,074 in relief funds.

Florida Man Sentenced in Disaster-Related Ponzi Scheme

A Florida man was sentenced in federal court to 60 months of probation. He was also ordered to pay \$50,000 in restitution to SBA and \$351,655 to the victims of his real estate Ponzi scheme. The man previously had pled guilty to making false statements.

The investigation revealed that he had provided false information and submitted fraudulent documentation on his SBA disaster loan application. Consequently, he obtained a \$65,300 SBA disaster loan for damages he claimed happened to his residence as a result of Hurricane Irma. In addition, the investigation revealed that most of the SBA disaster loan funds were transferred to his business bank account to pay business expenses and prior investors in his Ponzi scheme. This was a joint investigation with the FBI.

Connecticut Man Sentenced to Probation and Restitution

A Connecticut man was sentenced in state court to 5 years of probation and \$21,000 in restitution. He previously had pled guilty to larceny and forgery for submitting false information to SBA following Hurricane Sandy. The man had submitted falsified documents including construction receipts and checks to obtain a \$46,600 SBA disaster loan. The investigation disclosed that the work he claimed for the loan proceeds had never been done and that receipts of the completed work were falsified. This investigation was conducted jointly with the Stafford (CT) Police Department and handled by the Connecticut State's Attorney Office.

New York Entrepreneur and His Business Barred from Federal Programs

SBA has notified a New York entrepreneur and his business that they have been barred for 3 years from (1) participating in federal financial and nonfinancial assistance programs, (2) representing participants in such programs, and (3) participating in federal procurement transactions. The entrepreneur had been sentenced in federal court to 6 months of home confinement and 3 years of supervised release. He was also ordered to pay \$265,195 in restitution to SBA. The man had previously pled guilty to making false statements.

The entrepreneur had made false statements to SBA in March 2013 when he applied for a Hurricane Sandy disaster business loan for his company. The firm was approved for the \$257,800 working capital loan, which later defaulted. He failed to disclose his company's outstanding federal tax debt, a pending lawsuit by a labor union, and a judgment filed by the New York State Department of Labor to SBA at the time of application.

Investigation Results in Over \$1.6 Million Recovery

Because of an OIG investigation, SBA realized a \$1,653,257 administrative recovery when its National Disaster Loan Resolution Center received payment in full on an SBA disaster business loan from a Connecticut firm. The company had obtained a \$1,665,000 loan through the Hurricane Sandy RISE program by allegedly falsifying SBA disaster loan documents. This is an ongoing investigation.

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.

Executives Settle Civil Claims Related to Improper Contracting

The former Chief Operating Officer (COO) of a large company that provides temporary structures for social and business events agreed to pay the U.S. government \$75,000 to settle civil claims relating to his firm's improper affiliation with a small business providing training and shelter to the U.S. military. The small business acted as a front company for the large company. There were also violations of SBA's subcontracting limitations regarding set-aside contracts improperly awarded to the small business for tenting contracts at several major military installations. Finally, the Chief Financial Officer (CFO) of the large company and its predecessor company agreed to pay the U.S. government \$65,000 to settle civil claims for the above reasons.

The United States contends that, from March 2013 through 2017, the small business and large company (through employees including the COO) made and conspired to make false claims and statements to obtain payment under contracts awarded to the small business. The two firms had an improper affiliation in violation of SBA subcontracting limitations. The United States further contends that, from September 2011 through September 2015, the small business, the large company, and the large company's predecessor committed the same acts. Moreover, the United States alleges that the CFO of the large company and its predecessor company knew or should have known about the false claims or statements. This is a joint investigation with the Defense Criminal Investigative Service (DCIS) and the U.S. Army Criminal Investigation Command.

Pass-Through Scheme Results in Debarment and Other Legal Actions

The U.S. Army debarred the previously mentioned small business and its owner from conducting business with the U.S. government through July 2022. The owner had previously been sentenced to 3 months of incarceration, 3 months of home confinement, and 3 years of probation for unlawful kickbacks. He and his business also agreed to pay \$50,000 and \$150,000, respectively, to the U.S. government to settle civil claims pursuant to the False Claims Act.

The investigation found that the owner self-certified his firm as a small business according to SBA rules and regulations. As part of his certification, he agreed that he could not subcontract more than 50 percent of his firm's labor costs to a large business. Subsequently, his firm won three 100 percent small business set-aside contracts to service portable toilets at three military locations.

The investigation further revealed that the small business possessed no employees or equipment, and thus could not perform the required work. The owner entered into an agreement to illegally pass the work to a large company prohibited from being awarded small business set-aside contracts. Moreover, to advance the scheme, the owner invoiced the U.S. government monthly for work purportedly performed by his firm. He kept 8 percent of the revenues as his "commission" and passed through 92 percent of the revenues to the large company as payment for servicing the portable toilets.

A former executive of the large sanitation company that, in fact, performed the work was later sentenced to 3 years of probation and 20 hours of community service after having been found guilty of misprision of a felony. From approximately February 2015 to March 2017, the executive knew of the unlawful kickbacks by the small business owner and failed to inform U.S. government authorities.

In addition, the executive of the large company participated in and concealed the fact that the small business owner conducted an illegal pass-through scheme. The executive also helped the small business owner submit bid proposals and invoices to the federal government for the work purportedly performed by the small business. Finally, he provided invoices to the small business for the 92 percent of the total amount the small business invoiced the federal government. These invoices allowed the large company to be compensated for the work it illegally performed and to pay

unlawful kickbacks to the small business owner. This is a joint investigation with the DCIS, U.S. Army Criminal Investigation Command, and Naval Criminal Investigative Service (NCIS).

Virginia Firm's President to Serve 3 Years in Prison and Help Pay Over \$8.9 Million

A defunct Virginia technology firm and its former president were sentenced in federal court after both had pled guilty to conspiracy to defraud the United States. In addition, the firm had pled guilty to bribery. The former president was sentenced to 36 months in jail and 24 months of supervised release. In addition, she was ordered to pay \$7,226,177 in restitution jointly and severally with her brother, two former U.S. Army Corps of Engineers program managers, and the firm. She was also ordered to pay \$1,076,169 in asset forfeiture. The firm was sentenced to \$610,009 in restitution to be paid jointly and severally with the former president and the other three individuals, as well as \$1,600 in special assessment fees.

The investigation disclosed the firm paid more than \$15 million in bribes to three public officials in return for contracts awarded through the U.S. Army Corps of Engineers and the Department of the Army. In addition, the firm admitted paying more than \$790,000 in kickbacks to executives of two companies that channeled government subcontracts to the firm. This investigation was conducted jointly with the FBI, IRS CI, DCIS, Defense Contract Audit Agency, and U.S. Army Criminal Investigation Command.

8(a) Fraud Results in Incarceration and Over \$2.4 Million in Penalties

A defense contractor agreed to pay \$2,250,000 in restitution to the U.S. government to settle civil claims related to a former employee's conduct. The firm previously employed the man in a Georgia office from approximately 1996 until it terminated his employment in 2015. After learning of a federal investigation of the employee, the firm cooperated with the United States. After the employee's guilty plea to conspiracy, the firm and the United States began negotiations to resolve potential civil liability.

The United States contended that, between 2008 through 2016, the employee made and conspired to make false claims and statements in connection with several companies' applications to the Section 8(a) program, their annual 8(a) program eligibility renewals, and their bid submissions to obtain 8(a) contract awards. Specifically, he conspired to obtain payments under contracts awarded to the 8(a) companies and caused contracts to be awarded to them through cash payments to government officials. Finally, he caused services not to be rendered as represented by the 8(a) companies and unlawfully obtained confidential government procurement information.

In a related matter, a retired U.S. Army colonel was sentenced in federal court to 60 months of incarceration, 3 years of supervised release, and a \$200,000 fine for procurement integrity fraud as a result of the colonel providing confidential information in order to steer millions of dollars in U.S. Army contracts to a Georgia-based 8(a) communications and engineering firm in return for bribes.

The colonel's wife was sentenced to 28 days of incarceration, 5 years of probation, and a \$10,000 fine for knowingly providing government agents with false information and statements.

The couple was involved in a bribery and kickback scheme that directed 8(a) set-aside contracts to the above 8(a) firm, which was owned by a second retired U.S. Army colonel. The second colonel and the former defense contractor employee previously were sentenced to 60 months of incarceration for conspiracy.

For almost a decade beginning in 2008, the first colonel conspired with his wife, the second colonel, the defense contractor employee, and others to accept bribes in exchange for rigging the award of over \$20 million in U. S. Army and private company contracts to the 8(a) firm. Before the second colonel's retirement, he had established the 8(a) firm with the plan to obtain 8(a) status and have the first colonel steer contracts to it in exchange for bribes. The first colonel provided the second colonel and the defense contractor employee with confidential information and signed sole source justifications to ensure the 8(a) firm remained the prime contractor on U.S. Army contracts. Moreover, the first colonel and his wife used a shell company to funnel bribe payments from the second colonel. Meanwhile, the defense contractor employee fraudulently arranged for other companies' employees to perform work awarded to the 8(a) firm because that firm had no employees other than the second colonel.

Beginning in 2009, the second colonel applied for 8(a) status. He and the defense contractor employee prepared fraudulent documents for SBA as part of the application. The firm's fraudulently obtained contracts, along with fraudulent invoices for work done by nonexistent employees, were submitted as proof of past business performance. The firm obtained 8(a) status in July 2010 and began receiving contracts.

The conspiracy continued until an investigation became overt in late 2015. The defendants then conspired to make false statements to government agents and provide fraudulent invoices falsely claiming services on behalf of the 8(a) firm as a subcontractor to the shell company. All of this was done to impede the investigation. This is a joint investigation with DCIS and the U.S. Army Criminal Investigation Command.

\$400,000 Settlement Agreement Reached in HUBZone Case

The U.S. Attorney's Office executed a \$400,000 settlement agreement with a Michigan container corporation on behalf of SBA and the Defense Logistics Agency (DLA). The agreement settled False Claims Act allegations in connection with a DLA HUBZone contract in Pennsylvania. The government alleged the Michigan corporation violated subcontract limitations and the terms of a contract to provide corrugated boxes to the federal government from August 2010 through August 2014 by performing 100 percent of the manufacturing requirement. This investigation was conducted jointly with DCIS.

\$5.27 Million Settlement Agreement Reached in SDVOSB Matter

On behalf of SBA and the Department of Veterans Affairs (VA), the Department of Justice entered into a settlement agreement with an engineering company. The company has agreed to pay a settlement of \$5.27 million.

The agreement states that the engineering company was formed in January 2017, following the merger of two preexisting engineering firms. As part of the merger agreement, the two firms agreed that the liabilities of each entity would be merged into the new engineering company.

Around August 2009, the first preexisting firm had entered into an arrangement with a service-disabled veteran to form a new business to solicit and pursue service-disabled veteran-owned small business (SDVOSB) and small business set-aside contracts. The veteran would be the new business' majority owner. The first preexisting firm, however, agreed to provide nearly all staffing and support for the new business. In addition, the first preexisting firm's employees would perform nearly all the required work on any set-aside contract the new business procured. Consequently, the first preexisting firm would receive up to 95 percent of the fees the new business earned from those contracts.

In November 2011, the veteran became the new business' sole owner. Although the business name changed, its arrangement with the first preexisting firm continued. Specifically, first preexisting firm continued to provide nearly all the staffing and support for the performance of set-aside contracts procured by the new business between 2011 and 2016. Since 2009, it has been awarded more than a dozen federal set-aside contracts designated for SDVOSBs and/or small businesses.

Following the merger of the two preexisting firms, the engineering company discovered and informed the VA in 2017 of the following conduct and has continued to cooperate with the United States to resolve this matter. The United States contends that it has civil claims arising from the following conduct beginning in 2009:

- The first preexisting firm conspired with the new veteran-owned business to solicit and procure federal set-aside contracts designated for SDVOSBs and/or small businesses despite the new business' ineligibility for those contracts.
- The two entities conspired to exceed subcontracting limitations on federal SDVOSB and/or small business set-aside contracts that the veteran-owned business was awarded.

The settlement agreement is neither an admission of liability by the engineering company nor a concession by the United States that its claims are not well founded. The engineering company and the second preexisting firm deny the allegations.

\$3.6 Million to Be Paid in 8(a) Settlement Agreement

A construction company, its principal owner, a contracting firm, and its operations manager agreed to pay \$3.6 million through a civil settlement agreement to resolve allegations they defrauded SBA's

8(a) program. The investigation revealed that the operations manager directed the development of the construction company through its creation and admittance to the 8(a) program in 2011. During the company's application to the program, and during annual certifications, the two men failed to truthfully disclose the affiliation between the two businesses. After the contracting firm graduated from the 8(a) program in 2011, its operations manager secured 8(a) set-aside contracts for the construction company with the Departments of Agriculture, the Navy, and the Army, with the intent of having the contracting firm perform all the work. The operations manager continued operating the construction company as a pass-through for the contracting firm by handling its day-to-day management, long term strategic decisions, and the utilization of contracting firm resources for all the construction company's work. This scheme led to the fraudulent award of more than \$14 million in 8(a) set-aside contracts from 2011 to 2014. The investigation was completed jointly with DCIS and the U.S. Army Criminal Investigation Command.

Ohio Executives Plead Guilty to Wire Fraud and Conspiracy

The president and vice president of an Ohio construction company pled guilty in federal court to wire fraud and conspiracy to commit wire fraud. They had made false representations to SBA and the U.S. Navy to receive 8(a) set-aside contracts as a pass-through company for a contracting firm and its owner. The construction company had been awarded a \$2,827,176 U.S. Navy 8(a) contract in which most of it was subcontracted to the contracting firm.

The construction company's president and vice president, as well as the contracting firm's owner, had transferred 49 percent of the construction company's ownership to the contracting firm. The president also relinquished 51 percent of his voting rights in the construction company to the contracting firm, thus giving the latter total management control of the construction company. The three individuals concealed this arrangement from SBA. This was a joint investigation with the National Aeronautics and Space Administration OIG, DCIS, VA OIG, and NCIS.

\$900,000 Settlement Agreement Reached With Florida Body Armor Manufacturer

The U.S. Attorney's Office entered into a \$900,000 settlement agreement on behalf of SBA and DHS with a Florida manufacturer of ballistic products. The agreement's purpose was to settle False Claims Act allegations in connection with the company misrepresenting its size on a DHS small business set-aside contract.

In November 2011, the company certified that it was a "small business concern" with less than 500 employees in order to be eligible for this contract. However, it was, and continues to be, a subsidiary of a foreign and large corporate parent company with well over 500 employees. As a result of the misrepresentation of its status, the company was able to obtain orders to provide tactical body armor to various federal law enforcement agencies for which it was ineligible. This case has been worked in conjunction with the DHS OIG.

Veteran Agrees to Pay \$275,000 in Civil Claims

A service-disabled veteran agreed to pay \$275,000 to settle civil claims relating to a fraudulent scheme involving SDVOSB set-aside contracts. He is a service-disabled veteran who owned a company on paper but did not in fact operate or have control of it. This matter is being jointly investigated with the VA OIG and Department of the Interior OIG.

Virginia Man Pleads Guilty to Conspiracy in 8(a) Fraud Scheme

A Virginia man pled guilty in federal court to conspiracy to defraud the United States. He had assisted in fraudulently securing set-aside contracts for two 8(a) companies. The man began working for the first company around 2005. When that company's 8(a) status was set to expire in 2010, he and his coconspirators set up a new company, which on paper was run by his brother-in-law. In fact, he and others associated with the first company managed the new contracting business.

As part of the conspiracy, he and others misrepresented whether the two firms were eligible for government contracts under the 8(a) program. Although neither company was eligible to participate in the program, he and his coconspirators made numerous false statements and certifications to the contrary. During part of the conspiracy, he was a member of the Virginia General Assembly. In one instance, he used his House of Delegates letterhead to send a letter to SBA supporting the new firm's application to participate in the 8(a) program, knowing that it contained false statements about who operated the company. As a result of the fraud, the two companies were awarded over \$80 million in government contracts for which they were not eligible, and he received over \$1 million in income from the companies. This case is a joint investigation with the DCIS, U.S. General Services Administration OIG, NCIS, HSI, and FBI.

SBA's HUBZone Certification Process

We conducted an audit of SBA's Historically Underutilized Business Zone (HUBZone) certification process to determine whether (1) SBA's oversight ensured that only eligible firms were certified into the HUBZone program and (2) SBA performed certification reviews timely. The purpose of the HUBZone program, administered by SBA's Office of the HUBZone Program (Program Office), is to provide small businesses that located in economically challenged areas access to federal contracting opportunities to stimulate their local economies.

We found that SBA program officials' oversight did not ensure that only eligible firms entered the HUBZone program. Of the 15 firms we reviewed, the Program Office certified 2 firms that did not meet the principal office eligibility requirement and 1 firm with insufficient documentation that it met the HUBZone employee residency requirement. These firms received approximately \$589,000 in HUBZone contract obligations. Ineligible firms undermine the integrity of the HUBZone program and divert HUBZone contract opportunities from eligible firms. Additionally, the Program Office did not perform certification reviews timely, delaying firms' ability to compete for HUBZone contracts and impeding the program's purpose of contributing to economic development of HUBZones.

OIG recommended that SBA update and implement HUBZone guidance based on the current certification process and made four additional recommendations to improve the quality and timeliness of the HUBZone certification process. SBA management's planned actions resolve all the recommendations. (Access Report 19-08 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-08.pdf>.)

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.

Consolidated Findings of OIG Reports on SBA's Grant Programs FYs 2014–2018

We provided consolidated findings of the OIG reports on SBA's grant programs, FYs 2014–2018, to (1) provide SBA management with a summary of systemic issue areas identified in OIG audit and evaluation reports and (2) identify agencywide improvements for grants management.

Over the last 5 years, OIG issued nine audit and evaluation reports reviewing SBA's management of its grant programs and grant recipient compliance with grant requirements. These nine reviews covered \$63.4 million of grants awards to support entrepreneurial development programs that provide training, mentoring, and counseling to small business owners and entrepreneurs, as well as recovery assistance to small businesses in disaster areas. The programs we reviewed included Small Business Development Centers, the SCORE Association, the State Trade and Expansion Program, and Boots to Business.

We identified systemic issues with SBA's financial and performance oversight across its multiple grant programs. While SBA was generally responsive to the recommendations in our reports, its decentralized grants management function inhibits agencywide improvements to its grants management process. As a result, SBA's grant programs are at risk of funds not being used for their intended purpose and of not achieving program goals and objectives.

OIG made four recommendations to enhance SBA's management and oversight of its grant programs. SBA's planned actions resolve the four recommendations. (Access Report 19-02 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-02.pdf>.)

SBA's District Offices' Customer Service

We conducted an audit of SBA's district offices' customer service. We initiated the audit in response to a congressional request about the perceived disparity in the effectiveness of SBA district offices. SBA's district offices promote economic development, growth, and competitiveness within their geographic areas. District offices offer a variety of services to small businesses such as consulting, capital, and counseling programs that help customers start and grow their businesses. SBA has 68 district offices located throughout the United States and its territories. The Office of Field Operations (OFO) oversees district offices to ensure accountability and responsible stewardship of taxpayer dollars. OFO is responsible for the agencywide delivery of SBA's products and services, which include

training, technical assistance, and outreach. The audit objective was to determine whether OFO has a process in place to assess customer service effectiveness at district offices.

We determined SBA did not have an effective process in place to assess customer service. Specifically, SBA had not assessed customer feedback to evaluate the quality of customer service provided by district offices. Quality customer service is essential to SBA's mission to deliver services that aid and protect the interest of small businesses. SBA cannot identify early opportunities to improve customer service or determine whether there are disparities in the Agency's delivery of service if it does not implement a customer feedback process. Since SBA did not evaluate customer feedback, we conducted a survey of 217 SBA customers. Most customers provided positive feedback; however, 32 customers commented that district employees did not always understand their needs and provide them with guidance and support.

In addition, the ACR system, which tracks employees' customer service activities, did not have sufficient controls to preserve the integrity of the district offices' performance data. As a result, SBA cannot rely on the ACR data to measure progress toward meeting its strategic goals, or the effectiveness of its customer service efforts. Also, district directors did not effectively use ACR data to plan and strategize where to focus employees' outreach activities. Consequently, employees may not be focusing their efforts in areas most in need of SBA resources, such as access to lenders and capital.

OIG made four recommendations to enhance the overall management of district offices' customer service. SBA's planned actions should resolve the four recommendations. (Access Report 19-06 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-06.pdf>.)

Independent Auditors' Report on SBA's FY 2018 Financial Statements

We contracted with the independent certified public accounting firm KPMG LLP (KPMG) to audit SBA's consolidated financial statements for FY 2018, ending September 30, 2018. This audit is an annual requirement of the Chief Financial Officers Act of 1990 and was conducted in accordance with generally accepted government auditing standards; OMB Bulletin No. 19-01, Audit Requirements for Federal Financial Statements; and GAO's Financial Audit Manual and Federal Information System Controls Audit Manual. The independent auditors' report presents an unmodified opinion on SBA's consolidated financial statements for FY 2018. Specifically, KPMG reported that

- the financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- there were no material weaknesses in internal control;
- there were no instances in which SBA's financial management systems did not substantially comply with the Federal Financial Management Improvement Act of 1996; and
- there is a significant deficiency related to SBA's information technology security controls, which has been identified in the past.

KPMG made nine recommendations to strengthen controls over SBA's information technology security environment. The Agency agreed to implement the recommendations. (Access Report 19-03 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-03.pdf>.)

Independent Auditors' Report on SBA's FY 2018 Special Purpose Financial Statements

We contracted with the independent certified public accounting firm KPMG to audit SBA's consolidated financial statements for FY 2018, ending September 30, 2018. The independent auditors' report presents an unmodified opinion on SBA's special-purpose financial statements for FY 2018. Specifically, KPMG reported that the statements present SBA's financial position for FY 2018 fairly in all material respects. Also, the results of operations and the changes in net position for the period are in accordance with U.S. generally accepted accounting principles, and the presentation is in conformance with the requirements of the Office of Management and Budget Circular No. A-136, Financial Reporting Requirements, and the U.S. Department of the Treasury's Treasury Financial Manual, Volume 1, Part 2, Chapter 4700 (TFM 2-4700).

This report does not include any recommendations. (Access Report 19-04 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-04.pdf>.)

KPMG Management Letter Communicating Matters Relative to SBA's FY 2018 Financial Statement Audit

We contracted with the independent certified public accounting firm KPMG to audit SBA's consolidated financial statements for FY 2018, ending September 30, 2018. The audit was performed in accordance with generally accepted government auditing standards; OMB Bulletin No. 19-01, Audit Requirements for Federal Financial Statements; the GAO/President's Council on Integrity and Efficiency Financial Audit Manual; and GAO's Federal Information System Controls Audit Manual.

The management letter represents matters that were identified during the audit. Specifically, KPMG reported that SBA did not

- properly configure the password application layer for an information technology resource, and
- comply with the requirements of the Debt Collection Improvement Act of 1996, as amended.

KPMG addressed recommendations to the Chief Information Officer and the Associate Administrator for Capital Access. We provided a draft of KPMG's finding to these officials or their designees, who fully concurred with the findings. The officials or designees agreed or have already acted to address the underlying conditions. (Access Report 19-05 at <https://www.sba.gov/sites/default/files/oig/SBA-OIG-Report-19-05.pdf>.)

SBA District Director Retires After Travel Claims Investigation

An SBA district director retired from federal service based on an OIG investigation. SBA learned that he retired after he received written notification that the Agency intended to suspend him for

submitting travel claims that (1) used the inappropriate mileage rate, (2) were not eligible for reimbursement, and (3) were for an event that he did not attend. Previously, SBA's Office of the Chief Financial Officer realized an administrative recovery of \$955 when he repaid funds based on the investigation. The investigation disclosed that he submitted travel vouchers covering October 2016 through March 2018 and an amended May 2018 travel voucher that (1) included several entries not eligible for reimbursement or (2) claimed privately owned vehicle mileage at an inappropriate rate.

Other Significant OIG Activities

OIG Background Investigations Ensure Integrity

During this reporting period, OIG initiated 50 background investigations and issued 3 security clearances for OIG employees and contractors. Moreover, OIG adjudicated 25 background investigative reports. Finally, OIG processed 2,037 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 eight present responsibility referrals to SBA and had four actions taken based upon referrals to other agencies.

8(a) Business Development Program participant and owner referred for misrepresentations. OIG referred a company and its owner to SBA for consideration after an investigation identified an 8(a) business development participant failed to disclose arrangements with another company that created an affiliation between the program participant and another firm.

SCORE contract employee referred for misuse of SCORE credit card. A contract employee for SCORE allegedly misused a SCORE credit card for personal expenses. A county court in Colorado issued an arrest warrant for this behavior. OIG referred the individual subject to the arrest warrant to SBA for action.

Individual and entities referred for using SBA guaranteed loan proceeds in a marijuana business. An OIG investigation identified an individual who allegedly misrepresented the intended use of SBA guaranteed loan proceeds. Notwithstanding SBA’s prohibition on the use of guaranteed funds for illegal purposes, the borrower appears to have used such funds in support of a marijuana business. OIG referred this individual, and affiliated entities, to SBA for action.

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

On November 8, 2018, OIG delivered a small business procurement integrity seminar to the VA OIG’s Contract Integrity Division. The VA’s contracting activity in small business programs is second only to the Department of Defense. This training equipped auditors with oversight responsibility at an

Agency that obligated more than \$7 billion small business dollars in FY 2017 with the ability to identify, develop and pursue small business violations.

OIG also delivered a session on small business fraud schemes to the Interagency Suspension and Debarment Committee on December 12, 2018. This session informed the oversight body responsible for governmentwide suspension and debarment policy how to identify different schemes when assessing suspension and debarment matters. The training gave attendees an appreciation of the ways in which fraud, waste, and abuse of small business contracting programs may occur.

Finally, SBA OIG trained the Corporation for National and Community Service OIG personnel on suspension and debarment matters on February 21, 2019. The training equipped another member of the federal oversight community with actionable information on the use of governmentwide exclusions. These exclusions ensure that parties demonstrating a lack of present responsibility do not harm federal programs and procurement interests.

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 55 proposed revisions of these program directives and submitted comments designed to improve 10 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 342 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. Agencies must request OSC recertification every 3 years.

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	\$39,682,172
Asset Forfeitures Attributed to OIG Investigations	\$2,458,771
Loans/Contracts Not Approved or Canceled as a Result of Investigations	\$0
Investigations Subtotal	\$42,140,943
Dollar Accomplishments as a Result of Audit Activities	
Disallowed Costs Agreed to by Management	\$719,173
Recommendations That Funds Be Put to Better Use Agreed to by Management	\$0
Audit Subtotal	\$719,173
Total OIG Dollar Accomplishments	\$42,860,116

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

Reports Issued	8
Recommendations Issued	30
Dollar Value of Costs Questioned	\$719,173
Dollar Value of Recommendations That Funds Be Put to Better Use	\$0
Recommendations for Which Management Decisions Were Made	31
Recommendations Without a Management Decision	7
Collections as a Result of Questioned Costs	\$195,315

Indictments, Convictions, and Case Actions

Indictments From OIG Cases	22
Convictions From OIG Cases	17
Cases Opened	34
Cases Closed	31

SBA Personnel Actions Taken as a Result of Investigation

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

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

Present Responsibility Referrals to the Agency	8
Pending at the Agency as of March 31, 2019	27*
Suspensions Issued by the Agency	0
Proposed Debarments Issued by the Agency	5
Final Debarments Issued by the Agency	12
Proposed Debarments Declined by the Agency	0
Administrative Agreements Entered by the Agency in Lieu of Debarment	1
Present Responsibility Actions by Other Agencies	4

*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	55
Comments Provided by OIG to Improve Legislation, Regulations, Standard Operating Procedures, and Other Issuances	10

Reports Issued

Top Management Challenges

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
The Most Serious Management and Performance Challenges Facing SBA in FY 2019	19-01	10/11/2018	\$0	\$0
Program Subtotal	1	—	\$0	\$0

Agency Management

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Consolidated Findings of OIG Reports on SBA's Grant Programs FYs 2014-2018	19-02	11/08/2018	\$0	\$0
Independent Auditors' Report on SBA's FY 2018 Financial Statements	19-03	11/14/2018	\$0	\$0
Independent Auditors' Report on SBA's FY 2018 Special Purpose Financial Statements	19-04	11/16/2018	\$0	\$0
KPMG Management Letter Communicating Matters Relative to SBA's FY 2018 Financial Statement Audit	19-05	12/18/2019	\$0	\$0
SBA's District Offices' Customer Service	19-06	12/19/2019	\$0	\$0
Program Subtotal	5	—	\$0	\$0

Credit/Capital Programs

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Audit of SBA's Controls over 7(a) Loans Sold on The Secondary Market	19-07	3/14/2019	\$130,173	\$0
Program Subtotal	1	—	\$130,173	\$0

Contracting/Counseling Programs

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
SBA's HUBZone Certification Process	19-08	3/28/2019	\$589,000	\$0
Program Subtotal	1	—	\$589,000	\$0

Reports With Questioned Costs

	Reports	Recommendations*	Questioned Costs**	Unsupported Costs***
A. No management decision made by September 30, 2018	0	0	\$0	\$0
B. Issued during this reporting period	2	2	\$719,173	\$130,173
Subtotal (Universe from which management decisions could be made in this reporting period)	2	2	\$719,173	\$130,173
Management decisions made during this reporting period	2	2	\$719,173	\$130,173
(i) Disallowed costs	2	2	\$719,173	\$130,173
(ii) Costs not disallowed	0	0	\$0	\$0
D. No management decision made by March 31, 2019	0	0	—	—

* Reports may have more than one recommendation.

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

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

Reports With Recommendations That Funds Be Put to Better Use

	Reports	Recommendations	Recommended Funds For Better Use
A. No management decision made by October 1, 2018	—	—	—
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 March 31, 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 coordinate with the Associate Administrator for the Office of Field Operations to improve the transfer of continuing eligibility review documents for high risk firms from the district offices to the Office of Certification and Eligibility.	We have reached management decision for this recommendation and have received request from SBA for closure. OIG still needs to review this submission to make any determination on closure.	—
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 had a protracted dialogue with program officials and awaits receipt of the proposed management actions for this recommendation. OIG is holding monthly meetings with program officials, whereby we reiterate our request for the management decision.	Per SBA officials, May 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 had a protracted dialogue with program officials and awaits receipt of the proposed management actions for this recommendation. OIG is holding monthly meetings with program officials, whereby we reiterate our request for the management decision.	Per SBA officials, May 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: 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 had a protracted dialogue with program officials and awaits receipt of the proposed management actions for this recommendation. OIG is holding monthly meetings with program officials, whereby we reiterate our request for the management decision.	Per SBA officials, May 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 that include timelines for sending Notices of Intent to Terminate and to Graduate Early firms after eligibility issues are first identified.	OIG had a protracted dialogue with program officials and awaits receipt of the proposed management actions for this recommendation. OIG is holding monthly meetings with program officials, whereby we reiterate our request for the management decision.	Per SBA officials, May 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 had a protracted dialogue with program officials and awaits receipt of the proposed management actions for this recommendation. OIG is holding monthly meetings with program officials, whereby we reiterate our request for the management decision.	Per SBA officials, May 2019.

Reports From Prior Periods With Open Recommendations as of March 31, 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	3	—
16-13	SBA's 8(a) Business Development Program Eligibility	4/7/2016	1	—
17-10	The SCORE Association's Disaster Technical Assistance Grant	3/31/2017	2	—
17-14	Weaknesses Identified During the FY 2016 Federal Information Security Modernization Act Review	6/15/2017	2	—
17-15	Reassessment of Eligibility Requirements for 30 Firms in SBA's 8(a) Business Development Program	7/17/2017	3	—
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	4	\$2,162,190
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	6	—
18-20	Audit of SBA's Boots to Business Program	7/19/2018	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	11	—
18-23	OIG High Risk 7(a) Loan Review Program	9/13/2018	2	\$1,303,403
	Total		44	\$142,016,964

Significant Recommendations From Prior Reporting Periods Without Final Action as of March 31, 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	7/31/2019
15-16	9/25/2015	Implement a process using permissible information to uniquely identify loan agents involved with SBA lending programs for tracking purposes.	7/6/2018	3/30/2019
16-13	4/7/2016	Update policy to require the AA/BD and OCE's director to clearly document their justification for approving or denying applicants into the 8(a) program, particularly when those decisions differed from lower-level recommendations.	4/7/2016	9/30/2019
17-10	3/31/2017	Develop and implement policies and procedures to ensure: <ul style="list-style-type: none"> a. SCORE provides quarterly financial and performance reports as dictated in the NoA. b. Future disaster grants awarded to SCORE are issued separate from SCORE's core award to ensure the grant award is reported on separately by SCORE and monitored separately by SBA. 	4/5/2017	8/30/2018
17-10	3/31/2017	Develop and implement policies and procedures to ensure: <ul style="list-style-type: none"> a. The reallocation of funds between budget cost categories is assessed for the percentage of increases and decreases on a quarterly basis. b. The SCORE volunteer program uses current standards for internal control in the Federal Government as a guide. c. SBA personnel conduct grant closeout procedures for SCORE's disaster grants. d. SCORE submits copies of proposed contracts to SBA for approval before executing the contracts. 	4/5/2017	8/30/2018
17-14	6/15/2017	Establish detailed policies and procedures regarding data exfiltration and implement a robust data exfiltration program across the agency.	6/13/2017	6/1/2018
17-15	7/17/2017	We recommend that the Associate Administrator for the Office of Government Contracting and Business Development: Conduct continuing eligibility reviews for the 10 firms we identified with unresolved eligibility concerns.	7/18/2017	12/15/2018

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
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	9/30/2019
17-19	9/28/2017	Update the microloan reporting system manual to reflect current technology capabilities.	1/4/2018	9/30/2019
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	9/30/2019
18-07	12/11/2017	Require Coastway Community Bank to bring the loan into compliance and, if not possible, seek recovery of \$124,500, plus interest, on the guaranty paid by SBA for the loan.	1/3/2018	3/29/2019
18-07	12/11/2017	Require Home Loan Investment Bank F.S.B. to bring the loan into compliance and, if not possible, seek recovery of \$69,730, plus interest, on the guaranty paid by SBA for the loan	1/3/2018	3/29/2019
18-07	12/11/2017	Require Newtek Small Business Finance Inc. to bring the loan into compliance and, if not possible, seek recovery of \$64,747, plus interest, on the guaranty paid by SBA for the loan.	1/3/2018	3/29/2019
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	8/31/2019
18-18	6/20/2018	Conduct eligibility reviews for the firms we identified in this report that lacked the required documentation in Certify.SBA.gov and require those firms to remove their designation in the System for Award Management.	6/28/2018	9/30/2019
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

Report Number	Date Issued	Recommendation	Date of Management Decision	Final Action Target Date
18-20	7/19/2018	Perform analysis on historical 2-day course schedules and attendance to identify trends of low attendance and adjust the frequency of the scheduled course offerings as necessary to ensure efficient use of resources.	7/19/2018	3/1/2019
18-20	7/19/2018	Develop and implement policies and procedures to ensure that recipients provide complete quarterly performance reports timely, as required in the Notice of Award.	9/30/2018	2/18/2019
18-20	7/19/2018	Require that the Veteran Business Outreach Centers report Boots to Business costs separately from other veteran activities in their budgets and reimbursement requests.	9/30/2018	5/1/2019
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	8/1/2019
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	8/1/2019
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
18-22	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	—

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: 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	9/30/2019
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	—
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	—
18-23	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	9/14/2019
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	9/14/2019

Significant Recommendations From This Reporting Period

Report Number	Title	Date Issued	Recommendation
19-02	Consolidated Findings of OIG Reports on SBA's Grant Programs FYs 2014–2018	11/8/2018	We recommend that the Administrator require that the three grants administration offices collaborate to conduct an evaluation of SBA's decentralized grants management organizational structure to determine if it is effective to ensure consistent and comprehensive oversight of these critical programs to ensure maximum impact.
19-02	Consolidated Findings of OIG Reports on SBA's Grant Programs FYs 2014–2018	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.
19-02	Consolidated Findings of OIG Reports on SBA's Grant Programs FYs 2014–2018	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.
19-02	Consolidated Findings of OIG Reports on SBA's Grant Programs FYs 2014–2018	11/8/2018	We recommend that the Administrator require that the three grants administration offices collaborate to develop and provide training to all grants officers and program personnel responsible for monitoring grant recipient performance to enforce compliance with SBA's established policies and procedures for grants management and best practices for administering grant awards and monitoring performance.
19-03	Independent Auditors' Report on SBA's FY 2018 Financial Statements	11/15/2018	KPMG recommends that the Administrator require the Chief Information Officer to implement a process to formally document and communicate recertification reviews to Office of the Chief Information Officer management.
19-03	Independent Auditors' Report on SBA's FY 2018 Financial Statements	11/15/2018	KPMG recommends that the Administrator require the Chief Information Officer to consider creating an Agencywide working group to provide effective oversight and solutions to address the entitywide conditions cited and implement streamlined, efficient and effective user access "best practices" currently used by the private sector and other federal agencies.
19-03	Independent Auditors' Report on SBA's FY 2018 Financial Statements	11/15/2018	KPMG recommends that the Administrator direct the Chief Information Officer develop and document procedures over the separation process that identifies the roles and responsibilities for each office.
19-03	Independent Auditors' Report on SBA's FY 2018 Financial Statements	11/15/2018	KPMG recommends that the Administrator require the Chief Information Officer to create a process to identify separated contractors from their respective program office/contracting officer, centrally track and monitor for contractor separations, and communicate contractor separations to stakeholders that are required for the timely removal of logical access.

Report Number	Title	Date Issued	Recommendation
19-03	Independent Auditors' Report on SBA's FY 2018 Financial Statements	11/15/2018	KPMG recommends that the Administrator require the Chief Information Officer to implement a more strict policy for account suspension after inactivity to account for SBA employees who may not have been removed via the manual account removal process.
19-03	Independent Auditors' Report on SBA's FY 2018 Financial Statements	11/15/2018	KPMG recommends that the Administrator direct the Chief Information Officer to continue to enhance and strengthen the audit logging and review controls to specify which events were reviewed, who performed the review, and whether issues were identified, escalated, and resolved.
19-03	Independent Auditors' Report on SBA's FY 2018 Financial Statements	11/15/2018	KPMG recommends that the Administrator require the Chief Information Officer to develop procedures that enforce segregation of duties and implement mitigating controls to help ensure that personnel performing security functions, such as system administrators, are restricted from using administrative privileges to modify audit records and configurations on the centralized audit log server.
19-03	Independent Auditors' Report on SBA's FY 2018 Financial Statements	11/15/2018	KPMG recommends that the Administrator require the Associate Administrator for Capital Access to strengthen change management controls in order to maintain sufficient documentation regarding the details of authorized changes and their approvals.
19-03	Independent Auditors' Report on SBA's FY 2018 Financial Statements	11/15/2018	KPMG recommends that the Administrator require the Associate Administrator for Capital Access to implement a compensating control to retain the data of those with 'Approver' and 'Requestor' privileges within the Change Control Board SharePoint tool. This data must be maintained in SharePoint after personnel with those privileges have left the Agency in order to maintain the integrity of the tool.
19-06	SBA's District Offices' Customer Service	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.
19-06	SBA's District Offices' Customer Service	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.
19-06	SBA's District Offices' Customer Service	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.
19-06	SBA's District Offices' Customer Service	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.

Report Number	Title	Date Issued	Recommendation
19-07	Audit of SBA's Controls Over 7(a) Loans Sold on the Secondary Market	3/14/2019	Communicate material loan deficiencies previously identified by OCRM secondary market loan sale reviews to the appropriate SBA loan purchase centers to mitigate the risk of improper guaranty purchases in the event of default.
19-07	Audit of SBA's Controls Over 7(a) Loans Sold on the Secondary Market	3/14/2019	Establish a process to ensure that pertinent review results from future OCRM secondary market loan reviews are communicated to the appropriate SBA loan centers.
19-07	Audit of SBA's Controls Over 7(a) Loans Sold on the Secondary Market	3/14/2019	Establish and implement controls to ensure secondary market annual reports are provided to Congress in a timely manner, as required.
19-07	Audit of SBA's Controls Over 7(a) Loans Sold on the Secondary Market	3/14/2019	Update secondary market guidance to ensure that it aligns with current secondary market requirements.
19-07	Audit of SBA's Controls Over 7(a) Loans Sold on the Secondary Market	3/14/2019	Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$130,173 on the guaranty paid by SBA.
19-08	SBA's HUBZone Certification Process	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.
19-08	SBA's HUBZone Certification Process	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.
19-08	SBA's HUBZone Certification Process	3/28/2019	We recommend that the Administrator requires 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.

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	32
Preliminary Case Closing Reports of Investigation	7
Total	39

Persons Referred for Prosecution

Referred To	Number of Persons
Department of Justice	14
State Attorney	3
Local Attorney	0
Total	17*

*Number includes persons and entities referred for prosecution.

Whistleblower Retaliation Cases

There were no OIG investigations of reprisal against a whistleblower closed during the reporting period.

Investigations Involving a Senior Government Employee Where Misconduct Was Substantiated

There was one OIG investigation involving a senior government employee where misconduct was substantiated during the reporting period.

SBA district director retires after travel claims investigation. An SBA district director retired from federal service based on an OIG investigation. SBA learned that he retired after he received written

notification that the Agency intended to suspend him for submitting travel claims that (1) used the inappropriate mileage rate, (2) were not eligible for reimbursement, and (3) were for an event that he did not attend. Previously, SBA's Office of the Chief Financial Officer realized an administrative recovery of \$955 when he repaid funds based on the investigation. The investigation disclosed that he submitted travel vouchers covering October 2016 through March 2018 and an amended May 2018 travel voucher that (1) included several entries not eligible for reimbursement or (2) claimed privately owned vehicle mileage at an inappropriate rate.

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

There were two OIG investigations involving a senior government employee that were closed and not disclosed to the public during this reporting period.

SBA SES allegedly committed an unethical act by offering a subordinate employee cash from their personal account to resolve a claim for expenses incurred while on official government travel. OIG received a complaint alleging that an SBA member of the Senior Executive Service (SES) refused to approve an actual lodging expense in the amount of \$128 that was incurred by a subordinate while on official travel. It was further alleged that the SES committed an unethical act by offering the subordinate \$100 in cash from their personal account on two occasions stating their intention was to reimburse the employee as a final resolution for the lodging expense. It was further alleged that the SES retaliated against the employee by changing a key work assignment after they refused the \$100 in cash the SES had offered. OIG determined that the employee's travel expense was initially denied by an SBA DAA (deputy associate administrator, GS-15). However, prior to travel, the travel expense was approved by the employee's first line supervisor. Subsequent to the employee's travel, the SES and the DAA continued to deny the employee's request for the travel expense. The SES offered the employee \$100 of their personal money expressing their intention to resolve the issue and mitigate the employee's loss. The investigation revealed that the SES offered the money on two separate occasions; however, the employee refused to take the money and insisted on official procedure to resolve the matter. The investigation revealed that employee knowingly submitted a travel voucher that included the actual expense of \$128 that was previously denied by the SES and DAA and attached a document insufficient to support the expense. The investigation also revealed that the first line supervisor knowingly approved the voucher despite it including the expense that the SES and DAA previously denied. The investigation revealed that the SES changed a work assignment following the interactions with the employee regarding the previous trip. However, the SES told OIG special agents that they personally explained to the employee that they were removed from the trip due to budget constraints under the continuing resolution. The investigation did not disclose any evidence that the SES committed any criminal ethical violations. SBA management reviewed the OIG report and determined that no further action was necessary.

SBA SES allegedly exerted inappropriate influence over the award of an 8(a) sole source contract based on their existing relationship with the company owner resulting in the possible misuse of

federal funds. OIG initiated an investigation based on complaints, both anonymous and named, to multiple entities including the OIG Hotline, congressional representatives, and other stakeholders. The complaints alleged that the SES exerted inappropriate influence over the award of an 8(a) sole source contract based on their existing relationship with the company owner resulting in the possible misuse of federal funds. The investigation confirmed that the SES and the company owner worked together for about 10 months at another agency about 10 years ago. They appeared to have had a professional relationship during that time. They appeared to have had only limited professional contact in the intervening time. A review by OIG agents of the contract file, emails, and interviews of multiple SBA staff members and contractors relevant to the award of the contract did not identify any evidence that the SES had any involvement in the award of this contract or influenced the decision in any way. The contract file was found to be incomplete with respect to its inability to specifically document the source of the Justification for Sole Source designation. The OIG investigation determined that an unsolicited proposal was submitted by the company owner to SBA for consideration. SBA subsequently used the proposal to create the statement of work. The investigation also revealed that a sole source justification was not required for the contract award because the company is an 8(a) participant and the contract was initially awarded under the threshold for competition. Although the ultimate contract value awarded to the company exceeded the threshold, the initial contract award was below that amount and was later exceeded with multiple task orders which were approved by the contracting officer. Based on its findings, OIG closed the matter with no action. The report was referred to SBA management for informational purposes.

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.	One individual was sentenced to 1 month of imprisonment and 2 years of supervised release; and ordered to forfeit \$125,697 and to pay a special assessment fee of \$100. Another individual was sentenced to 20 months of imprisonment and 2 years of supervised release; and ordered to pay a special assessment of \$100.
AZ	BL	IRS/CI	Individual filed for bankruptcy and defaulted on an SBA guaranteed 504 loan. Individual attempted to conceal assets during the bankruptcy proceedings which included proceeds from the SBA loan.	Individual sentenced to 18 months of incarceration, 3 years of probation, and assessed a \$100 fine.
CA	BL		Individual provided false statements to obtain SBA loan and misused loan proceeds for personal benefit.	Individual pled guilty.
CA	DL	USSS, DHS/OIG, DOL/OIG, SSA/OIG, USPIIS	Individual stole identities and fraudulently applied for disaster assistance loans.	Individual pled guilty and ordered to forfeit \$256,904.
CA	GC		Company misrepresented itself as a Service-Disabled Veteran-Owned Small Business (SDVOSB) to obtain set-aside contracts.	Company entered into a civil settlement agreement in the amount of \$5.27 million.
CO	OT		Individual used Service Corps of Retired Executives credit cards for personal use.	Individual arrested.
CO	GC	Army/CID, DCIS	Individuals conspired to defraud government by creating a pass-through company to obtain 8(a) contracts to which the company would not otherwise be entitled.	Company entered into a civil settlement agreement in the amount of \$3,600,000.
CT	DL		Company falsified documents to obtain an SBA loan in the aftermath of Superstorm Sandy.	SBA realized an administrative recovery of \$1,653,257.

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
DC	GC	Army/CID, FBI, IRS/CI, DCIS, DOL/OIG, GSA/OIG, VA/OIG	Company paid more than \$15 million in bribes to public officials to obtain government contracts and awarded kickbacks company executives to steer government subcontracts.	Company pled guilty and ordered to pay a \$1,600 fine and special assessment fee of \$100. Individual sentenced to 36 months of incarceration, 24 months of supervised release; and ordered to pay restitution in the amount of \$610,000 jointly and severally, forfeit \$1,076,169 and pay a special assessment of \$100. Additionally, company and individual ordered to pay restitution in the amount of \$7,226,177.
DC	GC	DOI/OIG, VA/OIG	Company misrepresented itself as a SDVOSB to obtain set-aside contracts.	Company entered into a settlement agreement in the amount of \$275,000.
FL	DL	DHS/OIG	Individuals falsified the location of their primary residence in order to obtain government assistance in the aftermath of Hurricane Matthew.	Individual pled guilty.
FL	DL	FBI	Individual provided false information and submitted fraudulent documentation to obtain government assistance in the aftermath of Hurricane Irma; and misused loan proceeds by paying for business expenses.	Individual sentenced to 60 months of probation and ordered to pay restitution in the amount of \$50,000 and a special assessment fee of \$100.
FL	GC	DHS/OIG	Company misrepresented its size to obtain small business set-aside contracts.	Company entered into a settlement agreement in the amount of \$900,000
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.	One individual charged by criminal information and pled guilty. Another individual was sentenced to 60 months of incarceration, 3 years of supervised release, and ordered to pay a fine of \$200,000. Another individual was sentenced to 28 days of incarceration, 5 years of probation, and ordered to pay a fine of \$10,000. Company ordered to pay restitution in the amount of \$2,250,000.

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
GA	GC	Army/CID, NCIS, DCIS	Individuals engaged in a scheme to use a small business to improperly bid on and receive set-aside contracts for which it was not eligible.	Individual sentenced to 3 years of probation and 20 hours of community service; and ordered to pay a \$100 special assessment fee.
GA	GC	Army/CID, DCIS	Individuals and company conspired to make false claims and statements to obtain contracts for which the company would not otherwise be entitled.	Two individuals entered into settlement agreements in the amount of \$75,000 and \$65,000. Company entered into a settlement agreement in the amount of \$7,800,000.
IN	BL	FDIC/OIG	Individuals misused loan proceeds that were designated for working capital purposes to pay off preexisting debt. Individuals also failed to disclose the preexisting debt to SBA during the loan approval process.	Five individuals arrested and indicted.
KS	GC	DCIS, GSA/OIG, Army/CID	Individual fraudulently claimed SDVOSB status to obtain a federal government contract to which the company would not otherwise be entitled.	Individual indicted.
LA	DL	DHS/OIG	Individual falsified the location of their primary residence in order to obtain government assistance in the aftermath of a major disaster.	Individual pled guilty.
LA	DL	DHS/OIG	Individual used a stolen identity to obtain a disaster loan.	Individual sentenced to 1 month in prison, 7 months of incarceration/monitoring, and 24 months of supervised release; and ordered to pay restitution in the amount of \$20,900.
MA	BL	USSS, USPIS	Individual provided false information using fictitious businesses and identities to obtain credit cards and loans.	Individual pled guilty.
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 in order to obtain government contracts.	Individual indicted.

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
NJ	DL	HHS/OIG, DHS/OIG, HUD/OIG, NJ DCA, NJ DCJ	Individuals falsified the location of their primary residence in order to obtain government assistance in the aftermath of Superstorm Sandy.	Two individuals found guilty. One individual was sentenced to 5 years in state prison, and the other individual was sentenced to 3 years of probation and 50 hours of community service. Both individuals were jointly ordered to pay restitution in the amount of \$170,377 and to each pay \$155 in fees and assessments.
NJ	DL	HHS/OIG, DHS/OIG, HUD/OIG, NJ DCA	Individual falsified the location of their primary residence in order to obtain government assistance in the aftermath of Superstorm Sandy.	Individual entered pretrial intervention and was sentenced to 12 months of probation and ordered to pay restitution in the amount of \$32, 591.
NJ	DL	HHS/OIG, DHS/OIG, HUD/OIG, NJ DCA	Individual falsified the location of their primary residence in order 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 in order to obtain government assistance in the aftermath of Superstorm Sandy.	Individual pled guilty.
NH	BL	FBI, VA/OIG	Individual made false statements on loan application and subsequently misused loan proceeds for personal expenses.	Individual indicted.
PA	GC	DCIS, DOJ/OIG	Company didn't operate within the recorded Historically Underutilized Business Zone.	Company entered into a settlement agreement in the amount of \$400,000.
OK	BL	Treasury/OIG	Individual provided false statements to obtain an SBA loan.	Individual charged by criminal information and pled guilty.
OH	GC		Individuals conspired to obtain SDVOSB set-aside contracts to which the companies would not otherwise be entitled.	Four individuals indicted and two individuals charged by criminal information.
TX	DL		Individual submitted false invoices and altered checks to induce payments for disaster loan proceeds.	Individual pled guilty.
TX	BL	DHS/OIG	Individuals made false statements to the lender in order to obtain an SBA loan. One of the individuals also misrepresented the source of funds for the equity injection payment.	Individual sentenced to 3 years of probation and ordered to pay restitution in the amount of \$168,000 and a special assessment fee of \$100.

State	Program	Jointly With	Alleged Violation(s) Prosecuted	Legal Action
TX	BL	FBI, USDA/OIG	Individual submitted false information to obtain an SBA loan.	Individual sentenced to 24 months of incarceration followed by 36 months of supervised release; ordered to pay joint restitution in the amount of \$3,740,165 and a special assessment fee of \$100; and ordered to forfeit \$1,000,000.
TX	DL	USPIS, DHS/OIG	Individual provided false information in order to obtain government assistance in the aftermath of Hurricane Irma.	Individual was sentenced to 27 months of imprisonment.
VA	GC	FBI, NCIS, DCIS, GSA/OIG	Individuals falsely represented the eligibility of a company in order to receive set-aside 8(a) contracts to which the company would not otherwise be entitled.	Individual indicted and pled guilty.
VA	BL		Individual falsely obtained an SBA-guaranteed loan and used loan proceeds for personal expenses. Individual also created false identification and fraudulently notarized documents by using another person's identity without consent to secure the loan.	Individual pled guilty and was sentenced to 66 months of incarceration followed by 3 years of supervised release; and ordered to pay restitution in the amount of \$328,651 and a special assessment fee of \$200.
VI	DL		Individual misused disaster loan proceeds.	Individual was arrested.
VI	GC	DOI/OIG	Company falsified certifications that they met payment obligations to their subcontractors on all applications for payment and release of funds. However, the subcontractors were never paid. Company also failed to perform 51% of the construction work on-site with its own employees as specified in the contracts.	Individual pled guilty and sentenced to 22 months of incarceration followed by 3 years of supervised release; and ordered to pay restitution in the amount of \$135,607 to a company, and \$2,505 to an individual, and a \$100 special assessment fee.
WA	BL		Individuals provided false statements in order to obtain an SBA loan. Individuals used loan proceeds to start a retail cannabis shop, but loan application documents showed that loan proceeds would be used to purchase a building and start a restaurant.	Three individuals charged by criminal information.

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
Marketing the SBA Product	West Virginia DO - Capital Growth Solutions and CDC Capital Markets	World Wide Web	March 22, 2019
Underwriting and Cash Flow Analysis	West Virginia DO - Strategic Banking Partners, Inc., Capital Growth Solution, Radar Lender Services	World Wide Web	March 22, 2019
Building a Sustainable SBA Department	West Virginia DO - Capital Growth Solutions, SBA Advisors	World Wide Web	March 22, 2019
Small Business Week 2019	St. Louis DO - Small Business Week of Eastern Missouri, Inc.	St. Louis, MO	March 21, 2019
New York District Office Annual Lender Awards 2019	New York DO - New York Business Development Corporation	Jamaica, NY	March 19, 2019
New Hampshire Small Business Week Awards Program	New Hampshire DO - New Hampshire Bankers Association	Bedford, NH	March 18, 2019
2019 Kansas Procurement Conference	Wichita DO - Wichita State University, Strategic Initiatives, Kansas Small Business Development Center, Kansas Procurement Technical Assistance Center, City of Wichita Purchasing Office, Wichita Regional Chamber of Commerce, Sedgwick County Purchasing Division, SCORE Wichita Chapter 0143, Cox Communications, Inc., Chisholm Trail State Bank, Textron Aviation, Wichita Public Schools (USD 259) Operations Division, Kansas Department of Commerce, Office of Minority and Women Business Development, St. Louis Veterans Business Resource Center	Wichita, KS	March 13, 2019
Small Business Conference	San Francisco DO - San Francisco Chamber of Commerce	San Francisco, CA	March 7, 2019
Vermont 2019 Emerging Leaders Program	Vermont DO - Vermont Technical College, Vermont Small Business Development Center, Vermont Agency of Commerce and Community Development, Vermont Economic Development Authority, Vermont Chamber of Commerce, Vermont Manufacturing Extension Center, Vermont Business Magazine, Davis and Hodgdon Associates, CPAs, LLC, TD Bank, NA, KeyBank, NA, Community National Bank, Vermont Businesses for Social Responsibility	Willston, VT	March 7, 2019
Government Procurement Training Series, FY2019	North Dakota DO - North Dakota Small Business Development Center; University of North Dakota	World Wide Web North Dakota	March 1, 2019
Boots to Business Reboot workshops	West Virginia DO - WV Small Business Development Center, Military Order of the Purple Heart WV Chapter, WV Department of Agriculture, Old Dominion University Veterans Business Outreach Center	Martinsburg, WV	February 28, 2019
HUBZone Road Tours	West Virginia DO - Robert C. Byrd Institute for Advanced Flexible Manufacturing	West Virginia	February 28, 2019

Name/Subject of Event	Name of Cosponsor(s)	Event Location	Date Fully Executed
2019 West Virginia Small Business Week Awards Luncheon	West Virginia DO - Community Trust Bank, First Microloan of West Virginia, Huntington Bank, Impakt Media, Mountain State Capital, MVB Bank, Premier Bank, West Virginia Small Business Development Center, WVU Women's Business Center	Fairmont, WV	February 28, 2019
Advanced Business Valuation Webinar	West Virginia DO - Reliant Business Valuation, Business Valuation Group, LLC	World Wide Web	February 28, 2019
Oregon Small Business Week Award Event 2019	Portland DO - Banner Bank, Beneficial State Bank, Columbia State Bank, Key Bank, SCORE Portland Chapter 11, U.S. Bank, Wells Fargo	Portland, OR	February 27, 2019
Small Business Excellence Awards Recognition	Syracuse DO - New York Business Development Corporation	Syracuse, Albany, NY	February 25, 2019
New Hampshire 2019 Emerging Leaders Program	New Hampshire DO - TD Bank, Enterprise Bank, Franklin Savings Bank	Tilton, NH	February 25, 2019
Woostapreneurs Forum – New Americans Business Expo	Massachusetts DO - Worcester Area Chamber of Commerce	Worcester, MA	February 25, 2019
Federal Matchmaker & Training Event	Maine DO - Maine Procurement Technical Assistance Center, New Hampshire Technical Assistance Center	Portland, ME	February 1, 2019
Legal Workshop Series	San Francisco DO - Start Small Think Big	San Francisco, CA	December 12, 2018
Strategic Connection Matchmaking & Mini-Expo	Nevada DO - Women's Business Enterprise Council West	Las Vegas, NV	November 30, 2018
Rural Small Business Lending Forum	Pittsburgh DO - Western Pennsylvania Association of SBA Lenders	Houston, PA	November 28, 2018
Putting Together an SME Ecosystem Conference	HQ Office of International Trade - International Council for Small Business	Washington, DC	November 5, 2018
North Carolina Veteran Small Business Forum	North Carolina DO - North Carolina Veteran's Business Association, Veterans Business Outreach Center, North Carolina Department of Military & Veterans Affairs	Raleigh, NC	November 2, 2018
Oregon Banker's Association Outreach Series	Portland DO - Oregon Bankers Association	World Wide Web	October 26, 2018
New Hampshire Small Business Matchmaker	New Hampshire DO - New Hampshire Small Business Development Center New Hampshire Small Business Development Center University of New Hampshire Peter T. Paul College of Business and Economics, New Hampshire Procurement Technical Assistance Center	Manchester, NH	October 25, 2018
Government Contracting e-chats, webinars, hands-on workshops	Pittsburgh DO - JARI Procurement Technical Assistance Center, North Central Procurement Technical Assistance Center, North Central PA Regional Planning and Development Commission	World Wide Web	October 25, 2018
New Year, New Business Workshop Series	Nebraska DO - Omaha Public Library	Omaha, NE	October 17, 2018
The Generator Business Workshop Series	Arkansas DO - The Generator dba Go Forward Pine Bluff	Pine Bluff, AR	October 10, 2018

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 March 31, 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 March 31, 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.