

# EVALUATION REPORT

## SBA's FY 2015 Progress in Reducing Improper Payments





# EXECUTIVE SUMMARY

## SBA's FY 2015 Progress in Reducing Improper Payments

Evaluation Report No. 16-15

May 13, 2016

### What OIG Reviewed

This report represents the results of the Office of Inspector General's (OIG) evaluation of the Small Business Administration's (SBA or Agency) compliance with the Improper Payments Elimination and Recovery Act (IPERA).

Our objectives were to (1) determine whether SBA complied with IPERA using guidelines outlined in Office of Management and Budget (OMB) Memorandum M-15-02, Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments*, and (2) assess progress SBA made in remediating improper payment-related recommendations.

### What OIG Found

SBA continued to make progress in its efforts to prevent and reduce improper payments, as summarized in Table 1.

**Table 1. OIG IPERA Qualitative Assessment for FY 2015 by Program or Activity**

SBA Program or Activity	Status
Section 7 (a) Loan Guaranty Purchases	Progress
Section 7 (a) Loan Guaranty Approvals	Substantial Progress
Section 504 CDC Loan Guaranty Approvals	Substantial Progress
Disaster Direct Loan Disbursements	Implemented
Disbursements for Goods and Services	Implemented
Hurricane Sandy Disaster Relief Grants	Progress
Hurricane Sandy Disaster Relief Administrative Funds	Implemented

In accordance with IPERA, SBA published and posted an agency financial report (AFR) on its website, conducted program-specific risk assessments, published improper payment estimates for all programs and activities identified as susceptible to significant

improper payments, published extracts from the applicable programmatic corrective action plans in the AFR, reported a gross improper payment rate of less than 10 percent for six of seven areas tested for FY 2015 reporting, and published and met the annual reduction target for three of the applicable seven areas tested.

However, SBA was not compliant with IPERA reporting requirements: disbursements for goods and services had an improper payment rate that exceeded the 10 percent threshold; and Sections 7(a) and 504 loan guaranty approvals, Hurricane Sandy disaster relief grants, and disbursements for goods and services did not meet their annual reduction target.

### OIG Recommendations

We made four recommendations to improve the effectiveness of improper payment controls over Section 7(a) loan guaranty approvals, Section 504 loan guaranty approvals, and Hurricane Sandy technical assistance grants.

### Agency Response

SBA management generally agreed with the findings and recommendations of this report. While the Agency did not believe Recommendation 1 was within the scope of our review, SBA submitted its supplemental measures to OMB for Section 7(a) loan guaranty approvals in response to that program being designated as high-priority for reporting purposes. For Recommendations 2, 3, and 4, SBA intends to submit a plan to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB describing the actions that the Agency will take to address its non-compliance with IPERA regarding Sections 7(a) and 504 loan guaranty approvals, and Hurricane Sandy disaster relief grants.



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

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**Final Report Transmittal**  
Report No. 16-15

**DATE:** May 13, 2016

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**FROM:** Troy M. Meyer, Assistant Inspector General for Auditing /s/

**SUBJECT:** *SBA's FY 2015 Progress in Reducing Improper Payments*

This report contains the results of our evaluation of the Small Business Administration's (SBA) fiscal year (FY) 2015 progress in reducing improper payments. Our objectives were to (1) determine whether SBA complied with the Improper Payments Elimination and Recovery Act (IPERA) using guidelines outlined in the Office of Management and Budget (OMB) Memorandum M-15-02, Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments*, and (2) assess the progress SBA made in remediating improper payment-related recommendations.

We previously furnished copies of the draft report and requested written comments on the recommendations. SBA management's comments are appended and were considered in finalizing the report. The report contains four recommendations that SBA generally agreed to address. SBA implemented recommendation 1; therefore, it is considered closed. Recommendations 2, 3, and 4 will remain open until OIG receives documentation demonstrating that these recommendations have been addressed. Please provide us within 90 days your progress in addressing these recommendations.

Please contact me if you would like to discuss this report or any related issues.

cc: Nick Maduros, Chief of Staff  
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## Introduction

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The Improper Payments Information Act (IPIA) of 2002 requires agencies to review and identify programs susceptible to significant improper payments, report on the amount and causes of improper payments, and develop plans for reducing improper payments.<sup>1</sup> An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments that are made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for an incorrect amount, and duplicate payments). An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law). In addition, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an improper payment.

## Background

In accordance with the Office of Management and Budget (OMB) guidance, each Office of Inspector General (OIG) is required to annually review their agency's improper payments reporting within 180 days of issuing their performance and accountability report (PAR) or agency financial report (AFR).<sup>2</sup> In doing so, we performed a qualitative assessment of the Small Business Administration's (SBA) progress in meeting the following criteria:

- overall assessment of Agency efforts to prevent and reduce improper payments,
- assessment of internal controls related to the accuracy and completeness of Agency-reported information,
- evaluation of whether Agency corrective action plans are robust and focused on the appropriate root causes of improper payments, and
- evaluation of Agency's performance in reducing and recapturing improper payments.

OMB further requested OIGs to determine whether agencies were in compliance with the Improper Payments Elimination and Recovery Act (IPERA). To be in compliance with IPERA, agencies must have, at a minimum:

- published a PAR or AFR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website,
- conducted a program-specific risk assessment for each applicable program or activity that conforms with Section 3321 note of Title 31 U.S.C. (if required),
- published improper payments estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required),
- published programmatic corrective action plans in the AFR or PAR (if required),

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<sup>1</sup> IPIA was amended by IPERA and the Improper Payment Elimination and Recovery Improvement Act of 2012 (IPERIA). IPERIA directed OMB to issue implementation guidance to agencies. OMB issued Memorandum M-15-02, Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments* (M-15-02) as implementation guidance to Federal Agencies for IPERIA.

<sup>2</sup> OMB Memorandum M-15-02, Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments* (October 14, 2014).

- published and met annual reduction targets for each program assessed to be at risk and measured for improper payments (if required and applicable),<sup>3</sup> and
- reported a gross improper payments rate of less than 10 percent for each program and activity for which an improper payments estimate was obtained and published in the PAR or AFR.

If an agency does not meet one or more of these requirements, then it is not in compliance with IPERA. For agencies that are not compliant for 1 fiscal year, within 90 days of the determination of non-compliance, the agency shall submit a plan to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB describing the actions that the agency will take to become compliant. For agencies that are not compliant for 2 consecutive fiscal years for the same program or activity, the Director of OMB will review the program and determine if additional funding would help the agency come into compliance. For agencies that are not compliant for three consecutive fiscal years for the same program or activity, within 30 days of the determination of non-compliance, the agency will submit to Congress reauthorization proposals for each discretionary program or activity, or proposed statutory changes necessary to bring the program or activity into compliance.

### **Prior Work**

Prior OIG audits have identified high percentages of disaster and business loans that were made to borrowers who were ineligible, lacked repayment ability, or did not provide sufficient documentation to justify the approval or disbursement. Those audits further determined that the improper payment rates reported for these programs were significantly understated.

OIG's 2014 IPERA review found that SBA was generally compliant in meeting the minimum IPERA reporting requirements in its [AFR for FY 2014](#).<sup>4</sup> For FY 2014, we found that SBA has continued to improve the effectiveness and development of improper payment controls and processes for most of the programs or activities reviewed. However, SBA still needs to improve improper payment controls and processes for Hurricane Sandy disaster relief grants and 7(a) loan guaranty purchases—particularly controls responsible for ensuring reported improper payment rates are accurate and test plans are complete.

### **Objectives**

Our objectives were to (1) determine whether SBA complied with IPERA using guidelines outlined in OMB Memorandum M-15-02 and (2) assess progress SBA made in remediating improper payment-related recommendations. More specifically, we assessed the status of OIG's open prior year audit recommendations, which focused on the accuracy and completeness of SBA's reporting, and performance in reducing and recapturing improper payments.

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<sup>3</sup> A program will have met a reduction target if its improper payment rate falls within +/- 0.1 percent of the reduction target set in the previous year's AFR or PAR.

<sup>4</sup> As stated in OIG Report 15-11, *SBA's FY 2014 Compliance with the Improper Payments Elimination and Recovery Act* (May 15, 2015).

## Results

SBA continued to make progress in preventing and reducing improper payments. Notably, SBA reported that it brought its Disaster Program's improper payment rate below 10 percent. However, we found that four of seven areas did not meet the minimum requirements for IPERA compliance (See Table 2). While progress was noted in SBA's other credit programs, we observed increases in the improper payment rates for the 504 and 7(a) Loan Programs. Consequently, 504 and 7(a) approvals were not compliant because they did not meet their annual reduction target. Disbursements for goods and services were noncompliant this year, as was the Hurricane Sandy Grants Program. We have divided our review into seven sections: one for each program or area of activity that has been identified as susceptible to improper payments.

**Table 2. Summary of SBA's IPERA Compliance**

Program or Activity	Posted materials	Assessed risk <sup>5</sup>	Published estimates for susceptible programs	Published programmatic corrective action plans	Published and met annual reduction target	Reported rate of less than 10 percent	FY 2015
Section 7(a) Loan Guaranty Purchases	☑	☑	☑	☑	☑	☑	☑
Section 7(a) Loan Guaranty Approvals	☑	☑	☑	☑	■	☑	■
Section 504 CDC Loan Guaranty Approvals	☑	☑	☑	☑	■	☑	■
Disaster Direct Loan Program	☑	☑	☑	☑	☑	☑	☑
Disbursements for Goods and Services	☑	☑	☑	☑	■	■	■
Hurricane Sandy Disaster Relief Grants	☑	☑	☑	☑	■	☑	■
Hurricane Sandy Disaster Relief Administrative Funds	☑	☑	☑	☑	☑	☑	☑

Legend: ☑ Compliant with IPERA reporting requirements

■ IPERA reporting requirements not met

<sup>5</sup> All reporting segments have been deemed as susceptible to significant improper payments and are already reporting an estimate. Therefore, no risk assessment is required in accordance with OMB Memorandum M-15-02.



## Section 1: Section 7(a) Loan Guaranty Purchases

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### Background

When a loan goes into default, SBA reviews the lender's actions on the loan to determine whether it is appropriate to pay the lender the guaranty, which SBA refers to as a "guaranty purchase." Under its regulations, SBA is released from liability on the guaranty, in whole or in part, within SBA's exclusive discretion, if the lender fails to comply materially with any SBA loan program requirement or does not prudently make, close, service, or liquidate the loan. The guaranty purchase review is SBA's primary control for ensuring lender compliance and preventing improper payments. In FY 2015, SBA purchased approximately \$712 million in 7(a) loan guaranties.

### Assessment of Agency Efforts

SBA's improper payment rate for 7(a) loan guaranty purchases decreased from 1.75 percent (\$15 million) in FY 2014 to 0.90 percent (\$7.91 million) in FY 2015. According to Agency officials, the decrease is a result of improvements to SBA's review of borrower repayment ability and focus group meetings.

While the Agency reported a decrease in FY 2015 7(a) purchases improper payments, it needs to improve the accuracy of its estimated improper payment rates. OIG continues to identify weaknesses with SBA's 7(a) loan guaranty purchases and has found that SBA has understated its improper payment rates for the 7(a) loan guaranty purchases.<sup>6</sup> During our assessment of early-defaulted loans under the High-Risk 7(a) Loan Review Program for FY 2015, we identified a \$2 million improper payment that SBA did not detect.<sup>7</sup> We also recommended an additional recovery of approximately \$299,000 on another loan purchased within SBA's FY 2015 improper payments review scope period.<sup>8</sup>

SBA needs to ensure that it applies its improved controls to the improper payments review. Specifically, even though SBA updated its loan review checklist to require a detailed analysis of creditworthiness (including repayment ability) on early defaulted 7(a) loans during FY 2015, it did not use this revised checklist during its FY 2015 improper payments review.

SBA conducted a recapture audit to identify any funds improperly disbursed due to a lender's or SBA's non-compliance with 7(a) Loan Program requirements. SBA identified deficiencies on 17 of the 256 loans reviewed, resulting in improper payments of \$2.08 million.<sup>9</sup> Insufficient support for the reimbursement of lender expenses was the prevalent cause of the deficiencies. SBA recaptured the improper payments by obtaining additional documentation or billing the lender. During FY 2015, SBA implemented corrective actions to address the root causes of identified improper payments and promote recovery.

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<sup>6</sup> *The Small Business Administration's Fiscal Year 2008 Improper Payment Rate for the 7(a) Guaranty Loan Program* (OIG Audit Report 9-16, July 10, 2009), and *The Small Business Administration's Improper Payment Rate for 7(a) Guaranty Purchases Remains Significantly Underestimated* (OIG Audit Report 13-07, November 15, 2012).

<sup>7</sup> *SBA Loan Number 4949845001, PureFitness at the Westgate Hotel* (OIG Advisory Memo 16-11, March 17, 2016).

<sup>8</sup> *SBA Loan Number 6409845010, DC Limousine and Luxury Car Service, Inc.* (OIG Advisory Memo 16-08, January 7, 2016).

<sup>9</sup> While SBA reported in the AFR that it identified improper payments on 65 loans during its recapture audit, SBA later confirmed that only 17 loans had improper payments.

We determined that SBA made further progress during FY 2015 in improving its improper payment review process for the 7(a) Purchases Program. However, as noted above, we identified a large improper payment that SBA did not detect during its improper payment reviews. As a result, SBA has maintained a rating of “Progress” in FY 2015. The results of OIG’s evaluation of Agency efforts are summarized below.

**Table 3. OIG’s Evaluation of Agency Efforts**

<b>OMB Criteria</b>	<b>Status at End of 2015</b>
Accuracy and completeness of Agency reporting	Progress
Performance in reducing/recapturing improper payments	Implemented
Quality of corrective action plans	Implemented
<b>Overall assessment of Agency efforts</b>	<b>Progress</b>

**AFR Review**

Our review of the AFR found that SBA was compliant with IPERA reporting requirements. The results of OIG’s review of the AFR are summarized below.

**Table 4. OIG’s Review of the AFR**

<b>OMB Reporting Requirement</b>	<b>Status at End of 2015</b>
Posted materials	Compliant
Assessed risk	Compliant
Published estimates for susceptible programs	Compliant
Published programmatic corrective action plans	N/A <sup>10</sup>
Met annual reduction target	Compliant
Reported rate of less than 10 percent	Compliant

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<sup>10</sup> Improper payments did not exceed the 1.5 percent and \$10 million threshold for reporting a corrective action plan. However, SBA did develop a corrective action plan that was not published in the AFR.

## Section 2: Section 7(a) Loan Guaranty Approvals

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### Background

The Agency's largest lending program, the 7(a) Loan Guaranty Program, is SBA's principal vehicle for providing small businesses with access to credit that cannot be obtained elsewhere. This program relies on numerous outside parties (e.g., borrowers, loan agents, and lenders) to complete loan transactions, with at least 77 percent of the loans being made by lenders to whom SBA has delegated loan-making authority. Additionally, SBA has centralized many loan functions and reduced the number of staff performing these functions, placing more responsibility on and giving greater independence to its lenders. Under the 7(a) Loan Guaranty Program, SBA guarantees up to 90 percent of the principal amount of loans made by banks and other lending institutions to small businesses not able to obtain credit elsewhere. In FY 2015, SBA guaranteed approximately \$23.6 billion in 7(a) loan approvals.

### Assessment of Agency Efforts

SBA's improper payment rate for 7(a) loan guaranty approvals increased from 5.15 percent (\$605 million) in FY 2014 to 5.59 percent (\$848.08 million) in FY 2015. Administrative or processing errors made by the participating lender at origination were the prevalent cause for the improper payments. Historically, SBA's corrective action plans to reduce improper payments included training for lenders. However, we note that this training has not been effective in reducing certain errors made by the lenders that lead to improper payments. In addition, OIG continues to identify weaknesses in SBA's lender oversight processes. As a result, we have downgraded SBA's rating from "implemented" in FY 2014 to "substantial progress" in FY 2015. To address the increase in improper payments in FY 2015, SBA has added corrective actions to specifically address participating lenders' noncompliance. These actions include (1) revising and issuing an updated SOP 50 10 5G and (2) working with the Office of Credit Risk Management to ensure lender deficiencies are monitored and incorporated into risk-based reviews.

Furthermore, because the estimated improper payment rate was greater than \$750 million, the 7(a) Loan Guaranty Approvals Program has been designated by OMB as a high-priority program. As a result, SBA is required to establish annual or semi-annual actions (or more frequent, if possible) for reducing improper payments that focus on higher-risk areas within this program.<sup>11</sup> SBA has met with OMB to discuss these requirements and is on target to submit the supplemental measures within the required deadline. The results of OIG's evaluation of Agency efforts are summarized below.

**Table 5. OIG's Evaluation of Agency Efforts**

<b>OMB Criteria</b>	<b>Status at End of 2015</b>
Accuracy & completeness of Agency reporting	Implemented
Performance in reducing/recapturing improper payments	N/A <sup>12</sup>
Quality of corrective action plans	Substantial Progress
<b>Overall assessment of Agency efforts</b>	<b>Substantial Progress</b>

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<sup>11</sup> In accordance with OMB Memorandum M-15-02.

<sup>12</sup> SBA has determined that the 7(a) Loan Guaranty Approvals Program is not subject to recapture audits because no payment is made at the time of approval.

## AFR Review

Our review of the AFR found that SBA was compliant with most IPERA reporting requirements. However, the improper payment estimate increased from 5.15 percent in FY 2014 to 5.59 percent in FY 2015, and SBA did not meet its planned reduction target of 4.9 percent for the program. SBA is subject to additional OMB requirements because it has been noncompliant in meeting its reduction targets for 3 consecutive years. The results of OIG's review of the AFR are summarized below.

**Table 6. OIG's Review of SBA's AFR**

<b>OMB Reporting Requirement</b>	<b>Status at End of 2015</b>
Posted materials	Compliant
Assessed risk	Compliant
Published estimates for susceptible programs	Compliant
Published programmatic corrective action plans	Compliant
Met annual reduction target	Non-compliant
Reported rate of less than 10 percent	Compliant

## Recommendations

We recommend that the Director of the Office of Financial Program Operations:

1. Continue to work with OMB to ensure that supplemental measurements to reduce improper payments in the 7(a) Loan Guaranty Approval Program are developed within the required deadline provided by OMB.
2. Submit to Congress within OMB's required deadline the following:
  - a) Reauthorization proposals for each (discretionary) program or activity that has not been in compliance for 3 or more consecutive fiscal years; or
  - b) Proposed statutory changes necessary to bring the program or activity into compliance.

## Analysis of Agency Response

SBA management provided formal comments that are included in their entirety in Appendix III. SBA management generally agreed with our recommendations, and its planned actions resolve all four of our recommendations.

SBA objected to the inclusion of Recommendation 1, as it believes the recommendation is out of scope and unnecessarily directs SBA to perform a task that is not yet due to OMB. Specifically, SBA noted that the recommendation implies it did not develop supplemental measurements in FY 2015. It further explained that the supplemental measurement requirement became effective in FY 2016, with a due date to OMB of May 17, 2016.

However, OIG disagrees with SBA's position that Recommendation 1 is out of scope because the requirement became effective in FY 2016. Specifically, OMB's designation of the 7(a) loan approval program as a high-priority program was based on SBA's FY 2015 improper payment rate. OIG's review was conducted during FY 2016 and assessed SBA's FY 2015 progress in reducing improper payments. As a result, Recommendation 1 was within the scope of OIG's review. Nevertheless, SBA submitted the supplemental measures to OMB within the required deadline.

In addition, SBA concurred with Recommendation 2 and noted that the FY 2015 improper payment rate was .69 percent above its reduction target. SBA's Office of General Counsel advised that the 7(a) Guaranty Program has permanent authority to operate and therefore does not require reauthorization. SBA also noted that no statutory changes are necessary to make more realistic target goals. Finally, SBA explained that it may propose a change that would allow the improper payment rate to be within 1 percent of the reduction target instead of .1 percentage point.

### **Summary of Actions Necessary to Close the Report**

The following provides the status of each recommendation and the necessary actions to either resolve or close the recommendation.

**Recommendation 1. Closed.** SBA submitted its supplemental measurements to OMB on April 28, 2016. As a result, this recommendation is closed.

**Recommendation 2. Resolved.** Office of Capital Access management noted it may propose the one statutory change to OMB regarding allowing compliance to the target goal to be within 1 percent instead of .1 percent, further stating it will advise OMB of the proposed change within 90 days of the date this report is published. This recommendation can be closed upon SBA providing evidence that it submitted to Congress the proposed change or the rationale why it did not propose a change. However, the Agency should note that OMB guidance requires the proposed statutory change to be submitted within 30 days of the determination of non-compliance.

## Section 3: Section 504 CDC Loan Guaranty Approvals

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### Background

SBA's 504 Loan Program provides small businesses with long-term, fixed-rate financing to purchase land, buildings, machinery, and other fixed assets. Economic development organizations, approved by SBA, are known as certified development companies (CDC). CDCs package, close, and service these loans, which are funded through a variety of funds from private sector lenders, proceeds from selling SBA-guaranteed debentures, and borrower equity investment. Of the total project costs, a third-party lender must provide at least 50 percent of the financing, the CDC provides up to 40 percent of the financing through a 100 percent SBA-guaranteed debenture, and the applicant provides at least 10 percent of the financing. In FY 2015, SBA guaranteed approximately \$4.3 billion in 504 loan approvals.

### Assessment of Agency Efforts

SBA's improper payment rate increased from 1.09 percent (\$49.9 million) in FY 2014 to 3.78 percent (\$158.20 million) in FY 2015. Administrative or processing errors made by the participating lender at origination and the CDC's failure to verify eligibility data caused the improper payments. Additionally, we note that the improper payment rate has risen from 0.54 percent in FY 2013 to 3.78 percent in FY 2015—an increase of 600 percent. Historically, SBA's corrective action plans to reduce improper payments included training for lenders. However, we note that this training has not been effective in reducing certain errors made by lenders that lead to improper payments. As a result, we have downgraded SBA's rating from "implemented" in FY 2014 to "substantial progress" in FY 2015. To address the increase in improper payments in FY 2015, SBA has added a corrective action to specifically address participating lenders' noncompliance. The Office of Financial Program Operations will work with the Office of Credit Risk Management to ensure lender deficiencies are monitored and incorporated into risk-based reviews. The results of OIG's evaluation of Agency efforts are summarized below.

**Table 7. OIG's Evaluation of Agency Efforts**

<b>OMB Criteria</b>	<b>Status at End of 2015</b>
Accuracy & completeness of Agency reporting	Implemented
Performance in reducing/recapturing improper payments	N/A <sup>13</sup>
Quality of corrective action plans	Substantial Progress
<b>Overall assessment of Agency efforts</b>	<b>Substantial Progress</b>

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<sup>13</sup> SBA has determined that the 504 Loan Program is not subject to recapture audits because no payment is made at the time of approval.

## AFR Review

Our review of the AFR found that SBA was compliant with most IPERA reporting requirements. However, the improper payment estimate increased from 1.09 percent in FY 2014 to 3.78 percent in FY 2015, and SBA did not meet its planned reduction target of 1.2 percent for the program. The results of OIG's review of the AFR are summarized below.

**Table 8. OIG's Review of the AFR**

OMB Reporting Requirement	Status at End of 2015
Posted materials	Compliant
Assessed risk	Compliant
Published estimates for susceptible programs	Compliant
Published programmatic corrective action plans	Compliant
Met annual reduction target	Non-compliant
Reported rate of less than 10 percent	Compliant

## Recommendation

We recommend that the Director of the Office of Financial Program Operations:

3. Submit to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB within 90 days of this report a plan for the 504 Loan Program that includes:
  - a) Measurable milestones for becoming compliant with IPERA;
  - b) Designation of an accountable senior Agency official; and
  - c) The establishment of an accountability mechanism, describing the actions the Agency will take to become compliant.

## Analysis of Agency Response

SBA concurred that the 504 Loan Program failed to meet its annual reduction target for 1 year and is subject to the requirements outlined in the recommendation.

## Summary of Actions Necessary to Close the Report

The following provides the status of the recommendation and the necessary action to either resolve or close the recommendation.

**Recommendation 3. Resolved.** Office of Capital Access management stated it will comply within 90 days of the date this report is published. This recommendation can be closed upon SBA providing evidence supporting that it submitted to Congressional committees and OMB a plan outlining how it will become compliant with IPERA.

## Section 4: Disaster Direct Loan Disbursements

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### Background

The Disaster Loan Program plays a vital role in the aftermath of disasters by providing long-term, low-interest loans to affected homeowners, renters, businesses, and non-profit organizations. SBA offers home and business loans to compensate for physical damages and also offers loans to businesses to compensate for economic damages. This program is particularly vulnerable to fraud and unnecessary losses because loan transactions are expedited in order to provide quick relief to disaster survivors. In FY 2015, SBA approved \$372 million in disaster assistance loans.

### Assessment of Agency Efforts

SBA's improper payment rate for disaster direct loan disbursements decreased from 12 percent (\$70.2 million) in FY 2014 to 8.13 percent (\$24.6 million) in FY 2015. The improper payment rate achieved was lower than the 9.9 percent FY 2015 reduction target and below the 10 percent improper payment rate necessary to comply with IPERA requirements.

SBA's corrective action plan for the Disaster Loan Program has been effective in reducing the improper payment rate. Specifically, SBA conducted training for the disbursement staff at the Processing and Disbursement Center (PDC) on acceptable documentation for the various types of insurance coverage. Additionally, SBA now performs multi-layered reviews on all disbursements greater than \$100,000 to identify and prevent improper payments prior to disbursing loans. SBA has also assembled a due-diligence review team within the PDC to conduct improper payment reviews of random loans.

SBA also includes improper payment reduction as a rating factor in the annual performance evaluations of all loan processing staff including loan officers, attorneys, and PDC management officials. Further, SBA updated its Disaster Credit Management System (electronic loan file system) with an electronic checklist to prevent disbursing loan funds when insurance policies have expired. Additionally, the Office of Disaster Assistance's Management and Quality Control teams hold bi-weekly meetings to discuss ongoing improper payment issues and develop strategies on how to resolve the issues and prevent future improper payments. The results of OIG's evaluation of Agency efforts are summarized below.

**Table 9. OIG's Evaluation of Agency Efforts**

<b>OMB Criteria</b>	<b>Status at End of 2015</b>
Accuracy & completeness of Agency reporting	Implemented
Performance in reducing/recapturing improper payments	N/A <sup>14</sup>
Quality of corrective action plans	Implemented
<b>Overall assessment of Agency efforts</b>	<b>Implemented</b>

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<sup>14</sup> SBA has determined that payment recapture audits for this program would not be cost effective.



## AFR Review

Our review of the AFR found that SBA was fully compliant with the IPERA reporting requirements. The results of OIG's review of the AFR are summarized below.

**Table 10. OIG's Review of the AFR**

<b>OMB Reporting Requirement</b>	<b>Status at End of 2015</b>
Posted materials	Compliant
Assessed risk	Compliant
Published estimates for susceptible programs	Compliant
Published programmatic corrective action plans	Compliant
Met annual reduction target	Compliant
Reported rate of less than 10 percent	Compliant

## Section 5: Disbursements for Goods and Services

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### Background

SBA awards contracts for goods and services to assist in carrying out its mission. SBA made 3,255 disbursements for goods and services (totaling approximately \$105 million) between April 1, 2014 and March 31, 2015.

### Assessment of Agency Efforts

SBA's improper payment rate increased from 8.46 percent (or \$7.8 million) in FY 2014 to 13.52 percent (or \$14.3 million) in FY 2015. In the FY 2015 AFR, SBA attributed the root cause of the improper payments to administrative and documentation errors. While the error rate increased substantially this year, approximately 89.5 percent (or \$6.5 million) of the improper payments identified in the sample were attributed to 3 types of errors: task orders dated prior to the base contract award date, accounts paid were not the accounts registered in the System for Award Management, and period of performance was not specified on contracts.

SBA developed detailed corrective actions plans addressing the root causes of identified improper payments. For example, the Agency plans to develop a pre-award checklist to minimize administrative errors on contract awards. Because the improper payments were considered administrative errors, we upgraded SBA's rating from "substantial progress" in FY 2014 to "implemented" in FY 2015. The results of OIG's evaluation of Agency efforts are summarized below.

**Table 11. OIG's Evaluation of Agency Efforts**

<b>OMB Criteria</b>	<b>Status at End of 2015</b>
Accuracy & completeness of Agency reporting	Implemented
Performance in reducing/recapturing improper payments	N/A <sup>15</sup>
Quality of corrective action plans	Implemented
<b>Overall assessment of Agency efforts</b>	<b>Implemented</b>

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<sup>15</sup> SBA has determined that payment recapture audits for this program would not be cost effective.

## AFR Review

Our review of the AFR found that SBA was fully compliant with most IPERA reporting requirements. However, the improper payment estimate increased from 8.46 percent in FY 2014 to 13.52 percent in FY 2015, and SBA did not meet its planned reduction target for the program. In addition, SBA's improper payment rate exceeded the 10 percent level necessary to comply with IPERA requirements. In accordance with OMB criteria, on March 17, 2016, SBA submitted to Congressional committees and OMB a plan outlining how it will become compliant with IPERA.<sup>16</sup> The results of OIG's review of the AFR are summarized below.

**Table 12. OIG's Review of the AFR**

<b>OMB Reporting Requirement</b>	<b>Status at End of 2015</b>
Posted materials	Compliant
Assessed risk	Compliant
Published estimates for susceptible programs	Compliant
Published programmatic corrective action plans	Compliant
Met annual reduction target	Non-compliant
Reported rate of less than 10 percent	Non-compliant

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<sup>16</sup> OMB Memorandum M-15-02, Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments* (October 14, 2014).

## Section 6: Hurricane Sandy Disaster Relief Grants

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### Background

On October 29, 2012, Hurricane Sandy devastated portions of the Mid-Atlantic and Northeast United States. In response to the storm, on January 29, 2013, Congress enacted the Disaster Relief Appropriations Act of 2013 (DRAA). SBA was appropriated \$20 million under DRAA to provide technical assistance to small businesses recovering from Hurricane Sandy.<sup>17</sup>

Within SBA, the Office of Entrepreneurial Development (OED) managed these grants. OED oversees a nation-wide network of programs and services that support the training and counseling needs of small businesses. OED's resource partners include small business development centers, women's business centers, and the SCORE Association located nationwide. In April 2013, OED began awarding Hurricane Sandy technical assistance grants to its resource partners through two rounds of funding that totaled \$5.8 million for the first round (Phase 1) and approximately \$13.2 million for the second round (Phase 2).

### Assessment of Agency Efforts

SBA reported an improper payment rate of 3.02 percent (or \$130,051) for FY 2015, a slight increase from the 3 percent rate (or \$165,642) reported in the previous year. OED revised its test plan to improve testing procedures and trained personnel responsible for performing the Agency's improper payment review for Hurricane Sandy technical assistance grants. Therefore, we upgraded SBA's rating from "needs immediate management attention" in FY 2014 to "progress" in FY 2015.

While the error rate remained almost the same as the previous year, we identified areas for improvement in SBA's improper payment review process, which SBA addressed during this review. Specifically, OED revised its test plan to include steps to detect whether funds were disbursed from the proper grant award. In addition, OED took action to ensure reviewers complete all elements of the test plan when using an alternative testing instrument. Further, OED revised its test plan to ensure that all errors that reviewers identified as exceptions to the test plan also be identified as improper payments and be included in the improper payment rate calculation.

While the Agency found and reported a 3.02 percent improper payment rate for this program, it may have understated its rate because reviewing personnel excluded some administrative and documentation errors from the improper payment rate calculation. The results of OIG's evaluation of Agency efforts are summarized below.

**Table 13. OIG's Evaluation of Agency Efforts**

<b>OMB Criteria</b>	<b>Status at End of 2015</b>
Accuracy & completeness of Agency reporting	Progress
Performance in reducing/recapturing improper payments	N/A <sup>18</sup>
Quality of corrective action plans	N/A <sup>19</sup>
<b>Overall assessment of Agency efforts</b>	<b>Progress</b>

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<sup>17</sup> Sequestration resulted in the Agency receiving \$19 million.

<sup>18</sup> This step is not applicable. Hurricane Sandy technical assistance grants would not benefit from a recapture audit because the payments identified were due to administrative errors.

<sup>19</sup> SBA was not required to develop corrective action plans because the improper payments totaled less than \$10 million.

## AFR Review

Our review of the AFR found that SBA was fully compliant with most IPERA reporting requirements. However, because SBA did not meet its planned reduction target of 2.5 percent, IPERA reporting requirements were not met.

**Table 14. OIG's Review of the AFR**

OMB Reporting Requirement	Status at End of 2015
Posted materials	Compliant
Assessed risk	Compliant
Published estimates for susceptible programs	Compliant
Published programmatic corrective action plans	N/A <sup>20</sup>
Met annual reduction target	Non-compliant
Reported rate of less than 10 percent	Compliant

## Recommendation

We recommend that the Associate Administrator for Entrepreneurial Development:

4. Submit to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB within 90 days of this report a plan that includes:
  - a) Measurable milestones for becoming compliant with IPERA;
  - b) Designation of an accountable senior Agency official; and
  - c) The establishment of an accountability mechanism, describing the actions the Agency will take to become compliant.

## Analysis of Agency Response

SBA agreed that the Hurricane Sandy Disaster Relief Grant program failed to meet its annual reduction target for 1 year and is subject to the requirements outlined in the recommendation.

## Summary of Actions Necessary to Close the Report

The following provides the status of the recommendation and the necessary action to either resolve or close the recommendation.

**Recommendation 4. Resolved.** OED management stated it will provide the required documentation to OMB and the Senate and House committees within 90 days of the date this report is published. This recommendation can be closed upon OED providing evidence supporting that it submitted to Congressional committees and OMB a plan outlining how it will become compliant with IPERA.

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<sup>20</sup> SBA did not develop corrective action plans because the improper payments totaled less than \$10 million.

## Section 7: Hurricane Sandy Disaster Assistance Administrative Funds

### Background

Under DRAA, SBA received a \$260 million appropriation to provide administrative expenses necessary to make and service disaster assistance direct loans. In accordance with DRAA, all programs and activities that received these funds were considered susceptible to significant improper payments, regardless of any previous improper payment risk assessment results, and are required to report an improper payment estimate. For FY 2015, the Agency measured and reported improper payments for Hurricane Sandy disaster relief administrative expenses. The Agency separated administrative funds into three categories for measurement and reporting purposes: payroll, travel, and purchase cards.

### Assessment of Agency Efforts

We assessed the Agency's process in all three areas, as implemented. SBA had a robust process to measure and report improper payments, producing improper payment rates well below the threshold to be compliant with IPERA requirements (See Table 15). The test plans for each area were detailed and complete, and SBA fully utilized them when developing and implementing its sample testing process. Additionally, testers in each area were experienced in the subject matter.

**Table 15. Administrative Outlays and Improper Payment Rates**

Program	Outlays	Improper Payment Rate
Administrative Expenses - Payroll	\$136.7 million	0.3 percent
Administrative Expenses - Travel	\$10.1 million	0.12 percent
Administrative Expenses - Purchase Cards	\$.5 million	1.0 percent

The results of OIG's evaluation of Agency efforts are summarized below.

**Table 16. OIG's Evaluation of Agency Efforts**

OMB Criteria	Status at End of 2015
Accuracy & completeness of Agency reporting	Implemented
Performance in reducing/recapturing improper payments	N/A <sup>21</sup>
Quality of corrective action plans	N/A <sup>22</sup>
<b>Overall assessment of Agency efforts</b>	<b>Implemented</b>

<sup>21</sup> SBA has determined that payment recapture audits for payroll and travel would not be cost effective. Purchase card outlays were less than the \$1 million threshold to require a recapture program.

<sup>22</sup> Improper payments did not exceed the 1.5 percent and \$10 million threshold for reporting a corrective action plan.

## AFR Review

Our review of the AFR found that SBA was fully compliant with IPERA reporting requirements. The results of OIG's review of the AFR are summarized below.

**Table 17. OIG's Review of the AFR**

<b>OMB Reporting Requirement</b>	<b>Status at End of 2015</b>
Posted materials	Compliant
Assessed risk	Compliant
Published estimates for susceptible programs	Compliant
Published programmatic corrective action plans	N/A <sup>23</sup>
Met annual reduction target	N/A <sup>24</sup>
Reported rate of less than 10 percent	Compliant

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<sup>23</sup> Improper payments did not exceed the 1.5 percent and \$10 million threshold for reporting a corrective action plan.

<sup>24</sup> This step was not applicable because Hurricane Sandy administrative funds were a new area for this year's IPERA review.

## **Appendix I: Scope and Methodology**

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This report presents the results of our evaluation of SBA's FY 2015 progress in reducing improper payments. Our objectives were to (1) determine whether SBA complied with IPERA using guidelines outlined in OMB Memorandum M-15-02 and (2) assess SBA's progress in remediating improper payment-related recommendations. To perform the evaluation, our scope included an assessment of improper payments that SBA reported for 7(a) loan guaranty purchases, 7(a) loan guaranty approvals, 504 CDC loan guaranty approvals, disaster direct loan disbursements, disbursements for goods and services, and Hurricane Sandy disaster relief grants and administrative funds.

To answer our objectives, we assessed the controls SBA implemented to address prior-year OIG recommendations and evaluated whether SBA addressed required provisions. Specifically, we interviewed SBA officials and reviewed SBA documentation and plans to assess compliance with identified controls and IPERA provisions. We also assessed the Agency's efforts to prevent and reduce improper payments and reviewed the accuracy and completeness of improper payment disclosures in the AFR, as specified in OMB guidance. Moreover, we assessed progress the Agency had made against the baseline we established in 2011. Because this was SBA's first year reporting on Hurricane Sandy disaster relief payroll, travel, and purchase card expenses, we performed limited testing of compliance with identified controls to determine whether the reported improper payment rate was accurate. Our review did not assess whether specific program-reported rates were accurate.

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

### **Use of Computer-Processed Data**

We relied on information provided by SBA officials that was extracted from SBA's Electronic Loan Information Processing System (ELIPS), Disaster Credit Management System (DCMS), Oracle Federal Financial System (JAAMS), PRISM Contract Management System, Guaranty Purchase Tracking System, and E-Tran. Previous OIG and independent public accountant audits have verified that the information maintained in those systems is reliable. In addition, we conducted limited reliability tests on certain data contained in the universe. For example, we verified that the data was within the scope of our requests and did not include any data errors. We believe this information is reliable for the purposes of this evaluation.



## Prior Coverage

### *Small Business Administration-Office of Inspector General Reports*

*SBA's FY 2014 Compliance with the Improper Payments Elimination and Recovery Act (Report 15-11, May 15, 2015).*

*SBA's Progress in Complying with the Improper Payments Elimination and Recovery Act (Report 14-11, April 10, 2014).*

*Purchase Reviews Allowed \$3.1 Million in Improper Payments on 7(a) Recovery Act Loans (Report 14-09, January 29, 2014).*

*Purchase Reviews Allowed \$4.6 Million in Improper Payments on 7(a) Recovery Act Loans (Report 13-16R, June 14, 2013).*

*Evaluation of SBA's Progress in Reducing Improper Payments in FY 2012 (Report 13-13, March 14, 2013).*

*The Small Business Administration's Improper Payment Rate for 7(a) Guaranty Purchases Remains Significantly Understated (Report 13-07, November 15, 2012).*

*A Detailed Repayment Ability Analysis is Needed on High-Dollar Early-Defaulted Loans to Prevent Future Improper Payments (Report 12-18, August 16, 2012).*

*High-Dollar Early-Defaulted Loans Require an Increased Degree of Scrutiny and Improved Quality Control at the National Guaranty Purchase Center (Report 12-11R, March 23, 2012).*

*SBA Generally Meets IPERA Reporting Guidance but Immediate Attention Is Needed to Prevent and Reduce Improper Payments (Report 12-10, March 15, 2012).*

*Origination and Closing Deficiencies Identified In 7(a) Recovery Act Loan Approvals (ROM 11-07, September 30, 2011).*

*Material Deficiencies Identified in Five 7(a) Recovery Act Loans Resulted in \$2.7 Million of Questioned Costs (ROM 11-06, August 25, 2011).*

*Banco Popular Did Not Adequately Assess Borrower Repayment Ability When Originating Huntington Learning Center Franchise Loans (Report 11-16, July 13, 2011).*

*America's Recovery Capital Loans Were Not Originated and Closed In Accordance With SBA's Policies and Procedures (ROM 11-03, March 2, 2011).*

*Material Deficiencies Identified in Early-Defaulted and Early-Problem Recovery Act Loans (ROM 10-19, September 24, 2010).*

*SBA's Management of the Backlog of Post-Purchase Reviews at the National Guaranty Purchase Center (Report 9-18, August 25, 2009).*

*The Small Business Administration's Fiscal Year 2008 Improper Payment Rate for the 7(a) Guaranty Loan Program (Report 9-16, July 10, 2009).*

## Appendix II. Status of Open Prior Year Recommendations

Audit Report	Recommendation	Management Decision Date	Final Action Date
13-16R, <i>Purchase Reviews Allowed \$4.6 Million in Improper Payments on 7(a) Recovery Act Loans</i> (June 14, 2013)	6. Seek recovery of \$680,900 from (see report for the bank).	3/28/2014	<b>4/30/2015</b>
14-09, <i>Purchase Reviews Allowed \$3.1 Million in Improper Payments on 7(a) Recovery Act Loans</i> (January 29, 2014)	2. Seek recovery of \$685,691 (less any amounts received from liquidation) from the bank (see report for the bank name).	1/29/2014	<b>4/30/2015</b>
15-11, <i>SBA's FY2014 Compliance with the Improper Payments Elimination and Recovery Act</i> (May 15, 2015)	1. Recommend the Associate Administrator for the Office of Entrepreneurial Development recover \$168,000 of unallowable indirect costs from the grantee.	5/15/2015	<b>12/31/2015</b>
	4. Recommend the Associate Administrator for the Office of Entrepreneurial Development develop and implement a corrective action plan that includes the underlying causes of the improper payments identified by the OIG in its review of the FY2014 Hurricane Sandy technical assistance grants.	5/15/2015	<b>12/31/2015</b>
15-09, <i>The OIG High Risk 7(a) Loan Review Program Recommends \$1.8 Million in Recoveries</i> (March 20, 2015)	1. Require the bank to bring loan into compliance or seek recovery of \$413,704, less liquidation amounts, on the guaranty paid by SBA for the loan to the borrower (see report for the bank and borrower).	3/23/2015	<b>10/2/2015</b>
	2. Require bank to bring loan into compliance or seek recover of \$900,175, less liquidation amounts, on the guaranty paid by SBA for the loan to the borrower (see report for the bank and borrower).	3/23/2015	<b>4/2/2016</b>
	3. Require credit union to bring loan into compliance or seek recovery of \$471,905, less liquidation amounts, on the guaranty paid by SBA for the loan to the borrower (see report for the credit union and borrower).	3/23/2015	<b>10/2/2015</b>

Note: Final actions in bold, red text are overdue.

## Appendix III. Agency Comments

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U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, D.C. 20416

To: Troy M. Meyer  
Assistant Inspector General for Auditing  
Office of Inspector General (OIG)

From: John Miller  
Deputy Associate Administrator  
Office of Capital Access

Lori Gillen  
Deputy Associate Administrator  
Office of Entrepreneurial Development

Date: May 6, 2016

Subject: Comments on OIG Audit Report "SBA's FY 2015 Progress in Reducing Improper Payments"

The Small Business Administration (SBA) appreciates the opportunity to review and respond to the draft report "SBA's FY 2015 Progress in Reducing Improper Payments".

Improved financial performance through the reduction of improper payments continues to be a key financial management focus of the Federal government. SBA management continually develops strategies to reduce improper payments for responsible stewardship of public assets.

SBA offers the following comments in response to your audit recommendations:

Recommendation #1: We recommend that the Director of the Office of Financial Program Operations continue to work with OMB to ensure supplemental measurements to reduce improper payments in the 7(a) Loan Guaranty Approvals Program are developed within the required timeframe and provided to OMB.

Agency Response: SBA objects to the inclusion of this recommendation in the report as SBA believes this recommendation is out of scope of the audit and unnecessarily directs the Agency to perform a task which is not yet due to OMB. Its inclusion in this report as a recommendation is out of scope and misleading as it implies that the Agency has not taken appropriate action when the Agency has been working diligently with OMB to comply with the new requirements.

According to the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), and OMB's implementing guidance, Circular A-123, Appendix C (M-15-02), OMB may classify a program as high-priority if the improper payment estimate amount reported in the AFR or PAR is above \$750 million, regardless of the improper payment rate estimate. In FY 2015, the 7(a) Guaranty Approvals Program reported improper payment estimates above this threshold and SBA was notified on November 19, 2015 that the program will now be considered a high-priority program for reporting purposes. Part of the reporting requirements is to submit supplemental measurements to OMB within 180 days of notification, which is May 17, 2016.

The stated objective of the OIG's FY 2015 audit was to (1) determine whether SBA complied with IPERIA using guidelines outlined in OMB Memorandum M-15-02, Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments, and (2) assess progress SBA made in remediating improper payment-related recommendations. Supplemental measurements required for designated high-priority programs is not one of the six criteria listed in OMB Memorandum M-15-02 for which an agency may be deemed out of compliance. Designation of a high-priority program simply requires the Agency to develop additional measures to reduce improper payments and comply with additional reporting requirements.

We requested that this recommendation be eliminated from the final report as it implies that SBA did not develop supplemental measurements in FY 2015 (the audit scope period) when it was not required to do so. The requirement became effective in FY 2016 and the measurement documentation is not due to OMB until May 17, 2016. In addition, supplemental measurements are not one of the six criteria the OIG is directed to review for non-compliance with IPERIA.

SBA does not dispute that supplemental measurements should be submitted to OMB in FY2016 and submitted its response to OMB on April 28, 2016. As such, there is no action required for this recommendation.

Recommendation #2: We recommend that the Director of the Office of Financial Program Operations submit to Congress within OMB's required deadline the following: a) Reauthorization proposals for each (discretionary) program or activity that has not been in compliance for three or more consecutive fiscal years; or b) Proposed statutory changes necessary to bring the program or activity into compliance.

Agency Response: SBA concurs that the 7(a) Guaranty Approvals program failed to meet its annual reduction target within .1 percentage point for three years or more and is subject to the requirements outlined in the recommendation. In the current year of FY2015 the difference was .69 percent from the target, or less than 1 percent.

The Office of General Counsel advises that the 7(a) Guaranty program has permanent authority to operate and therefore does not require reauthorization. No program

statutory changes are necessary to make more realistic target goals. The one statutory change proposal SBA may offer would be to allow compliance to the target goal to be within 1 percent, not .1 percentage point.

SBA will advise OMB within 90 days of the date of the published report as required.

Recommendation #3: We recommend that the Director of the Office of Financial Program Operations submit to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB within 90 days of this report a plan for the 504 Loan Program that includes: a) Measurable milestones for becoming compliant with IPERA; b) Designation of an accountable senior agency official; and c) The establishment of an accountability mechanism, describing the actions the agency will take to become compliant.

Agency Response: SBA concurs that the 504 Loan Program failed to meet its annual reduction target within .1 percentage point for one year and is subject to the requirements outlined in the recommendation and will comply within 90 days of the date the report is published as required.

Recommendation #4: We recommend that the Associate Administrator for Entrepreneurial Development submit to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB within 90 days of this report a plan that includes: a) Measurable milestones for becoming compliant with IPERA; b) Designation of an accountable senior agency official; and c) The establishment of an accountability mechanism, describing the actions the agency will take to become compliant.

Agency Response: SBA concurs that the Hurricane Sandy Disaster Relief Grant program failed to meet its annual reduction target within .1 percentage point for one year and is subject to the requirements outlined in the recommendation and will comply within 90 days of the date the report is published as required. In the current year of FY2015 the difference was .52 percent from the target, or less than 1 percent.

If you have any questions, please contact LaNae Twite at 202-205-6438.