

## OIG Recovery Act Plan Overview

<b>OIG Name:</b>	U.S. Small Business Administration, Office of Inspector General
<b>OIG Broad Recovery Act Goals:</b>	The OIG has developed oversight plans for deploying additional resources to monitor, evaluate, and report on the performance and oversight of SBA's programs under the Act. These new programs and program changes are inherently high risk, requiring the Agency to establish effective controls and adequate oversight. Therefore, the OIG's oversight efforts will focus heavily on assessing these controls and detecting and deterring fraud, waste and abuse in Recovery Act programs.
<b>OIG Broad Training and Outreach Recovery Act Goals:</b>	The OIG conducted outreach efforts to raise fraud awareness and engage industry trade groups. Outreach efforts focused on providing SBA lenders and employees with information on detecting fraud patterns that have been identified in OIG loan fraud investigations through written guidance, website information, and presentations at trade group events, as well as notifying the public of scams. Additionally, the OIG will be posting the results of audits and other reviews on its Recovery Act website. We plan to continue outreach efforts in FY 2010.
<b>OIG Recovery Act Risk Assessment Process:</b>	The OIG has taken a number of actions to alert Agency managers of risks and recommend cost effective controls to help prevent fraud, waste, and abuse, and ensure program goals are achieved and stimulus funds are accurately tracked and reported. In FY 2010 we will review Agency regulations and procedures for the new secondary market programs under the Recovery Act. Additionally, began conducting periodic reviews of loan quality and we will determine whether the Agency has taken the required steps, beyond standard practice, to initiate additional oversight mechanisms for programs funded by the Recovery Act. As we identify risks, we have and will continue to provide Agency managers with comments and recommendations for ways to mitigate these risks.
<b>OIG Recovery Act Funds:</b>	\$10,000,000
<b>Expiration Date of OIG Recovery Act Funds:</b>	September 30, 2013
<b>OIG Recovery Act Funds Allocated to Contracts:</b>	Yes
<b>Purpose of Recovery Act Contracts:</b>	Contractors will be used to assist with loan review audits and financial statement audits.
<b>Types of Recovery Act Contracts Awarded to Date:</b>	Fixed price modification of the existing financial statement audit contract.
<b>Link to OIG Recovery Act Work Plan:</b>	<a href="http://www.sba.gov/ig/recovery">www.sba.gov/ig/recovery</a>

### OIG FY 2010 Recovery Act Work Plan

Agency	Program Area	Recovery Act Funds Associated w/Program Area	Type of Review	Entity Performing Review	Project Title	Background	Objective	Review Included on Prior Recovery Act Plan (Y/N)	Expected Quarter Work Begins	Expected Quarter(s) Reports Issued	Expected Number of Reports
SBA	Loans and Loan Guarantees	\$630,000,000	Performance	OIG Staff	Reviews of Loans Made Under the American Recovery and Reinvestment Act of 2009	The American Recovery and Reinvestment Act of 2009 (Recovery Act) provides for many enhancements to current SBA programs to begin economic recovery for our country's small business sector. The Recovery Act provides reduced loan fees, higher SBA guaranties on loans, and the creation of new SBA credit programs. In times of economic instability, SBA's programs suffer increased vulnerability to fraud and unnecessary losses as demonstrated by SBA's response after the 9-11 attacks and the Gulf Coast Hurricanes. With increased guaranties, lenders will have reduced risk and may not exercise due diligence in originating loans thereby potentially increasing SBA losses. Additionally, SBA's oversight may not be as effective in identifying red flags in loan applications due to public pressure to increase lending. An audit of the origination of loans disbursed pursuant to the Recovery Act is warranted.	To determine if loans disbursed pursuant to the Recovery Act were originated and closed in accordance with SBA's policies and procedures and to identify any evidence of suspicious activity.	Yes	Q4 FY 09	Q1 FY 10 Q2 FY 10 Q3 FY 10	3
SBA	Microloans	\$6,000,000	Performance	OIG Staff	SBA's Microloan Program Expansion Under the American Recovery and Reinvestment Act of 2009	The Recovery Act authorizes \$6 million for direct lending under SBA's Microloan program. A previous OIG report identified significant internal control weaknesses in the administration of the Microloan program. In May 2003, the OIG issued a report on the Microloan Program that found (1) monitoring was not sufficient to catch duplicate and ineligible microloans; (2) there was no Standard Operating Procedure, requiring staff and participants to rely on other documents with various shortcomings; and (3) performance standards for intermediaries were inadequate. As a result of the significant Recovery Act funding and known program weaknesses, SBA began a "best practices" review of the program and expects to make major changes to the Microloan Program before Recovery Act funds are disbursed. The OIG will evaluate whether SBA has sufficient resources, procedures, data and performance measures in place to assess program performance and whether the Agency's new program policy, which is currently in development, to determine their effectiveness.	To determine whether SBA (1) has taken effective risk mitigation actions to minimize unnecessary program losses, and (2) has the proper resources and tools in place to effectively monitor and report on program performance.	Yes	Q4 FY 09	Q1 FY 10 Q3 FY 10	2

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SBA	Program Administration	\$636,000,000	Administrative / Financial	OIG Staff	Review of Program Statistics Reported by SBA Under the American Recovery and Reinvestment Act of 2009	The Recovery Act calls for unprecedented levels of transparency and accountability in carrying out Agency programs. On April 3, 2009 the Office of Management and Budget (OMB) issued Memorandum M-09-15, <i>Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009</i> . Sections 2.7 and 2.8 of this Memorandum require Agencies receiving Recovery Act funding to develop Agency-wide and program-specific recovery plans that include performance measures to assess the quantifiable outcome of the programs. The Memorandum also requires Agencies to consult with the OIG to establish procedures to validate the accuracy of information submitted on a statistical basis and/or risk-based approach as approved by OMB.	To: (1) determine whether SBA's performance metrics adequately measure Recovery Act program performance; and (2) assess data quality controls to ensure that reported performance data is accurate.	Yes	Q3 FY 09	Q1 FY 10 Q3 FY 10	2
SBA	Program Administration		Administrative / Financial	OIG Staff	SBA's Response to the Increased Oversight Requirements of the Recovery Act	In accordance with Office of Management and Budget's Recovery Act guidance, agencies are required to take steps, beyond standard practice, to initiate additional oversight mechanisms for programs funded by the Recovery Act. At a minimum, agencies are to evaluate and demonstrate the effectiveness of standard monitoring and oversight practices. Agencies are also required to enhance performance management and accountability processes, as well as implement appropriate internal control assessments to define strategies to prevent and timely detect waste, fraud and abuse. Ongoing audits have identified problem loans originated by SBA and delegated lenders that will require additional monitoring and oversight by SBA.	To determine: (1) the adequacy of staffing and risk mitigation plans developed by the Agency to meet the increased oversight requirements of the Recovery Act; (2) the effectiveness of the Agency's implementation of these plans; and (3) if the Agency's lender and loan monitoring system is used in providing increased oversight of Recovery Act loans.	Yes	Q2 FY 10	Q4 FY 10	1
SBA	504 Programs		Performance	OIG Staff	Periodic Review of the Use of SBA's Secondary Market Authority on 504 Loans	The Recovery Act created a new, 2-year program to establish a Secondary Market Guaranty Authority for 504 loans. Under this program, SBA will issue guaranties for the sale of first lien position loans issued by private lenders under the 504 program and develop a secondary market for the purchase of these loans or pools of loans. The program is set to expire February 17, 2011. This program results in SBA guaranties of first mortgages made by private sector lenders to small businesses. Since these are not SBA delegated lenders, they are not subject to SBA's guidance and SOPs. Unlike participating 7(a) lenders, SBA has no recourse against these 504 lenders for loans poor underwriting and/or serviced. This greatly increases the risk of SBA losses.	To determine whether: (1) SBA has established an adequate process for evaluating applications for guaranties on pools of 504 first lien loans; and (2) SBA's guaranties were properly applied to 504 loans and the pools of guaranteed loans were sold to third party investors as required.	Yes	Q3 FY 10	Q4 FY 10	1 or more

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SBA	Loans and Loan Guaranties	\$630,000,000	Performance	Contractor	Audits of Purchased Loans Made Under the Recovery Act	SBA guaranties loans that are made by participating lenders under a Guaranty Agreement to originate, service, and liquidate loans in accordance with SBA's rules and regulations. When a loan defaults, the lender can request payment of the guaranty. SBA reviews loan documentation to evaluate the lender's compliance with program rules and regulations. This review is SBA's primary control for ensuring lender compliance and preventing improper payments. In the event of noncompliance, SBA may be released from its liability on a loan guaranty, in full or in part. Previous OIG audits have identified material lender noncompliance in loan origination, closing, and liquidation that were not detected in SBA's purchase review processes, resulting in improper payments. Increased lending under the Recovery Act, combined with limited SBA resources and higher default rates, put the Agency at risk for even higher improper payments.	To determine whether purchased loans were originated, closed, and liquidated in accordance with SBA's rules and regulations and commercially prudent lending standards for 7(a), 504 (including refinancing), and American Recovery Capital (ARC) loans.	No	Q3 FY 10	Q1 FY 11 Q2 FY 11 Q3 FY 11 Q4 FY 11	4
SBA	Secondary Market Lending Authority		Performance	OIG Staff	Broker-Dealer Loans	The Recovery Act establishes a new and temporary program that allows SBA to establish a Secondary Market Lending Authority that makes direct loans to systematically important broker-dealers (SISMBDs) who buy and sell the guaranteed portion of 7(a) loans in the secondary market. These broker-dealers would use the loan funds to purchase SBA-backed loans from commercial lenders, assemble them into pools, and sell them to investors in the secondary loan market. There is no limit on the size of these loans. SBA must implement the program on an expedited basis, which may result in loans being made before effective controls and underwriting criteria has been established. The new program is at risk for increased fraud and losses from both the 7(a) loan guaranty and the loan to the SISMBD. Furthermore, the Recovery Act provides no statutory limit on the maximum size of loans to an SISMBD, greatly increasing the potential for losses.	To determine whether loans to secondary market broker-dealers were originated and closed in accordance with SBA program policies and procedures and commercially prudent lending standards.	No	Q4 FY 10	Q2 FY 11	1

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SBA	SBIC		Performance	OIG Staff	Impact and Use of Increased Small Business Investment Company (SBIC) Leverage	The Recovery Act expanded SBA's venture capital program to increase the pool of investment funding available to SBICs licensed by SBA. SBICs are privately owned and managed by venture capital firms, which are licensed and regulated by SBA. There are about 338 SBICs with \$17.4 billion in capital. The Recovery Act permanently increases guaranteed leverage (in the form of debentures) to SBICs to \$150 million for single SBICs and up to \$225 million for multiple SBICs that are under common control. SBICs licensed after October 1, 2009, which certify that at least 50 percent of their investments will be made in small businesses located in low-income areas, can receive \$175 million in guaranteed leverage for single SBICs and up to \$250 million for jointly controlled multiple licenses. SBA's policies and procedures restrict the maximum amount that SBICs can invest in a single company or group of affiliated companies.	To determine: (1) whether SBICs are using increased leverage for the purposes directed by the Recovery Act; (2) assess the impact of increased leverage on small businesses; and (3) determine whether commonly controlled SBICs have exceeded maximum outstanding leverage limits.	No	Q1 FY 10	Q2 FY 10	1 or more
SBA	Loans and Loan Guaranties		Performance	OIG Staff	Review of the Recovery Act's Impact on SBA Lending	The Recovery Act is intended to stimulate small business lending, increase access to credit, and improve secondary market liquidity. Periodic reviews of program data will allow OIG to monitor how effectively SBA's programs are meeting the goals of the Recovery Act. These reviews will also allow the OIG to identify program trends as they occur, as well as indicators of control weaknesses or fraud.	To assess the effectiveness of SBA's programs in meeting the goals of the Recovery Act of increased lending and job growth and to report to the Agency any weaknesses in program data and how data is being used to measure the effectiveness of Recovery Act programs.	Yes	Q4 FY 09	Q2 FY 10	1
SBA	Loans and Loan Guaranties		Performance	OIG Staff	Review of SBA's Job Creation Data Under the American Recovery and Reinvestment Act of 2009	Under the Recovery Act of 2009, the SBA received \$730 million to expand the Agency's lending and investment programs and to create new ones to aid small business owners and revitalize the secondary market for SBA-guaranteed loans. Data reported on job creation and retention will be an important measure of the Recovery Act's success and impact on the economy.	To evaluate the reliability of lender-reported job creation and retention statistics, which are being used as a major performance metric under the Recovery Act.	No	Q4 FY 09	Q2 FY 10	1 or more
SBA	Financial Management		Administrative/ Financial	Contractor	KPMG Audit of SBA's FY 2009 Financial Statements - Statement of Budgetary Resources	In conjunction with the annual financial statement audit, OIG will modify the scope of its contract with KPMG to include additional testing for Recovery Act activity. KPMG will assess the adequacy of SBA's internal controls to ensure that Recovery Act funds are properly tracked, controlled, and reported.	To determine whether: (1) SBA has adequate controls in place over Recovery Act funds and the Recovery Act budget process is executed in accordance with Federal guidance; (2) SBA's Office of Chief Financial Officer has established general ledger accounts to properly track recovery fund activity and has properly accounted for fixed administrative costs; and (3) recorded spending authority from offsetting collections are available for obligation and referenced to the appropriate authorizing legislation.	Yes	Q3 FY 09	Q1 FY 10	1 or more

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SBA	Financial Management		Administrative/ Financial	Contractor	KPMG Audit of SBA's FY 2009 Financial Statements - Credit Receivables - Loan Guaranties	In conjunction with the annual financial statement audit, OIG will modify the scope of its contract with KPMG to include additional testing for Recovery Act activity. KPMG will assess the adequacy of SBA's internal controls over the loan guaranty process.	To determine whether SBA has adequate accounting controls in place over loan guaranty approvals, purchases, modifications and charge-offs.	Yes	Q3 FY 09	Q1 FY 10	TBD
SBA	Financial Management		Administrative/ Financial	OIG Staff	Adequacy of Controls over FY 2009 Recovery Act Recipient Reporting	The Recovery Act established new reporting requirements related to the award and use of funds to promote transparency. We will review SBA's process for monitoring recipient reporting of Recovery Act funds for the quarter ending September 30, 2009.	To determine whether SBA has established a process to perform limited data quality reviews intended to identify material omissions and/or significant reporting errors, and notify the recipients of the need to make appropriate and timely changes.	No	Q4 FY 09	Q1 FY 10	1
SBA	Financial Management		Administrative/ Financial	Contractor	KPMG Audit of SBA's FY 2009 Financial Statements - Grant Expenses Testwork	In conjunction with the annual financial statement audit, OIG will modify the scope of its contract with KPMG to include additional testing for Recovery Act activity. KPMG will assess the adequacy of SBA's internal controls in place over the grant management and accounting processes, which will include Microloan program grants funded by the Recovery Act.	To determine whether SBA: (1) performs internal control assessments to evaluate the risk of waste, fraud, and/or abuse and identifies strategies to prevent and timely detect waste, fraud, and abuse in grants; (2) has a system of quality controls for accrued grant liabilities in the financial statement footnotes; and (3) validates the accuracy of accrual amounts for a statistical sample of grants.	Yes	Q2 FY 09	Q1 FY 10	TBD
SBA	Financial Management		Administrative/ Financial	Contractor	KPMG Audit of SBA's FY 2010 Financial Statements - Statement of Budgetary Resources	In conjunction with the annual financial statement audit, OIG will modify the scope of its contract with KPMG to include additional testing for Recovery Act activity. KPMG will assess the adequacy of SBA's internal controls to ensure that Recovery Act funds are properly tracked, controlled, and reported.	To determine whether: (1) SBA has adequate controls in place over Recovery Act funds and the Recovery Act budget process is executed in accordance with Federal guidance; (2) SBA's OCFO has established general ledger accounts to properly track recovery fund activity and has properly accounted for fixed administrative costs; and (3) recorded spending authority from offsetting collections is available for obligation and referenced to the appropriate authorizing legislation.	No	Q2 FY 10	Q1 FY 11	1 or more
SBA	Financial Management		Administrative/ Financial	Contractor	KPMG Audit of SBA's FY 2010 Financial Statements - Credit Receivables - Loan Guaranties	In conjunction with the annual financial statement audit, OIG will modify the scope of its contract with KPMG to include additional testing for Recovery Act activity. KPMG will assess the adequacy of SBA's internal controls over the loan guaranty process.	To determine whether SBA has adequate accounting controls in place over loan guaranty approvals, purchases, modifications and charge-offs.	No	Q2 FY 10	Q1 FY 11	TBD
SBA	Financial Management		Administrative/ Financial	Contractor	KPMG Audit of SBA's FY 2010 Financial Statements - Grant Expenses Testwork	In conjunction with the annual financial statement audit, OIG will modify the scope of its contract with KPMG to include additional testing for Recovery Act activity. KPMG will assess the adequacy of SBA's internal controls in place over the grant management and accounting processes, which will include Microloan program grants funded by the Recovery Act.	To determine whether SBA has adequate controls in place over loan guaranty loan approvals, purchases, modifications and charge-offs.	No	Q3 FY 10	Q1 FY 11	TBD

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SBA	Contracts	\$ 20,000,000	Administrative / Financial	OIG Staff	Planning and Award Process for Information Technology Contracts Awarded Under the Recovery Act	Under the Recovery Act, SBA received \$20 million to improve, streamline, and automate information technology systems related to lender processes and lender oversight. SBA intends to issue a series of contracts using various contract types and methods. Because SBA plans to use contractors to manage the award of these contracts and has few staff to oversee them, there is an increased risk that the contracts may not be properly awarded.	To determine whether SBA has: (1) adopted an acquisition plan for the procurements that promote competition, protect the taxpayer, and provide measurable outcomes; (2) ensured contractors are qualified and that contracts contained required Recovery Act provisions; and (3) properly posted solicitations and contract awards to meet the transparency requirements of the Recovery Act.	Yes	Q3 FY 09	Q1 FY 10	1 or more
SBA	Performance		Administrative/ Financial	OIG Staff	Management of IT Projects Funded By the Recovery Act	SBA has designated six Recovery Act-funded projects totaling \$20 million as high priority and set ambitious deadlines for their implementation. The audit will examine how well SBA is managing the Recovery Act projects, given concerns raised in prior OIG reports about the Agency's oversight of other IT projects.	To determine whether SBA is (1) managing the IT projects within cost, schedule, and performance goals; and (2) complying with Federal laws and regulations regarding the development and protection of Federal information systems and data.	No	Q2 FY 10	Q1 FY 11	1
SBA	Microloans	\$ 24,000,000	Administrative/ Financial	OIG Staff	Audit of Technical Assistance Grants in the Microloan Program	The Recovery Act authorizes \$24 million for marketing, management, and technical assistance activities under SBA's Microloan program. SBA makes grants to nonprofit community-based lenders ("intermediaries"), who make loans under the program, to provide business based training and technical assistance to its microborrowers.	To determine whether SBA has: (1) awarded and administered grants for technical assistance in a manner that will result in meaningful and measurable outcomes; (2) adequate safeguards in place to ensure that funds are used for their intended purpose; (3) issued awards timely; and (4) initiated adequate oversight to mitigate additional risks associated with the Recovery Act.	Yes	Q2 FY 10	Q4 FY 10	1
SBA	Contracts		Administrative / Financial	OIG Staff	Oversight of Information Technology Contracts Awarded Under the Recovery Act	Because of the high risk associated with the award and expenditure of Recovery Act funds, OMB has re-emphasized the importance of providing adequate oversight of Recovery Act contracts to mitigate risks. Because SBA is largely using contractors to oversee the \$20 million in IT contracts that will be awarded with Recovery Act funds and may not have sufficient staff to oversee them, the audit will evaluate how well the contract oversight process is being managed.	To determine whether: (1) SBA is providing adequate oversight of IT contracts funded by the Recovery Act; and (2) SBA appointed qualified contracting personnel to monitor contractor performance.	No	Q1 FY 10	Q3 FY 10	1 or more