

# U.S. Small Business Administration Office of Inspector General

FY 2020 Budget Submission



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## Overview

The U.S. Small Business Administration (SBA) Office of Inspector General (OIG) provides auditing, investigative, and other services to support and assist SBA in achieving its mission. As a result of its oversight efforts, OIG provides dozens of recommendations each year to SBA leadership aimed at improving the integrity, accountability, and performance of SBA and its programs for the benefit of the American people. In doing so, OIG provides taxpayers with a significant return on investment as it roots out fraud, waste, and abuse in SBA programs. During fiscal year (FY) 2017, OIG achieved more than \$82 million in monetary recoveries and savings, and in FY 2018, OIG achieved more than \$224,472,559 million in monetary recoveries and savings—an elevenfold return on investment to the taxpayers.

The mission of 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 FYs 2014–2018 had three overarching goals:

- growing businesses and creating jobs,
- serving as the voice for small businesses, and
- 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.

SBA's programs are essential to strengthening America's economy; however, the Agency faces a number of challenges in carrying out its mission. Challenges include fraudulent schemes affecting all SBA programs, significant losses from defaulted loans, procurement flaws that allow large firms to obtain small business awards, excessive improper payments, and outdated legacy information systems. OIG plays a critical role in addressing these and other challenges by conducting audits to identify wasteful expenditures and program mismanagement; investigating fraud and other wrongdoing; and taking other actions to deter and detect fraud, waste, abuse, and inefficiencies in SBA programs and operations.

Since 1997, SBA's appropriations have mandated a funding transfer ranging \$1.0 million to \$1.5 million from SBA's Indirect Disaster Assistance Program Account to OIG to pay for salary and expense costs of permanent OIG staff dedicated to oversight of the Disaster Assistance Program. This transfer has been fully supported these past 20 years in the President's budget. OIG oversight of the Disaster Assistance Program has been instrumental in making recommendations to improve the deficiencies in SBA's ability to provide low-cost loans to victims of disasters. By all accounts, OIG's recommendations have been, and continue to be, a pivotal factor in transforming the Disaster Assistance Program, from a challenged delivery of assistance to Hurricane Katrina victims to a much more efficient delivery of such assistance to



victims of Hurricanes Sandy, Harvey, Irma, and Maria. As such, OIG is seeking to maintain its FY 2019 base operating budget of \$21.9 million and a \$1.6 million transfer from the SBA's Indirect Disaster Assistance Program account for oversight of SBA's Disaster Assistance Program.

The request to transfer \$1.6 million from SBA's Indirect Disaster Assistance Program account represents a necessary \$600,000 increase from the FY 2019 budget. This increase will allow OIG to cover actual costs for salary and expenses to oversee the burgeoning disaster loan portfolio. At the close of FY 2016, SBA had a disaster loan portfolio balance of approximately \$6.0 billion. As of June 30, 2018, the disaster loan portfolio has a balance of approximately \$8.5 billion, with more than \$1.0 billion pending disbursement relative to SBA disaster assistance to Hurricanes Harvey, Irma, and Maria.

The funding requested for FY 2020 will allow OIG to continue to address critical areas and issues, in support of the President's Management Agenda for SBA. Planned key functions and demonstrated impact of OIG activities are summarized below.

- Work an active caseload of approximately 240 criminal and civil fraud investigations of potential loan and contracting fraud and other wrongdoing. Many of these investigations involve complex, multimillion-dollar fraudulent financial schemes perpetrated by multiple suspects. During FY 2017, OIG investigations resulted in 35 indictments/informations, 25 convictions, and more than \$79.96 million in potential recoveries, fines, asset forfeitures, civil fraud settlements, or loans/contracts not being approved or being canceled. During FY 2018, OIG investigations resulted in 62 indictments/informations, 43 convictions, and more than \$79.03 million in potential recoveries, fines, asset forfeitures, civil fraud settlements, or loans/contracts not being approved or being canceled.
- Conduct risk-based audits and reviews of SBA activities with a focus on systemic, programmatic, and operational vulnerabilities. During FY 2017, OIG issued 19 reports with 72 recommendations for improving the Agency's operations, identifying improper payments, and strengthening controls to reduce fraud and unnecessary losses in SBA programs. For FY 2017, the Audits Division achieved \$2.13 million in dollar accomplishments relative to recommendations that costs were disallowed and agreed to by management or that funds be put to better use and agreed to by management. During FY 2018, OIG issued 26 reports with 111 recommendations for improving the Agency's operations, identifying improper payments, and strengthening controls to reduce fraud and unnecessary losses in SBA programs. For FY 2018, the Audits Division achieved \$145.44 million in dollar accomplishments relative to recommendations that costs were disallowed and agreed to by management or that funds be put to better use and agreed to by management.
  - OIG's Audits Division will staff three groups to oversee SBA's principal, high-risk programs—Business Development and Contracting Programs, Credit Programs, and



Financial Management and Information Technology – and will staff one team to focus on efficiency and effectiveness of SBA management challenges and internal operations.

- Of note, the Audits Division Credit Programs Group is comprised of four auditing teams, two of which are responsible for the oversight of SBA’s Disaster Assistance Program. These teams consist of 11 full-time auditors and analysts, supported by one administrative support professional. Our request to mandate the transfer \$1.6 million from SBA’s Indirect Disaster Assistance Program Account to OIG will pay for salary and expense costs of these permanent OIG staff dedicated to oversight of the Disaster Assistance Program. This transfer has been fully supported these past 20 years in the President’s budget.
- OIG contracts with an independent public accountant to ensure SBA’s financial statements are prepared in accordance with generally accepted government auditing standards and to monitor the Agency’s compliance with the Federal Information Security Management Act, Federal Information Technology Acquisition Reform Act, and the Digital Accountability and Transparency Act of 2014 (DATA Act).
- OIG’s Audits Division will staff a data analytics team to provide in-house expertise to keep OIG on the leading edge of SBA innovations and allow OIG to more proactively root out fraud, waste, abuse, inefficiencies, and misconduct. The data analytics function also will work with OIG audit teams and investigators to help improve the organization’s overall efficiency and effectiveness. It will promote the production of higher quality audit and investigative evidence and better correlating audit and investigative approaches to risks and assertions. At present, OIG uses high-level analytic tools to assess loan and contract data but believes an opportunity exists to improve effectiveness through the creation of more complex financial and nonfinancial data modeling tools and evaluations.
- Provide oversight and monitoring of SBA’s IT security and application development activities, including new systems under development and the Agency’s compliance with the Federal Information Security Modernization Act (FISMA). OIG has identified systemic problems with SBA’s IT systems, and this remains one of the most serious management challenges facing the Agency.
- Conduct mandated reviews to maintain integrity of SBA programs and to meet information needs of stakeholders. OIG conducts an annual review to determine whether SBA complied with Improper Payments Elimination and Recovery Act of 2010 using guidelines outlined in the Office of Management and Budget Memorandum M-15-02, Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments, and to assess SBA’s progress in remediating improper payment-related recommendations. Additionally, OIG performs a review semiannually to determine the adequacy of SBA



controls over the solicitation, acceptance, holding, and utilization of cash contributions and gifts.

- Maintain a robust OIG Hotline to receive and process allegations of fraud, waste, abuse, or serious mismanagement in SBA or its programs from employees, contractors, and the public. During FY 2017, the OIG Hotline received 848 complaints, which hotline staff reviewed and analyzed to determine the appropriate course of action. During FY 2018, the OIG Hotline received 1,758 complaints, which hotline staff reviewed and analyzed to determine the appropriate course of action.
- Educate SBA employees, through a designated Whistleblower Coordinator, about prohibitions on retaliation for whistleblowing, as well as employees' rights and remedies if anyone retaliates against them for making a protected disclosure.
- Review proposed revisions to SBA regulations, policies, procedures, and other directives with an emphasis on strengthening internal controls to preclude potential fraud and wasteful, confusing, or poorly planned initiatives. During FY 2017, OIG provided recommendations to improve 36 of the 101 proposed revisions it reviewed. During FY 2018, OIG provided recommendations to improve 43 of the 114 proposed revisions it reviewed.
- Make present responsibility referrals that may result in debarments, suspensions, and other administrative enforcement actions to foster integrity in SBA programs. During FY 2017, OIG sent 106 present responsibility referrals to SBA and was involved with 5 actions other agencies pursued. During FY 2018, OIG sent 84 present responsibility referrals to SBA and was involved with 47 actions other agencies pursued.
- Serve as an educational resource, ensuring that oversight and lending officials develop or maintain technical proficiency in small business issues, suspension and debarment, the Program Fraud Civil Remedies Act, and other topics related to deterring and detecting fraud in government lending and contracting programs. During FY 2017, OIG delivered 220 training and outreach sessions for approximately 3,556 attendees. During FY 2018, OIG delivered 184 training and outreach sessions for approximately 1,933 attendees.
- Provide training designed to equip the federal oversight community with the knowledge and skills necessary to pursue small business contracting fraud cases. During FY 2018, OIG cohosted the 2018 Small Business Procurement Integrity Seminar with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Training Institute. This seminar consolidated key program information with practical lessons learned for handling small business contracting fraud in a full day interactive training format. OIG also presents a short version of this training program in the CIGIE Training Institute, the Inspector General Criminal Investigator Academy's Contract and Grant Fraud Training Program, which CIGIE typically delivers three times each year in locations around the country.



- Pay for required OIG employee and contractor background investigations to achieve a high level of integrity in OIG's workforce.
- Adjudicate OIG employees and contractors for issuance of personal identity verification cards pursuant to Homeland Security Presidential Directive 12 background investigations requirements.





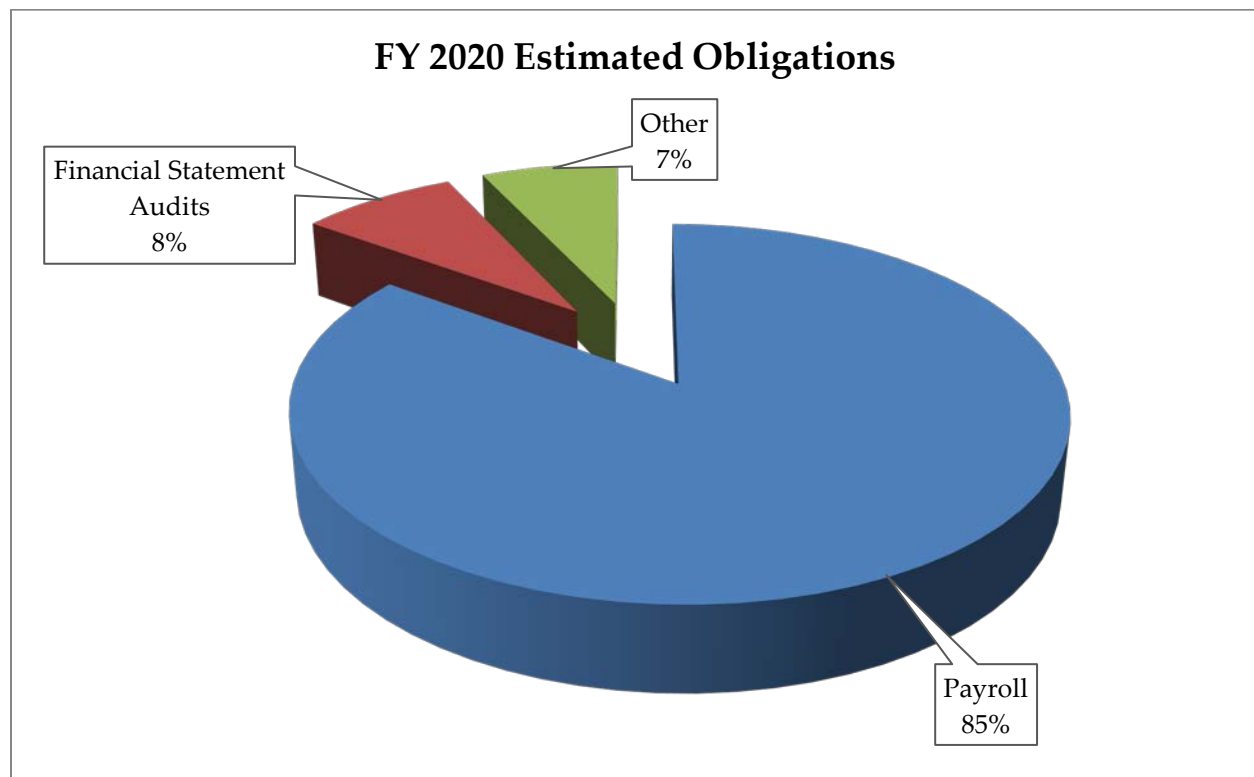
## Budget Request

To address the challenges and risks discussed above and in the Critical Risks section below, OIG requests an appropriation of \$23.5 million for FY 2020.

**Table 1: FY 2020 Budget Request**

Dollars in Millions	FY 2018 Actual	FY 2019 Enacted	FY 2020 Request	FY 2020 Incr/Decr
New Budget Authority	\$19.9	\$21.9	\$21.9	\$0.0
Transfer from Disaster Loan Program	0.0	1.0	1.6	0.6
Total	\$19.9	\$22.9	\$23.5	\$0.6

The majority of the funds requested for FY 2020 will be used for salary and benefits for 118 full time equivalent positions, as well as the cost of the annual audit of SBA's financial statements by an independent public accountant.



## Critical Risks Facing SBA

Within available resources, OIG must focus on the most significant risks to SBA and the taxpayer. The Top Management Challenges are shown in Table 2. Many of these risks are addressed in OIG's Report on the Most Serious Management and Performance Challenges Facing SBA, which OIG issues annually in accordance with the Reports Consolidation Act of



2000. (Access report at <https://www.sba.gov/oig/category/oig-navigation-structure/reading-room/top-management-challenges>.)

OIG identified the most serious management and performance challenges facing SBA in FY 2019. 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 U.S. 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 sufficient progress occurs during the previous fiscal year, OIG assigns a higher color score with an arrow to indicate upward movement. Table 2 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-19-01.pdf>.)

**Table 2: 2019 Management Challenges**

Challenge #	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	Grants Management Oversight (New)	4	0	0	0	4	0
	Total	6	16	1	0	10	1

† For Management Challenge number 4 recommendation 2, 7(a) was rated green, while 504 was rated yellow. For simplicity, it is reflected as green in the 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 \$142 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 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 the majority of loans being made by lenders to whom SBA has delegated loan-making authority. Additionally, SBA has centralized many loan approval and servicing functions and reduced the number of staff performing these functions, placing more responsibility on—and giving greater independence to—its lenders. Past OIG reviews have reported on these trends, and OIG continues to identify weaknesses in SBA's lender and loan agent oversight processes.

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

## **Disaster Assistance Program**

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

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

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



## 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 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.

Even with effective controls, some businesses misrepresent their eligibility for the HUBZone, WOSB, SDVOSB, and 8(a) programs 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.

The 8(a) Business Development Program continues to be susceptible to major vulnerabilities. These include limited program oversight; inequitable distribution of contracting opportunities among participants; a lack of measurable, consistent, and mandatory criteria pertaining to economic disadvantage; a lack of implemented criteria defining business success for purposes of program graduation; failure to study the long-term effects of the program on former participants; and misrepresentation by companies as small, minority-owned, or disadvantaged businesses to gain an unfair advantage in the federal marketplace.

## Entrepreneurial Development

SBA provides training, mentoring, and counseling services to small businesses through a variety of strategic partnerships. The Office of Entrepreneurial Development (OED) oversees a network of programs and services that support the training and counseling needs of small business. OED manages and leverages three major resources: small business development centers (SBDCs), the SCORE Association (SCORE), and Women's Business Centers. Additionally, The Office of Veteran Business Development partners with Veteran's Business Outreach Centers (VBOCs) to administer veteran technical assistance and training programs, mainly the Boots to Business program. Although each resource program's goals and target audiences may vary, they share a common mission: to provide business advice, mentoring, and



training to small businesses and entrepreneurs. Primarily, SBA administers these programs through grants and cooperative agreements.

OIG has identified weaknesses in SBA's oversight of recipient use of federal funds and performance outcomes. Notably, the SBDC program is the largest grant program in the Agency's portfolio. OIG has identified problems with comingling SBDC grant funds with private-enterprise contributions and accounting for required matching funds. Some SBDCs are also collocated with Women's Business Centers, which makes it difficult to determine what services are associated with each grant program. In addition, having two grant programs delivering similar services increases the risk of duplicating services and contributes to government waste. Further, under the Disaster Relief Appropriations Act of 2013, SBA awarded additional grants to these resource partners. OIG found that SBA did not enhance its internal controls to ensure that program goals were achieved and expenditures were allowable. As a result, SBA developed guidance to mitigate these risks in the event of future, similar grants for disaster assistance.

SBA also provides grants to states through its State Trade Expansion Program, previously piloted as the State Trade and Export Promotion grant program, as part of its strategic objective to help small business exporters succeed in global markets. At Congress' request, OIG reviewed both the pilot program and its replacement. OIG found that SBA's oversight of the program did not ensure that it achieved intended results. Further, SBA relied on unverified performance data and did not ensure that the grant recipients performed the activities as planned, leaving federal funds unexpended at the end of the grant.

## **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.

SBA's IT systems play a vital role in managing the Agency's operations and programs, including a \$142 billion loan portfolio. However, OIG audits and other reviews have identified serious shortcomings in SBA's information systems and related security controls. OIG reviews have found that SBA has not fully implemented adequate oversight of its IT systems, has not established an effective process to remediate security vulnerabilities, and has not developed an effective process to upgrade IT capabilities. OIG has issued management challenges recommending corrective actions in SBA's IT security and acquisition processes.



## OIG Oversight Activities

Through audits and other reviews, OIG provides independent oversight of critical aspects of SBA's programs and operations to improve the Agency's efficiency and effectiveness. An important aspect of this work is identifying and following up on SBA's major management and performance challenges, as required by the Reports Consolidation Act. OIG also supports SBA's mission by detecting, investigating, and deterring fraud and other wrongdoing in the Agency's programs and operations. The OIG Hotline operations are poised to receive complaints of fraud, waste, and abuse from the public, Agency employees, and stakeholders. OIG serves as a governmentwide training resource for small business fraud and enforcement issues. These activities help to ensure that SBA employees, loan applicants, and program participants possess a high level of integrity. This is critical to the proper administration of SBA programs because it helps ensure that the Agency's resources are used only by those who deserve and need them the most.

### FYs 2019 and 2020 Planned Performance

During FYs 2019 and 2020, in addition to conducting audits and reviews that are required by statutes and other directives, OIG will continue to focus on the most critical risks facing SBA. Several areas of emphasis are discussed below.

#### Small Business Access to Capital

SBA paid guaranty claims totaling \$1.0 billion in FY 2017 and \$.9 billion in FY 2018 for defaulted 7(a) loans and 504 debentures. Some of SBA's losses correlate to similar root causes reported in the mortgage industry, such as limited SBA oversight of lenders and loan agents, poor lender loan processing, unscrupulous borrowers, and complicit brokers and lenders.

OIG will continue to address financial losses in SBA's lending due to lender errors and various fraud schemes. OIG's Early Defaulted Loan Review Group will continue to perform in-depth analyses of high risk 7(a) loans that default within approximately 18 months of final disbursement. When lender negligence is found, this group will recommend nonpayment of the guaranty (or recovery if the guaranty is already paid). OIG also will target the most offending lenders to attain corrective actions and identify trends for operational improvement by SBA. When OIG identifies suspected fraud, those loans will be investigated.

OIG will continue to focus on detecting fraud committed by loan agents, such as packagers, brokers, and lender service providers. A loan agent is sometimes hired by an applicant or lender to assist the applicant in obtaining an SBA loan or to perform some lender functions. Although honest loan agents help small businesses gain access to capital, some dishonest ones have perpetrated fraudulent schemes involving tens of millions of dollars in loans. These fraudulent loans often default for nonpayment, and SBA is forced to use taxpayer funds to purchase the guaranteed portions of the loans.



OIG also will continue to conduct audits of SBA's internal loan program operations and oversight, including audits of SBA's loan origination, servicing, and liquidation processes, loans sold on the secondary market, SBA's oversight of high-risk lenders, as well as audits of SBA's oversight of loan agents and loan officers. Past work has shown that loans were not always properly originated and that effective controls and procedures were not in place to prevent improper payments.

SBA has implemented an all-electronic application and processing system in the 7(a) loan program.

### **Disaster Assistance Program**

OIG audits of SBA's Disaster Loan Program will continue to focus on applicant eligibility, loan origination, disbursements, repayment ability, loan servicing, liquidation activities related to disaster loans, and SBA's initial response to major disasters. Our focus in recent years has been on providing oversight to SBA's disaster assistance to Hurricane Sandy victims. As SBA responded to Hurricane Sandy, our oversight plans took shape, and our work began to root out fraud, waste, and abuse. Aided by vital, supplemental funding, our Audits Division initially focused its reviews on timeliness, eligibility, technical assistance grants, and early defaults. OIG issued 10 reports pertaining to our oversight efforts of SBA's Hurricane Sandy disaster assistance, including a review pertaining to loans made pursuant to the RISE After Disaster Act of 2015.

In addition to reviews of Hurricane Sandy loans, OIG has performed audits to assess SBA's response associated with more recent disasters. During 2017, three additional devastating hurricanes occurred. In August, Hurricane Harvey struck Texas. While the storm's full cost remains to be seen, the state's governor estimated losses at \$180 billion. Two weeks later, Hurricane Irma caused significant damage to the U.S. Virgin Islands, Puerto Rico, Florida, Georgia, and South Carolina. Two weeks after that, Hurricane Maria struck the U.S. Virgin Islands and Puerto Rico. The National Oceanic and Atmospheric Administration estimates damages for the three hurricanes at \$265 billion. They rank among the top five costliest U.S. hurricanes on record. In 2018, OIG issued three inspection reports assessing SBA's initial response to Hurricanes Harvey, Irma, and Maria.

We will continue to evaluate potential risks in the program, such as timely program delivery, loan affordability, training of reserve workforce, loss verification, and credit elsewhere. Our Disaster Loan Program audits will assess whether SBA processed homeowner and business loans in accordance with the Agency's procedures and established goals, ensured applicant eligibility, verified uses of loan proceeds before loans were fully disbursed, and appropriately identified duplicate benefits.

For investigations, OIG will focus efforts on areas of known risk, such as unauthorized use of loan proceeds, overstatement of financial losses, material false statements in the application



process, false or counterfeit supporting documentation, and false assertions regarding primary residency in affected areas at the times of the disasters. As of September 30, 2018, OIG had 40 open cases involving disaster loans with potential dollar losses of nearly \$14.2 million. From FY 2006 through September 30, 2018, SBA OIG, in conjunction with other law enforcement agencies, produced 140 arrests, 158 indictments/informations, and 150 convictions related to wrongdoing in SBA's Disaster Loan Program. As of September 30, 2018, these investigations have resulted in nearly \$22.8 million in court-ordered restitution and related recoveries. In addition, \$4.9 million in loans was denied to potentially fraudulent borrowers through FY 2017.

Specific to Hurricane Sandy, in response to the potential for fraud, OIG joined other law enforcement organizations in support of the New Jersey Attorney General's Office Sandy Fraud Task Force. From FY 2014 through September 30, 2018, OIG, in conjunction with other law enforcement agencies, produced 59 indictments/informations and 41 convictions related to wrongdoing in SBA's Disaster Loan Program for Hurricane Sandy. The first OIG Sandy investigation was opened in May 2013. Subsequently, OIG has had 86 Sandy investigations, totaling more than \$17.1 million in potential fraud. As of September 30, 2018, OIG had 24 Sandy cases open with potential fraud totaling more than \$12.3 million. In the aftermath of Hurricane Harvey, OIG is collaborating with federal and local agencies to coordinate responses to disaster assistance fraud. These partners include the National Center for Disaster Fraud (NCDF) in Baton Rouge, Louisiana, as well as the U.S. Attorney's Office (USAO). OIG also is working with SBA program offices to alert Hurricane Harvey victims about possible fraud schemes, particularly identity theft.

In the case of the geographically widespread Hurricanes Irma and Maria, OIG is coordinating its efforts with task forces consisting of other law enforcement agencies and USAOs, as well as following up on leads from NCDF. OIG also is working with SBA program offices to alert hurricane victims about possible fraud schemes, particularly identify theft. In addition, OIG is exploring data analytic initiatives to combine SBA's and other agencies' data to identify possible fraud. Moreover, OIG has made field visits to promote its investigative mission to stakeholders in the affected areas.

Finally, in 2017 and 2018, wildfires across California were responsible for numerous deaths and billions in property losses. OIG's response plan is based on leveraging strong existing relationships with SBA and law enforcement partners to deter, detect, and prosecute disaster fraud schemes. Consistent with this, OIG was asked to join the Disaster Relief Fraud Task Force of federal, state, and local agencies. OIG also is working with SBA program offices to alert wildfire victims about possible fraud schemes, particularly identity theft.

## **Procurement Assistance**

SBA directs significant efforts toward helping small businesses obtain federal contracts and providing other business development assistance. SBA's Office of Government Contracting and Business Development is tasked with helping small businesses obtain federal contracting





opportunities and helping small, disadvantaged, veteran-owned, and women-owned businesses build their potential to compete more successfully in a global economy. During FYs 2019 and 2020, OIG will focus on SBA's oversight of—and current issues affecting—government contracting and business development programs, including investigating allegations that ineligible companies are fraudulently benefitting from these programs.

As of September 30, 2018, OIG had 95 open government contracting cases, with potential dollar losses of more than \$20.3 billion based on the total dollar value of the contract. The funding requested for FY 2020 will allow OIG to continue investigating fraudulent schemes that take improper advantage of SBA's contracting assistance programs. In addition, OIG has handled a number of qui tam cases that are brought by private-sector whistleblowers alleging fraud in SBA's small business and socioeconomically disadvantaged contracting programs. Although the number of such cases has fluctuated over the years, OIG must be prepared to expend considerable resources to provide both investigative and legal assistance to the government's prosecution of these cases.

OIG's audit work will continue to assess SBA's effectiveness in ensuring only eligible small businesses benefit from these programs. Our audit teams will focus on reviewing the following areas.

- The Section 8(a) Business Development Program continues to be susceptible to major vulnerabilities. These include limited program oversight; inequitable distribution of contracting opportunities among participants; insufficient measurable, consistent, and mandatory criteria pertaining to economic disadvantage; insufficient implemented criteria defining business success for purposes of program graduation; missed opportunities to study the long-term effects of the program on former participants; and misrepresentation by companies as small, minority-owned, or disadvantaged businesses to gain an unfair advantage in the federal marketplace. During a recent review, we found that SBA did not consistently identify ineligible firms in the 8(a) program and did not always act to remove firms it had determined were no longer eligible for the program. In addition, SBA did not perform required continuing eligibility reviews when it received specific and credible complaints regarding firms' eligibility and did not log all complaints. Ineligible firms were awarded more than \$126.8 million in new 8(a) set-aside contract obligations in FY 2017 at the expense of eligible disadvantaged firms. OIG will continue to review these issues and SBA's management of the 8(a) program. In FY 2019, we plan to review the effectiveness of the 8(a) Business Development Program. We also will continue to pursue a number of fraud investigations relating to the 8(a) program and will continue to devote resources to these investigations in FYs 2019 and 2020.
- The HUBZone program provides federal contracting assistance to small businesses located in economically distressed areas with the intent of stimulating economic development. Previous OIG and GAO reviews of the program identified significant control weaknesses that have allowed ineligible firms to receive millions of dollars in contracts. Accordingly,



SBA implemented a more rigorous HUBZone certification and recertification process in the hopes of preventing ineligible firms from achieving certification. However, in a prior review of the HUBZone certification process, OIG found that 12 firms certified into the program, including 3 ineligible ones, received 94 percent (\$34.9 million) of federal contract dollars awarded during a 6-month period in 2012, even though 367 firms were certified during that period. OIG currently is investigating numerous fraud cases under the HUBZone programs and will continue to pursue prosecution, civil fraud recovery, and debarment of contractors who improperly obtain HUBZone contracts. For audit work, OIG currently is reviewing SBA's oversight of HUBZone to determine whether SBA ensured that only eligible firms were certified into the program and whether the certification reviews were timely. In the near future, OIG plans to review SBA's HUBZone continuing eligibility review process.

- The Women-Owned Small Business (WOSB) Federal Contract program provides greater access to federal contracting opportunities for WOSBs and economically disadvantaged WOSBs (EDWOSBs). The program allows contracting officers to set aside specific contracts for certified WOSBs and EDWOSBs. Similar to other federal government programs, WOSB and EDWOSB contracting may be vulnerable to fraud and abuse. Previous OIG reviews have found false or incorrect WOSB self-certifications may be a significant governmentwide problem.
- The National Defense Authorization Act for FYs 2013 and 2015 made major programmatic changes to the WOSB program and considerably increased SBA's oversight role. Specifically, the FY 2015 Act authorized grant contracting officers the authority to award sole-source awards to WOSB program firms, removed firms' ability to self-certify, and required firms to be certified. However, SBA has opted to implement the sole-source authority provision first—separate from a certification program. We believe that allowing sole-source contracting authority in the WOSB program, without implementing the contemporaneously required certification program, is inconsistent with SBA's statutory authorization and exposes the program to abuse. During our recent review of SBA's WOSB Federal Contract Program, we found that federal agencies contracting officers and firms did not comply with federal regulations for 50 of the 56 program sole-source contracts, valued at \$52.2 million. As a result, there was no assurance that these contracts were awarded to firms that were eligible to receive sole-source awards under the Program. OIG plans to continue monitoring SBA's implementation of the National Defense Authorization Act for FYs 2013 and 2015 changes to the WOSB program.
- The All Small Mentor-Protégé program expands the mentor-protégé program. OIG has conducted a number of fraud investigations involving the mentor-protégé programs under the 8(a) program. In August 2016, SBA issued regulations to implement a statutory mandate that expanded mentor-protégé programs to all other small businesses. The Agency accepted a number of OIG recommendations to revise these regulations to limit the opportunity for fraudulent acquisition of government contracts. Nevertheless, OIG anticipates that these expanded programs will create opportunities for additional fraud by large,



nondisadvantaged contractors and that greater OIG resources will need to be devoted to investigating this fraud. OIG initiated an evaluation of SBA's all small business mentor-protégé program in the third quarter of 2018 and plans to continue monitoring SBA's management of this program.

- OIG will continue to provide oversight of SBA's suspension and debarments process to ensure that firms identified as ineligible are effectively removed from these programs.
- There is a high level of congressional interest in the government meeting its small business contracting goals. OIG will continue to assess whether SBA is taking adequate steps to ensure the integrity of small business contracting. OIG's work will focus on issues such as the accuracy of reporting small business contract activity, the classification of large businesses as small, adherence to regulations to protect small businesses, training of government contracting personnel, deterring fraudulent acquisition of government contracts, and bundling of contracts.

## **Entrepreneurial Development**

During FYs 2019 and 2020, OIG will focus on SBA oversight of and current issues affecting entrepreneurial and veterans business development programs, with emphasis on grants awarded to SBDCs, SCORE, State Trade Expansion Program, Women's Business Centers, and Veterans Business Outreach Center programs.

## **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.

### *Top Management Challenges*

As required by the Reports Consolidation Act, OIG annually develops the Report on the Most Serious Management and Performance Challenges Facing SBA. The management challenges focus on areas that are particularly vulnerable to fraud, waste, error, and mismanagement, or that otherwise pose a significant risk and generally have been the subject of one or more OIG or GAO reports. OIG will continue to identify and report serious management challenges facing SBA and will work throughout the year with Agency management to resolve identified issues as quickly and efficiently as possible.



## *Financial Management and Information Technology*

OIG will continue to oversee the audits of SBA's financial statements, as well as FISMA and Federal Information Systems Controls Audit Manual reviews, which are conducted by an independent public accountant under a contract with OIG. The scope and complexity of the audit increased as a result of growing direct and guaranteed loan portfolios and as the Agency complies with the DATA Act.

OIG will provide oversight and monitoring of SBA's cloud migration, IT security, and application development activities, including new systems under development and the Agency's compliance with FISMA. The scope of the FISMA evaluation is anticipated to expand as OIG evaluates Agency progress in implementing initiatives designed to strengthen and enhance federal cybersecurity. OIG and an independent public accountant have previously identified systemic problems with security controls over SBA's IT systems and this area remains one of the most serious management challenges facing the Agency.

OIG also plans to continue to monitor systems development activities related to improvements to financial and program related systems as well as investments, cost management, and reporting in cloud computing. Specifically, OIG will continue to assess Agency progress in implementing the Federal Information Technology Acquisition Reform Act. This Act requires the Chief Information Officer to play a critical leadership role in driving reforms to help control system development risks, better manage technology spending, and achieve measurable improvements in agency performance. Related to this effort will be a preliminary assessment of how the Agency is adopting technology business management reporting protocols initially required in the FY 2019 Capital Planning Guidance. Furthermore, the Chief Information Officer must ensure federal IT security is deployed in SBA's highly decentralized and dynamic IT environment.

OIG also will continue its mandated reviews of SBA's compliance with the DATA Act, the Improper Payments and Elimination Recovery Act, and purchase card and cash gifts acceptance and reporting guidelines.

## *Acquisition Processes*

OIG audits will continue to focus on SBA's compliance with federal contracting regulations and its policies and procedures over IT systems acquisition and project oversight. OIG efforts also will include monitoring system development activities related to SBACertify.gov. We will validate capital investment and data security controls as well as assess whether software functionality was delivered to end users in accordance with project requirements.



## Other Activities

In addition to investigations, audits, inspections, and other reviews, OIG will provide leadership and coordination to recommend policies for activities designed to promote economy, efficiency, and effectiveness in the administration of, and to prevent and detect fraud and abuse in, such programs and operations. The activities described below ensure that OIG is able to fulfill this statutory mandate and leverage external entities through training and outreach activities.

### *Security Operations*

OIG's Office of Security Operations will continue to perform required employee background investigations to achieve a high level of integrity in OIG's workforce and adjudicate OIG employees and contractors for issuance of personal identity verification cards pursuant to Homeland Security Presidential Directive 12 background investigation requirements.

### *OIG Hotline*

Hotline staff conduct a preliminary review and analysis of all complaints received to determine the appropriate course of action. The OIG Hotline is staffed by OIG employees who process and analyze allegations of fraud, waste, abuse, or serious mismanagement in SBA or its programs from employees, contractors, and the public. As part of the hotline process, staff may coordinate reviews of allegations within OIG, with SBA program offices, or with other governmental agencies. Most hotline complaints are submitted through an online complaint submission system located on OIG's website. Those who report information can do so openly, anonymously, and confidentially, without fear of reprisal.

Pursuant to the Whistleblower Protection Coordination Act, OIG has designated a Whistleblower Coordinator within the hotline function to educate SBA employees about prohibitions on retaliation for whistleblowing, as well as employees' rights and remedies if anyone retaliates against them for making a protected disclosure. In addition, the National Defense Authorization Act of 2013, which was made permanent in December 2016, created a pilot program extending whistleblower protections to government contractors, subcontractors, and grantees. These provisions may result in the hotline receiving an increased number of complaints. Additionally, this law mandates OIG investigations of these complaints and a report to the SBA Administrator to consider corrective action on the part of the contractor/grantee.

### *Review of Proposed Regulations and Initiatives*

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 is proposing to make to its program directives, such as regulations, internal operating procedures, policy



notices, and SBA forms that are completed by lenders and the public. Frequently, OIG identifies concerns in these proposals and works with the Agency to implement recommended revisions to promote controls that are more effective and deter fraud, waste, or abuse.

### *Debarment and Administrative Enforcement Actions*

As a complement to criminal and civil fraud investigations, OIG continually promotes the use of suspensions, debarments, and other administrative enforcement actions as a means to protect taxpayer funds from those who have engaged in fraud or otherwise exhibited a lack of business integrity. OIG regularly identifies individuals and organizations for debarment and other enforcement actions and submits detailed present responsibility referrals with supporting evidence to the appropriate SBA officials. OIG also supports actions at other federal agencies through training and direct case assistance.

### *Training and Outreach*

OIG will continue to conduct training and outreach sessions on topics related to fraud in government lending and contracting programs. For example, OIG partnered with the CIGIE Training Institute, the National Science Foundation OIG, and the U.S. Department of Justice to present the fourth annual Small Business Procurement Integrity Seminar. This seminar equipped federal oversight personnel with the knowledge to identify, develop, and pursue small business contracting fraud cases. The course covered the major SBA small business contracting programs and included a discussion of typical fraud schemes, program rules, and key procurement databases accentuated by multiple case studies. At the end of the session, participants took part in a hypothetical case, which allowed the application of principles taught during the day. OIG has also modified this training for use in a 2-hour segment, which is contained in the CIGIE Training Institute, Criminal Investigator Academy's Contract and Grant Fraud Training Program. OIG personnel have offered the training within that course twice this fiscal year, with a third installment planned for September 2019. We plan to continue this outreach effort throughout FYs 2019 and 2020.

OIG personnel also participated in the training of criminal investigators from several federal agencies and other OIGs. This training included information on subpoenas, civil remedies, administrative remedies, and small business procurement cases.

## **OIG Performance and Statistical Accomplishments**

During FY 2017, OIG achieved more than \$82 million in monetary recoveries and savings, and in FY 2018, OIG achieved more than \$224,472,559 million in monetary recoveries and savings—an elevenfold return on investment to the taxpayers.

During FY 2017, OIG issued 19 reports containing 72 recommendations to improve operations and reduce fraud and unnecessary losses in Agency programs. In addition, OIG investigations



resulted in 35 indictments/informations and 25 convictions. During FY 2018, OIG issued 26 reports with 111 recommendations. OIG investigations resulted in 62 indictments and 43 convictions. It is noted that OIG investigations often involve multiple subjects, large dollar losses, various joint agencies, and substantial restitution and forfeiture monies returned to the government.

## Statistical Highlights FY 2017

**Table 3: Summary of OIG Dollar Accomplishments**

Dollar Accomplishments As a Result of Investigations and Related Activities	
Potential Investigative Recoveries & Fines	\$53,742,750
Asset Forfeitures Attributed to OIG Investigations	\$12,723,538
Loans/Contracts Not Approved or Canceled as a Result of Investigations	\$534,155
Loans Not Made as a Result of a Name Check	\$12,951,400
Investigations Subtotal	\$79,951,843
Dollar Accomplishments As a Result of Audit Activities	
Disallowed Costs Agreed to by Management	\$2,134,349
Recommendations That Funds Be Put to Better Use Agreed to by Management	0
Audit Subtotal	\$2,134,349
<b>Total OIG Dollar Accomplishments</b>	<b>\$82,086,192</b>

**Table 4: Efficiency and Effectiveness Activities Related to Audit, Other Reports, and Followup Activities**

Reports Issued	19
Recommendations Issued	72
Dollar Value of Costs Questioned	\$138,588,897
Dollar Value of Recommendations That Funds be Put to Better Use	\$0
Recommendations for Which Management Decisions Were Made	72
Recommendations Without a Management Decision	14
Collections as a Result of Questioned Costs	\$1,098,100



**Table 5: Indictments, Convictions, and Case Actions**

Indictments from OIG Cases	35
Convictions from OIG Cases	25
Cases Opened	86
Cases Closed	63

**Table 6: SBA Personnel Actions Taken as a Result of Investigation**

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

**Table 7: Program Actions Taken During the Reporting Period as Result of OIG Action**

Present Responsibility Referrals to the Agency	106
Pending at the Agency as of March 31, 2018	0
Suspensions Issued by the Agency	26
Proposed Debarments Issued by the Agency	33
Final Debarments Issued by the Agency	0
Administrative Agreements Entered by the Agency in Lieu of Debarment	2
Present Responsibility Actions by Other Agencies	5

**Table 8: Agency Legislative and Regulatory Proposals Reviewed**

Legislation, Regulations, Standard Operating Procedures, and Other Issuances Reviewed	101
Comments Provided by OIG to Improve Legislation, Regulations, Standard Operating Procedures, and Other Issuances	36





## Reports Issued in FY 2017

**Table 9: 2017 Credit/Capital Programs Reports**

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
The OIG High Risk 7(a) Loan Review Program	17-18	9/28/2017	\$917,107	\$0
Audit of SBA's Microloan Program	17-19	9/28/2017	\$137,199,806	\$0
Program Subtotal	2		\$138,116,913	\$0

**Table 10: 2017 Contracting/Counseling Programs Reports**

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Audit of New York Small Business Center's Phase 2 Technical Assistance Grant	17-09	03/31/2017	\$54,827	\$0
The SCORE Association's Disaster Technical Assistance Grant	17-10	03/31/2017	\$391,846	\$0
Review of the Small Business Administration's State Trade and Export Promotion Grant Program	17-11	5/04/2017	\$0	\$0
Reassessment of Eligibility Requirements for 30 Firms in SBA's 8(a) Business Development Program	17-15	7/17/2017	\$0	\$0
Program Subtotal	4	—	\$0	\$0

**Table 11: 2017 Agency Management Reports**

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Review of SBA's Executive Transportation Service Contract Expenditures	17-01	10/5/2016	\$6,034	\$0
Report on the Most Serious Management and Performance Challenges in Fiscal Year 2017	17-02	10/14/2016	\$0	\$0
Independent Auditors' Report on the SBA's FY 2016 Financial Statements	17-03	11/14/2016	\$0	\$0
Independent Auditors' Report on the SBA's FY 2016 Special-Purpose Financial Statements	17-04	11/15/2016	\$0	\$0
DATA Act Readiness	17-05	12/02/2016	\$0	\$0
KPMG Management Letter Communicating Matters Relative to the FY 2016 Financial Statements	17-06	12/08/2016	\$0	\$0



<b>Title</b>	<b>Report Number</b>	<b>Issue Date</b>	<b>Questioned Costs</b>	<b>Funds for Better Use</b>
FY 2016 SBA Charge Card Programs Risk Assessment and Status of Prior Audit Recommendations	17-07	01/18/2017	\$0	\$0
Review of SBA's Practices for Schedule C Political Appointee Initial Pay Setting	17-08	03/13/2017	\$0	\$0
SBA's FY 2016 Compliance with the Improper Payments Elimination and Recovery Act	17-12	5/10/2017	\$0	\$0
SBA's Management of Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment Program	17-13	5/30/2017	\$0	\$0
Weaknesses Identified During the FY 2016 Federal Information Security Modernization Act Review	17-14	6/15/2017	\$0	\$0
Review of SBA's Pay Setting Practices for Senior Executive Service Salary Increases	17-16	8/15/2017	\$19,277	\$0
FY 2017 Evaluation of SBA's Charge Card Programs	17-17	9/14/2017	\$0	\$0
Program Subtotal	13		\$19,277	\$0



## Statistical Highlights FY 2018

**Table 12: Summary of OIG Dollar Accomplishments**

Dollar Accomplishments As a Result of Investigations and Related Activities	
Potential Investigative Recoveries & Fines	\$55,373,556
Asset Forfeitures Attributed to OIG Investigations	\$22,930,190
Loans/Contracts Not Approved or Canceled as a Result of Investigations	\$727,039
Investigations Subtotal	\$79,030,785
Dollar Accomplishments As a Result of Audit Activities	
Disallowed Costs Agreed to by Management	\$145,441,774
Recommendations That Funds Be Put to Better Use Agreed to by Management	0
Audit Subtotal	\$145,441,774
Total OIG Dollar Accomplishments	\$224,472,559

**Table 13: Efficiency and Effectiveness Activities Related to Audit, Other Reports, and Followup Activities**

Reports Issued	26
Recommendations Issued	111
Dollar Value of Costs Questioned	\$186,580,293
Dollar Value of Recommendations That Funds Be Put to Better Use	\$0
Recommendations for Which Management Decisions Were Made	119
Recommendations Without a Management Decision	8
Collections as a Result of Questioned Costs	\$2,852,261

**Table 14: Indictments, Convictions, and Case Actions**

Indictments from OIG Cases	62
Convictions from OIG Cases	43
Cases Opened	73
Cases Closed	63

**Table 15: SBA Personnel Actions Taken as a Result of Investigation**

Dismissals	2
Resignations/Retirements	1
Suspensions	0
Reprimands	0
Other	0



**Table 16: Program Actions Taken During the Reporting Period as Result of OIG Action**

Present Responsibility Referrals to the Agency	84
Pending at the Agency as of September 30, 2018	36
Suspensions Issued by the Agency	20
Proposed Debarments Issued by the Agency	25
Final Debarments Issued by the Agency	17
Proposed Debarments Declined by the Agency	0*
Administrative Agreements Entered by the Agency in Lieu of Debarment	1
Present Responsibility Actions by Other Agencies	47

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

**Table 17: Agency Legislative and Regulatory Proposals Reviewed**

Legislation, Regulations, Standard Operating Procedures, and Other Issuances Reviewed	114
Comments Provided by OIG to Improve Legislation, Regulations, Standard Operating Procedures, and Other Issuances	43



## Reports Issued in FY 2018

**Table 18: 2018 Credit/Capital Programs Reports**

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Accuracy of the FY 2015 7(a) Loan Guaranty Purchase Improper Payments Rate	18-07	12/11/2017	\$2,246,579	\$0
Evaluation of SBA 7(a) Loans Made to Poultry Farmers	18-13	3/6/2018	\$0	\$0
SBA's FY2017 Progress in Reducing Improper Payments	18-17	5/15/2018	\$0	\$0
High Risk 7(a) Loan Review Program	18-21	8/15/2018	\$1,351,565	\$0
High Risk 7(a) Loan Review Program	18-23	9/13/2018	\$1,303,403	\$0
Program Subtotal	5	—	\$4,901,547	\$0

**Table 19: 2018 Disaster Assistance Programs Reports**

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Audit of RISE Act Eligibility Controls	18-09	1/19/2018	\$2,129,689	\$0
Inspection of SBA's Initial Disaster Assistance Response to Hurricane Harvey	18-10	1/19/2018	\$0	\$0
Audit of the Accuracy of the FY 2015 Disaster Loan Program Improper Payments Rate	18-12	2/13/2018	\$0	\$0
Inspection of SBA's Initial Disaster Assistance Response to Hurricane Irma	18-16	4/26/2018	\$0	\$0
Inspection of SBA's Initial Disaster Assistance Response to Hurricane Maria	18-19	07/19/2018	\$0	\$0
Program Subtotal	5	—	\$2,129,689	\$0



**Table 20: 2018 Contracting/Counseling Programs Reports**

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
SBA's Women-owned Small Business Contracting Program	18-18	06/20/2018	\$52,229,145	\$0
The Small Business Administration's Boots to Business Program	18-20	07/19/2018	\$419,912	\$0
Improvements Needed in SBA's Oversight of 8(a) Continuing Eligibility Processes	18-22	9/7/2018	\$126,900,000	\$0
Program Subtotal	3	—	\$52,775,957	\$0

**Table 21: 2018 Agency Management Reports**

Title	Report Number	Issue Date	Questioned Costs	Funds for Better Use
Report on the Most Serious Management and Performance Challenges Facing the Small Business Administration in Fiscal Year 2018	18-01	10/12/2017	\$0	\$0
Independent Accountants' Report on SBA's Compliance with the DATA Act	18-02	11/8/2017	\$0	\$0
Independent Auditor's Report on the SBA's FY 2017 Financial Statements	18-03	11/14/2017	\$0	\$0
Independent Auditors' Report on SBA's FY 2017 Special-Purpose Financial Statements	18-04	11/15/2017	\$0	\$0
SBA's FY 2016 and 2017 Cash Contributions and Gifts	18-05	11/20/2017	\$0	\$0
Review of SBA's Implementation of the Federal Information Technology Acquisition Reform Act (FITARA)	18-06	11/28/2017	\$0	\$0
KPMG Management Letters Communicating Matters Relative to the U.S. Small Business Administration's (SBA's) FY 2017 Financial Statements and DATA Act Attestation Engagement	18-08	12/18/2017	\$0	\$0
Audit of SBA's State Trade Expansion Program	18-11	1/29/2018	\$0	\$0
Weaknesses Identified During the FY 2017 Federal Information Security Modernization Act (FISMA) Review	18-14	3/20/2018	\$0	\$0
Improvement Needed in the Accuracy of SBA Data Reported on USASpending.gov	18-15	3/20/2018	\$0	\$0



<b>Title</b>	<b>Report Number</b>	<b>Issue Date</b>	<b>Questioned Costs</b>	<b>Funds for Better Use</b>
SBA's FY2017 Progress in Reducing Improper Payments	18-17	05/15/2018	\$0	\$0
FY 2018 Risk Assessment of SBA's Charge Card Programs	18-24	9/20/2018	\$0	\$0
SBA Controls Over FY 2017 and 2018 Cash Contributions and Gifts	18-25	9/20/2018	\$0	\$0
Program Subtotal	13	—	\$52,649,057	\$0



## Reporting Requirements Under the Inspector General Reform Act of 2008

The following information is provided in accordance with the Inspector General Reform Act of 2008, as amended (P.L. 110-409).

**Table 22: FY 2020 Budget Request**

Dollars in Millions	FY 2018 Actual	FY 2019 Enacted	FY 2020 Request	FY 2020 Incr/Decr
New Budget Authority	\$19.9	\$21.9	\$21.9	\$0.0
Transfer from Disaster Loan Program	0.0	1.0	1.6	0.6
<b>Total</b>	<b>\$19.9</b>	<b>\$22.9</b>	<b>\$23.5</b>	<b>\$0.6</b>

OIG's FY 2020 budget request includes \$140,000 for training, which is sufficient to satisfy all training needs for the fiscal year, and \$61,000 for the operation of CIGIE.





## OIG Organizational Structure

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 review 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, agency management, 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 detect and deter illegal and improper activities involving SBA's programs, operations, and personnel. SBA 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 Agency's 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 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, IT, and procurement) 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; assists with prosecuting criminal, civil, and administrative enforcement matters; processes subpoenas; responds to Freedom of Information and Privacy Act requests; provides training; 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.

An organizational chart for OIG is provided on the next page.



**Small Business Administration  
Office of Inspector General**

