



**Congressional
Research Service**

Informing the legislative debate since 1914

SBA's Office of Inspector General: Overview, Impact, and Relationship with Congress

name redacted

Senior Specialist in American National Government

August 11, 2016

Congressional Research Service

7-....

www.crs.gov

R44589

Summary

Congress created offices of inspector general (OIGs) to assist in its oversight of the executive branch. OIGs provide independent, non-partisan analysis, conducted in accordance with generally accepted government auditing standards, to identify and recommend ways to limit waste, fraud, and abuse in federal programs and enhance program and operational efficiency and effectiveness. OIGs' activities supplement and complement those of the Government Accountability Office (GAO), which serves a similar, though not identical, role in assisting congressional oversight of the executive branch. Together, OIGs and GAO provide Congress with information and analysis needed to conduct effective oversight and, in the process, help Congress maintain its balance of power with the Presidency.

OIGs exist in more than 70 federal agencies, including all departments and larger agencies, numerous boards and commissions, and other entities. The U.S. Small Business Administration's Office of Inspector General (SBA OIG) provides "independent, objective oversight to improve the integrity, accountability, and performance of the SBA and its programs." The inspector general (IG) directs the office and is appointed by the President, by and with the advice and consent of the Senate.

This report examines the SBA OIG's statutory authorities; reporting requirements; funding; staffing and organizational structure; and recent activities (audits, investigations, etc.). The SBA OIG's impact on monetary savings, SBA programs and operations, and legislation affecting the agency is also examined. The report concludes with observations concerning the SBA OIG's relationship with Congress.

Created under authority of the Inspector General Act of 1978 (P.L. 95-452, as amended), the SBA OIG's three primary statutory purposes are to

1. conduct and supervise audits and investigations of the SBA's programs and operations;
2. recommend policies designed to promote the economy, efficiency, and effectiveness of the SBA's programs and operations and to prevent and detect fraud and abuse; and
3. keep both the SBA Administrator and Congress "fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action."

During FY2015, the SBA OIG issued 17 audit reports containing 80 recommendations for improving the SBA's programs and operations and its investigations resulted in 52 indictments or informations and 57 convictions. The SBA OIG claimed that its recommendations resulted in monetary savings and recoveries of nearly \$134 million for FY2015. In addition, the SBA OIG's annual *Report on the Most Serious Management and Performance Challenges Facing the SBA* focuses attention "on areas that are particularly vulnerable to fraud, waste, error, and mismanagement, or otherwise pose a significant risk and generally have been subject to one or more OIG or GAO reports."

The SBA OIG received an appropriation of \$20.9 million for FY2016. It had 103 full-time equivalent employees (FTEs) in FY2015, and it expects to have 110 FTEs in FY2016.

Comments by House and Senate small business committee leaders seem to suggest general satisfaction with the office's current efforts. However, history has shown that congressional expressions of harmonious relationships and satisfaction with OIGs can change quickly as new actions and changed circumstances present themselves.

Some areas of possible congressional interest, other than SBA OIG funding and staffing issues, include exploring ways to more accurately quantify the SBA OIG's claims of monetary savings and to determine if the SBA OIG should undertake additional tracking and monitoring activities to more accurately quantify the office's impact on SBA programs, operations, and legislation.

Contents

Introduction	1
SBA's OIG	4
Statutory Authorities.....	5
Reporting Requirements.....	6
Funding.....	8
Staffing and Organizational Structure	11
Recent Activities.....	14
Audit Reports	15
Women-Owned Small Business Federal Contract Program	15
Expedited Disaster Loan Processing.....	15
Oversight of Lender Service Providers.....	16
Investigations, Debarment Referrals, and Training Activities	17
Monetary Savings and Recoveries	17
Most Serious Management and Performance Challenges Facing the SBA.....	19
Impact on Program Efficiency and Effectiveness	20
Enhancing Programmatic and Operational Efficiency and the Achievement of Program Goals Through Audits	21
Reducing Waste, Fraud, and Abuse Through Investigations.....	23
Recommendations Concerning the Impact of Legislation and Regulations	25
Facilitating the SBA's Relationships with Other Governmental and Non- governmental Entities	28
Keeping the SBA Administrator and Congress Fully and Currently Informed.....	29
Relationship with Congress.....	31

Figures

Figure 1. SBA OIG's Organizational Chart, FY2016.....	14
---	----

Tables

Table 1. SBA OIG's Appropriations, FY2010-FY2017.....	9
Table 2. Cabinet-level Offices of Inspectors General: Appropriations and Staff, FY2016	10
Table 3. SBA OIG's Full-Time Equivalent Employees, FY2000-FY2016	12
Table 4. SBA OIG's Audits, FY2010-FY2016.....	21
Table 5. SBA OIG's Investigations, FY2010-FY2016	24
Table 6. Legislation, Regulations, Standard Operating Procedures (SOPs), and Other Issuances Reviewed and Comments Provided, FY2010-FY2016.....	27
Table 7. Outreach and Training Sessions, FY2010-FY2015	28

Contacts

Author Contact Information 32

Introduction

Congress created offices of inspector general (OIGs) in 1978 (via P.L. 95-452, the Inspector General Act of 1978, or the IG Act) to assist in its oversight of the executive branch. At that time, Congress determined that there were serious deficiencies in the executive branch's auditing and investigative activities designed to curb waste, fraud, and abuse and promote agency operational and program efficiency.¹ For example, the House and Senate reports accompanying the bill that became the IG Act argued that

- auditing and investigative activities were scattered throughout the various federal departments and were often conducted in response to a complaint as opposed to having in place “affirmative programs to look for possible fraud or abuse,”
- investigators in some agencies (including the Small Business Administration, SBA) were not allowed to initiate investigations without clearance from officials responsible for the programs involved,
- many agency representatives engaged in auditing and investigative activities (including those within the SBA) reported that their office lacked sufficient budgets to do its job, many of the auditing and investigative offices (including those at the SBA) often reported to those who were responsible for the program being audited or investigated, and
- some auditors and investigators were unable to devote full time to their audit or investigative responsibilities.²

The House report concluded that independent OIGs “are urgently needed.”³ The Senate report concluded that “with rare exceptions, the agencies have not adequately policed their own operations and programs.”⁴

¹ Definitions of program efficiency vary. For example, the German sociologist Max Weber argued that organizations operate most efficiently when they are organized in a hierarchical fashion with established rules for making decisions and dividing the labor of the organization accordingly. The Government Accountability Office (GAO) incorporates in its definition of government efficiency how an agency spends money: a ratio of inputs (the cost of operating the government agency or program) to outcomes (the desired results of the program, such as events, occurrences, or changes in conditions, behaviors, or attitudes). See GAO, *Streamlining Government: Opportunities Exist to Strengthen OMB's Approach to Improving Efficiency*, GAO-10-394, May 7, 2010, p. 3, at <http://www.gao.gov/assets/310/304231.pdf>. A congressional staff member (now-retired) suggested a hybrid of these definitions: “a government agency is efficient if it is properly structured to produce accountable decisions and desired results ...[that] use the least amount of federal tax dollars to achieve desired outcomes, i.e. are cost-effective in ensuring that performance objectives are achieved.” See Barry Pineles, chief counsel, House Committee on Small Business, “Hearing Memorandum: Reducing Duplication and Promoting Efficiency at the SBA: The Inspector General's View,” June 3, 2013, at http://smallbusiness.house.gov/uploadedfiles/6-5-2013__final_hearing_memo.pdf.

² U.S. Congress, House Committee on Government Operations, *Establishment of Offices of Inspector General in Certain Executive Departments and Agencies*, 95th Cong., 1st sess., August 5, 1977, H.Rept. 95-584 (Washington: GPO, 1977), pp. 5-7; and U.S. Congress, Senate Committee on Governmental Affairs, *Establishment of Offices of Inspector and Auditor General in Certain Executive Departments and Agencies*, 95th Cong., 2nd sess., August 8, 1978, S.Rept. 95-1071 (Washington: GPO, 1978), pp. 4-6.

³ U.S. Congress, House Committee on Government Operations, *Establishment of Offices of Inspector General in Certain Executive Departments and Agencies*, 95th Cong., 1st sess., August 5, 1977, H.Rept. 95-584 (Washington: GPO, 1977), p. 11.

⁴ U.S. Congress, Senate Committee on Governmental Affairs, *Establishment of Offices of Inspector and Auditor General in Certain Executive Departments and Agencies*, 95th Cong., 2nd sess., August 8, 1978, S.Rept. 95-1071 (Washington: GPO, 1978), p. 9.

OIGs were designed to provide Congress and federal agency heads independent, non-partisan analysis, conducted in accordance with generally accepted government auditing standards, to identify and recommend ways to limit waste, fraud, and abuse in federal programs and enhance operational and program efficiency and effectiveness.

OIGs' activities were to supplement and complement those of the Government Accountability Office (GAO), which serves a similar, though not identical, role in assisting Congress fulfill its oversight function.⁵ Together, OIGs and GAO (along with the Congressional Research Service [CRS] and the Congressional Budget Office [CBO]) provide Congress with information and analysis needed to conduct effective oversight and, in the process, help Congress maintain its balance of power with the Presidency.

OIGs currently exist in more than 70 federal agencies, including all departments and larger agencies, numerous boards and commissions, and other entities.⁶ They are predominantly located in executive branch agencies, but several legislative branch entities—for example, the Library of Congress (LOC), GAO, and the Government Publishing Office (GPO)—also have OIGs.

The overwhelming majority of OIGs, including the U.S. Small Business Administration OIG (SBA OIG), are governed by the IG Act. It structures inspector general (IG) appointments and removals, powers and authorities, and duties and responsibilities. Other laws have established or amended IG powers and authorities in specified agencies or programs. As a result, IG statutory powers and authorities are not identical across the federal government and, in certain cases, these differences are significant. Nonetheless, in general, statutory OIGs follow the IG Act's standards, guidelines, and directives.

For example, the IG Act provides IGs five statutory duties and responsibilities to

1. Conduct, supervise, and coordinate audits and investigations of their agency's programs and operations.⁷

⁵ Offices of Inspector General (OIGs) are independent entities focusing on the programs and activities of their federal agency. GAO is a congressional agency whose work spans across all federal agencies and "is done at the request of congressional committees or subcommittees ... is mandated by public laws or committee reports ... [or is undertaken] under the authority of the Comptroller General." GAO's focus is on supporting "congressional oversight by auditing agency operations to determine whether federal funds are being spent efficiently and effectively; investigating allegations of illegal and improper activities; reporting on how well government programs and policies are meeting their objectives; performing policy analyses and outlining options for congressional consideration; and issuing legal decisions and opinions, such as bid protest rulings and reports on agency rules." GAO advises "Congress and the heads of executive agencies about ways to make government more efficient, effective, ethical, equitable and responsive." See GAO, "About GAO," at <http://www.gao.gov/about/index.html>.

⁶ For additional information and analysis concerning OIGs see CRS Report R43814, *Federal Inspectors General: History, Characteristics, and Recent Congressional Actions*, by (name redacted) and (name redacted) .

⁷ OIG audits are conducted in accordance with federal audit standards established by the Comptroller General, and other reviews generally are conducted in accordance with standards established by the Council of the Inspectors General for Integrity and Efficiency (CIGIE). In addition, OIGs coordinate their activities with GAO to avoid duplicating federal audits. See U.S. Congress, House Committee on Small Business, *SBA Management and Performance Challenges: The Inspector General's Perspective*, 114th Cong., 2nd sess., March 16, 2016, H. Hrg. 114-049 (Washington: GPO, 2016), p. 22.

Generally Accepted Government Auditing Standards (GAGAS) issued by GAO require that audit organizations performing audits and attestation engagements in accordance with GAGAS must have an external peer review performed by reviewers independent of the audit organization being reviewed (another OIG or GAO) at least once every 3 years.

In September 2014, the U.S. Department of Interior's OIG reviewed the Small Business Administration OIG's (SBA OIG's) Investigations Division. "The final report, dated November 13, 2014, found the system of internal safeguards and management procedure for the investigative function of SBA OIG complied with CIGIE's quality standards and (continued...)"

2. Review existing and proposed legislation and regulations relating to their agency and make recommendations in mandated semiannual reports concerning the impact of such legislation or regulations on their agency's programs and operations or on the prevention and detection of fraud and abuse in those programs and operations.
3. Recommend policies to improve their agency's administration of its programs and operations and prevent and detect fraud and abuse in those programs and operations.
4. Recommend policies to facilitate relationships between their agency and other federal, state, and local government agencies and non-governmental entities to promote the economy and efficiency of their agency's administration of its programs and operations and prevent and detect of fraud and abuse in those programs and operations.
5. Keep both their agency head and Congress fully and currently informed concerning fraud and other serious problems, abuses, and deficiencies relating to their agency's administration of its programs and operations and to report on the progress made in implementing recommended corrective action.⁸

This report examines the SBA OIG's statutory authorities; reporting requirements; funding; staffing and organizational structure; and recent activities (audits, investigations, etc.). The SBA OIG's impact on monetary savings, SBA programs and operations, and legislation affecting the agency is also examined. The report concludes with some observations concerning the SBA OIG's relationship with Congress.

Generally speaking, comments by House and Senate small business committee leaders seem to suggest general satisfaction with the office's current efforts. However, history has shown that congressional expressions of relatively harmonious relationships and satisfaction with OIGs can change quickly as new actions and changed circumstances present themselves.

Some areas of possible congressional interest, other than SBA OIG funding and staffing issues, include exploring ways to more accurately quantify the SBA OIG's claims of monetary savings and to determine if the SBA OIG should undertake additional tracking and monitoring activities to more accurately quantify the office's impact on SBA programs, operations, and legislation.

(...continued)

the applicable Attorney General Guidelines. (OIGs can be assessed as either 'compliant' or 'noncompliant'.)" See SBA, OIG, "Semiannual Report to Congress, Spring 2016," p. 61, at https://www.sba.gov/sites/default/files/oig/SBA_OIG_SAR_Spring_2016.pdf.

On December 10, 2015, the SBA OIG's audit division received a peer review rating of pass (audit organizations can receive a rating of pass, pass with deficiencies, or fail) from the Smithsonian Institution's Office of Inspector General. A sample of the SBA OIG's audits were reviewed to determine if the SBA OIG's "system of quality control" in effect for the period of April 1, 2012, through March 31, 2015, met governmental auditing standards ("A system of quality control encompasses SBA OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming to *Government Auditing Standards*."") See Smithsonian Institution, Office of Inspector General, "System Review Report," at https://www.sba.gov/sites/default/files/oig/SBA_OIG_Peer_Review_System_Report_FINAL_signed_508.pdf.

⁸ IG Act of 1978, Section 4(1)-(5); and 5 U.S.C. Appendix §4(1)-(5).

SBA's OIG

The SBA OIG is a separate, independent office that provides “independent, objective oversight to improve the integrity, accountability, and performance of the SBA and its programs for the benefit of the American people.”⁹ The SBA's IG (currently Peggy Elizabeth Gustafson) directs the office and is “appointed by the President, by and with the advice and consent of the Senate, without regard to political affiliation and solely on the basis of integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations.”¹⁰

The SBA is a Cabinet-level agency. Although the SBA is one of the smaller Cabinet-level agencies (with an annual budget of \$871.0 million in FY2016), it administers a relatively wide range of programs to support small businesses, including loan guaranty and venture capital programs to enhance small business access to capital; contracting programs to increase small business opportunities in federal contracting; direct loan programs for businesses, homeowners, and renters to assist their recovery from natural disasters; and small business management and technical assistance training programs to assist business formation and expansion.¹¹ The SBA expects “to support more than \$42 billion in small business financing; deploy nearly \$4 billion in long-term investment capital; support more than \$1 billion in loans to disaster victims; facilitate access to more than \$90 billion in federal contracting; and provide advising, mentoring, and training services to more than one million small business owners through a nationwide network of resource partners” in FY2017.¹² The SBA OIG is responsible for examining these programs and the various SBA offices that administer them.

IGs report to the head of their agency or establishment, but are provided various powers and protections that support their independence. For example, the SBA's IG reports to the SBA Administrator, but

- May only be removed from office by the President, or through the impeachment process in Congress.¹³
- Has the authority to hire her staff.¹⁴
- Determines her own priorities and projects (e.g., audits, reviews and investigations) without outside direction.¹⁵

⁹ U.S. Small Business Administration (SBA), “Office of Inspector General,” at <https://www.sba.gov/office-of-inspector-general>.

¹⁰ P.L. 95-452, the Inspector General Act of 1978 (IG Act of 1978), Section 3(a); and 5 U.S.C. Appendix §3(a). Peggy Elizabeth Gustafson was sworn in as the SBA's IG on October 2, 2009. She has been an active member of the Council of the Inspectors General for Integrity and Efficiency (CIGIE), once serving as Chair of CIGIE's Legislation Committee.

¹¹ For additional information concerning these SBA programs see CRS Report RL33243, *Small Business Administration: A Primer on Programs and Funding*, by (name redacted) and (name redacted)

¹² SBA, OIG, “FY2017 Congressional Budget Justification,” p. 2, at <https://www.sba.gov/sites/default/files/FY17-CBJ-oig.pdf>.

¹³ In addition, the President may transfer an inspector general (IG) to another position or location within the IG's agency. If an IG is removed from office or transferred to another position or location “the President shall communicate in writing the reasons for any such removal or transfer to both Houses of Congress, not later than 30 days before the removal or transfer.” See, IG Act of 1978, Section 3(b); and 5 U.S.C. Appendix §3(b).

¹⁴ IG Act of 1978, Section 6(a)(7); and 5 U.S.C. Appendix §6(a)(7).

¹⁵ IG Act of 1978, Section 6(a)(2); and 5 U.S.C. Appendix §6(a)(2). The SBA Administrator, President, Members of Congress, SBA employees, and members of the public may request that a project take place, but, unless otherwise (continued...)

- Cannot be prevented or prohibited “from initiating, carrying out, or completing any audit or investigation, or from issuing any subpoena during the course of any audit or investigation.”¹⁶
- Must be provided “access to all records, reports, audits, reviews, documents, papers, recommendations, or other material available ... which relate to programs and operations with respect to which [the SBA] Inspector General has responsibilities under this Act.”¹⁷
- Must be provided “appropriate and adequate office space” and “such equipment, office supplies, and communications facilities and services as may be necessary for the operation of” the SBA OIG, including any “necessary maintenance services for such offices and the equipment and facilities located therein.”¹⁸

Statutory Authorities

The IG Act provides all IGs nine statutory authorities to

1. Access all records, reports, audits, reviews, documents, papers, recommendations, or other material available relating to the IG’s responsibilities under the IG Act.¹⁹
2. Make such investigations and reports relating to their agency’s administration of its programs and operations as are, in the judgment of the IG, necessary or desirable.
3. Request such information or assistance as may be necessary for carrying out the duties and responsibilities provided by the IG Act from any federal, state, or local governmental agency or unit thereof.
4. Require by subpoena the production of all information, documents, reports, answers, records, accounts, papers, and other data in any medium necessary in the performance of the functions assigned by the IG Act; provided that procedures other than subpoenas shall be used by the IG to obtain documents and information from federal agencies.
5. Administer to or take from any person an oath, affirmation, or affidavit, whenever necessary in the performance of the functions assigned by the IG Act.
6. Have direct and prompt access to their agency head when necessary for any purpose pertaining to the performance of functions and responsibilities under the IG Act.

(...continued)

required by law, the SBA’s IG is not obligated to do so.

¹⁶ IG Act of 1978, Section 3(a); and 5 U.S.C. Appendix §3(a).

¹⁷ IG Act of 1978, Section 6(a)(1); and 5 U.S.C. Appendix §6(a)(1).

¹⁸ IG Act of 1978, Section 6(c); and 5 U.S.C. Appendix §6(c).

¹⁹ Access to records, reports, etc. may be limited under specified circumstances (e.g., if such access limits “the exercise of law enforcement powers established under any other statutory authority, including United States Marshals Service special deputation.”) See IG Act of 1978, Section 6(e)(8); and 5 U.S.C. Appendix §6(e)(8). There have also been instances where the executive branch has redacted information citing authority provided in other statutes. This practice is often challenged by OIGs and Congress as circumventing the IG Act’s intent for access to all records, reports, etc.

7. Select, appoint, and employ such officers and employees as may be necessary for carrying out the functions, powers, and duties of the Office subject to the provisions of title 5, *United States Code*, governing appointments in the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates.
8. Obtain services as authorized by Section 3109 of title 5, *United States Code*, at daily rates not to exceed the equivalent rate prescribed for grade GS–18 of the General Schedule by Section 5332 of title 5, *United States Code*.
9. To the extent and in such amounts as may be provided in advance by appropriations acts, to enter into contracts and other arrangements for audits, studies, analyses, and other services with public agencies and with private persons, and to make such payments as may be necessary to carry out the provisions of the IG Act.²⁰

In addition, the IG Act provides 25 OIGs, including the SBA OIG, direct law enforcement authority.²¹ It also authorizes the U.S. Attorney General to delegate law enforcement authority to other OIGs under specified circumstances.²²

Reporting Requirements

The IG Act requires IGs to prepare and transmit semiannual reports (two per year) to their agency's head, not later than April 30th and October 31st of each year, summarizing the OIG's activities during the immediately preceding six-month periods ending on March 31st and September 30th. Agency heads are to transmit these reports to the appropriate committees or subcommittees of Congress in unaltered form within 30 days after receipt. Agency heads may provide any additional comments deemed appropriate. Agency heads must also provide specified information, such statistical tables showing the total number of audit reports, inspection reports, and evaluation reports for which final action had not been taken by the commencement of the reporting period; on which management decisions were made during the reporting period; and for which no final action had been taken by the end of the reporting period.²³ Copies of the semiannual reports must be made available to the public upon request and at a reasonable cost within 60 days of their transmission to Congress.²⁴

The OIG's semiannual reports are required to include, but need not be limited to, 16 informational items. For example, the SBA OIG's report must include, among other items

²⁰ IG Act of 1978, Section 6(a); and 5 U.S.C. Appendix §6(a).

²¹ IG Act of 1978, Section 6(e)(3); and 5 U.S.C. Appendix §6(e)(3). Five other OIGs have been provided law enforcement authority by other federal statutes.

²² See IG Act of 1978, Section 6(e)(1)-(2); and 5 U.S.C. Appendix §6(e)(1)-(2). Law enforcement authority is generally defined as providing certain OIG employees the legal authority to carry a firearm while engaged in official duties, make an arrest without a warrant while engaged in official duties, and seek and execute warrants for arrest, search of premises, or seizure of evidence. See IG Act of 1978, Section 6(e)(1); and 5 U.S.C. Appendix §6(e)(1). The specified circumstances are "(A) the affected OIG is significantly hampered in the performance of responsibilities established by this Act as a result of the lack of such powers; (B) available assistance from other law enforcement agencies is insufficient to meet the need for such powers; and (C) adequate internal safeguards and management procedures exist to ensure proper exercise of such powers." See IG Act of 1978, Section 6(e)(2); and 5 U.S.C. Appendix §6(e)(2).

²³ IG Act of 1978, Section 5(b); and 5 U.S.C. Appendix §5(b).

²⁴ The SBA OIG's semiannual reports can be accessed online at <https://www.sba.gov/oig/category/oig-navigation-structure/reading-room/semi-annual-reports-congress>.

- A description of significant problems, abuses, and deficiencies relating to the SBA's administration of programs and operations identified during the reporting period.
- A description of the SBA OIG's recommendations for corrective action.
- An identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed.
- A summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.
- A summary of each report made to the SBA Administrator relating to instances when information or assistance requested has, in the IG's judgment, been unreasonably refused or not provided during the reporting period.
- A listing of each audit report, inspection report, and evaluation report issued during the reporting period and for each report, where applicable, the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use.
- A summary of each audit report, inspection report, and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period (including the date and title of each such report), an explanation of the reasons such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision on each such report.
- Information concerning any significant management decision with which the SBA's IG is in disagreement.²⁵

IGs are also required to report suspected violations of federal criminal law directly and expeditiously to the U.S. Attorney General, and any "particularly serious or flagrant problems, abuses, or deficiencies" relating to their agency's operations and administration of programs immediately to the agency's head.²⁶

In addition, pursuant to P.L. 106-531, the Records Consolidation Act of 2000,²⁷ and the Office of Management and Budget (OMB) Circular A-136,²⁸ the SBA OIG issues an annual *Report on the Most Serious Management and Performance Challenges Facing the SBA*. This report is, arguably, the SBA OIG's signature oversight document, focusing attention "on areas that are particularly vulnerable to fraud, waste, error, and mismanagement, or otherwise pose a significant risk and generally have been subject to one or more OIG or GAO reports."²⁹

²⁵ IG Act of 1978, Section 5(a); and 5 U.S.C. Appendix §5(a).

²⁶ IG Act of 1978, Section 4(d) and 5(d); and 5 U.S.C. Appendix §4(d) and §5(d).

²⁷ P.L. 106-531 authorizes federal agency heads to consolidate any statutorily required reports (including financial and performance management reports) into an annual report and submit the consolidated report not later than 150 days after the end of the agency's fiscal year. Not all OIGs are required to author this report.

²⁸ OMB Circular 1-136, Financial Reporting Requirements-Revised (8/4/2015), at https://www.whitehouse.gov/omb/circulars_default.

²⁹ SBA, OIG, "FY2017 Congressional Budget Justification," p. 17, at <https://www.sba.gov/sites/default/files/FY17-CBJ-oig.pdf>.

Funding

The IG Act provides presidentially appointed IGs a separate appropriations account, known colloquially as a “line item” for their offices. This provision prevents federal administrators from limiting, transferring, or otherwise reducing OIG funding once it has been specified in law.³⁰

IGs are authorized to transmit a budget estimate and request to their respective agency head each fiscal year. Each IG’s request must include amounts for operations, training, and for the support of the Council of the Inspectors General on Integrity and Efficiency (CIGIE).³¹ The agency’s budget request to the President must include the OIG’s original budget request and any comments the affected IG has regarding the proposal.³² The President is required to include in the Administration’s budget submission to Congress the IG’s original request; the amount requested by the President for the OIG’s operations, training, and support for CIGIE; and any comments the affected IG has regarding the proposal if the IG concludes that the President’s budget would substantially inhibit the IG from performing the duties of the office.³³

Each year, the SBA OIG transmits a budget justification document to the SBA Administrator, which is available online.³⁴ That document includes the SBA OIG’s budget request, an overview of the SBA OIG’s mission and authorities, a list of critical risks facing the SBA, an accounting of the office’s oversight activities during the previous fiscal year, areas of emphasis for the coming fiscal year, and a table of statistical highlights and accomplishments for the previous fiscal year (such as the number of reports and recommendations issued, estimated amounts saved or recouped, number of indictments and convictions).

Table 1 shows the SBA OIG’s appropriations over the FY2010-FY2017 period. The SBA OIG received an appropriation of \$20.9 million for FY2016: \$19.9 million in new budget authority (including \$120,000 for training and \$56,500 for CIGIE) and a \$1.0 million transfer from the SBA Disaster Loan Program account for investigative costs related to SBA disaster loans.³⁵

For FY2017, the SBA OIG has requested \$20.9 million: \$19.9 million in new budget authority (including \$150,000 for training and \$42,000 for CIGIE) and a \$1.0 million transfer from the SBA Disaster Loan Program account for investigative costs related to SBA disaster loans.³⁶

³⁰ For additional information and analysis concerning OIG budgeting, see CRS Report R43814, *Federal Inspectors General: History, Characteristics, and Recent Congressional Actions*, by (name redacted) and (name redacted) .

³¹ IG Act of 1978, Section 6(f)(1); and 5 U.S.C. Appendix §6(f)(1). The Council of the Inspectors General on Integrity and Efficiency (CIGIE) is “an independent entity established within the executive branch to address integrity, economy and effectiveness issues that transcend individual Government agencies and aid in the establishment of a professional, well-trained and highly skilled workforce in the Offices of Inspectors General.” See CIGIE, “What is CIGIE?” at <https://www.ignet.gov/>. CIGIE also oversees the conduct of high-ranking employees in the inspector general community and investigates wrongdoing against those employees. For additional information and analysis concerning CIGIE, see CRS Report R44198, *Oversight of the Inspector General Community: The IG Council’s Integrity Committee*, by (name redacted) .

³² IG Act of 1978, Section 6(f)(2); and 5 U.S.C. Appendix §6(f)(2).

³³ IG Act of 1978, Section 6(f)(3); and 5 U.S.C. Appendix §6(f)(3).

³⁴ The SBA OIG’s budget justification documents for FY2010-FY2017 are available on the SBA’s website. See SBA, “Congressional Budget Justification/Annual Performance Report,” at <https://www.sba.gov/about-sba/sba-performance/performance-budget-finances/congressional-budget-justification-annual-performance-report>.

³⁵ For training and CIGIE funding requests, see SBA, OIG, “FY2016 Congressional Budget Justification,” p. 21, at https://www.sba.gov/sites/default/files/files/4-Office_of_the_Inspector_General_FY_2016_CBJ_508.pdf.

³⁶ SBA, OIG, “FY2017 Congressional Budget Justification,” p. 20, at <https://www.sba.gov/sites/default/files/FY17-CBJ-oig.pdf>.

Table I. SBA OIG's Appropriations, FY2010-FY2017
(\$ in millions)

Fiscal Year	New Budget Authority	Transfer from the Disaster Loan Program Account	Other Adjustments	Total
2017 (request)	\$19.900	\$1.000	NA	\$20.900
2016	\$19.900	\$1.000	NA	\$20.900
2015	\$19.400	\$1.000	NA	\$20.400
2014	\$19.000	\$1.000	NA	\$20.000
2013	\$16.267	\$1.000	\$5.000 (\$1.101) ^a	\$21.166
2012	\$16.267	\$1.000	NA	\$17.267
2011	\$16.300	\$1.000	(\$0.033) ^b	\$17.267
2010	\$16.300	\$1.000	NA	\$17.300

Sources: P.L. 111-117, the Consolidated Appropriations Act, 2010; P.L. 112-10, the Department of Defense and Full-Year Continuing Appropriations Act, 2011; P.L. 112-25, the Budget Control Act of 2011; P.L. 112-74, the Consolidated Appropriations Act, 2012; P.L. 112-175, the Continuing Appropriations Resolution, 2013; P.L. 113-2, the Disaster Relief Appropriations Act, 2013; P.L. 113-6, the Consolidated and Further Continuing Appropriations Act, 2013; P.L. 113-76, the Consolidated Appropriations Act, 2014; P.L. 113-235, the Consolidated and Further Continuing Appropriations Act, 2015; P.L. 114-113, the Consolidated Appropriations Act, 2016; and SBA, OIG, "FY2017 Congressional Budget Justification," p. 3, at <https://www.sba.gov/sites/default/files/FY17-CBJ-oig.pdf>.

Notes:

- a. In FY2013, P.L. 113-2 provided the SBA OIG \$5.0 million to remain available until expended for expenses related to oversight of disaster loans following Hurricane Sandy. In addition, P.L. 112-25 and P.L. 113-6 imposed a federal government-wide sequestration process and a required 0.2% across-the-board rescission, resulting in a \$1.101 million reduction from the SBA OIG's budget.
- b. In FY2011, P.L. 112-10 imposed a 0.2% rescission on federal agencies, resulting in a reduction of \$0.033 million from the SBA OIG's budget.

Table 2 compares Cabinet-level OIG appropriations for FY2016, actual full-time equivalent (FTE) staff counts for FY2015, and anticipated FTEs for FY2016.

The data show wide variation in OIG appropriations and FTE counts among Cabinet-level agencies. This might be expected given the wide variation in (1) these agencies' annual budgets (ranging from the SBA's \$871.0 million to the U.S. Department of Health and Human Services' \$732.2 billion in FY2016) and (2) the nature of the work that they do.

The SBA OIG's budget was \$20.9 million in FY2016, and its FTE counts were 103 FTEs in FY2015, and an anticipated 110 FTEs in FY2016.³⁷

³⁷ Any conclusions drawn from a comparison of OIG budgets and FTEs should be done with great care. For example, the SBA OIG's budget and FTE counts are lower than other Cabinet-level agencies with an OIG. However, this data does not necessarily suggest that the SBA OIG is underfunded or understaffed. As mentioned previously, IG statutory powers and authorities are not identical across the federal government and, in certain cases, these differences are significant. Also, OIG affiliated agencies vary, both in terms of their annual budgets and in the nature of the work that they do.

Table 2. Cabinet-level Offices of Inspectors General: Appropriations and Staff, FY2016

Department/Agency	OIG Appropriation	OIG Funding (including anticipated reimbursables, transfers, rescissions, etc.)	OIG FTEs	
			FY2015 Actual	FY2016 Est.
Department of Agriculture ^a	\$95,738,000	\$99,394,000	503	531
Department of Commerce	\$32,000,000	\$36,853,000	177	177
Department of Defense ^b	\$312,559,000	\$322,821,000	1,495	1,537
Department of Education	\$59,256,000	\$59,256,000	236	244
Department of Energy	\$46,424,000	\$46,424,000	279	279
Department of Health and Human Services ^c	\$76,500,000	\$331,317,000	1,524	1,616
Department of Homeland Security ^d	\$137,488,000	\$161,467,000	650	796
Department of Housing and Urban Development	\$126,000,000	\$126,000,000	598	643
Department of the Interior	\$50,047,000	\$50,047,000	263	263
Department of Justice	\$93,709,000	\$105,191,000	444	445
Department of Labor ^e	\$80,640,000	\$87,105,000	379	373
Department of State ^f	\$72,700,000	\$72,700,000	318	318
Department of Transportation	\$87,472,000	\$87,472,000	408	407
Department of the Treasury ^g	\$35,416,000	\$48,416,000	161	213
Department of Veterans Affairs	\$136,766,000	\$136,766,000	676	721
Environmental Protection Agency ^h	\$41,489,000	\$51,428,000	234	268
Small Business Administrationⁱ	\$19,900,000	\$20,900,000	103	110

Sources: P.L. 114-113, the Consolidated Appropriations Act, 2016; U.S. Department of Agriculture, "2017 President's Budget, Office of Inspector General," p. 14-2, at <http://www.obpa.usda.gov/14oig2017notes.pdf>; U.S. Department of Commerce, OIG, "FY2017 Congressional Justification," p. 3, at <http://osec.doc.gov/bmi/budget/FY17CBJ/OIG-FY%202017%20CJ%20final.pdf>; U.S. Department of Defense, "Fiscal Year 2017 President's Budget, Office of Inspector General (OIG)," pp. 87, 144, at http://comptroller.defense.gov/Portals/45/Documents/defbudget/FY2017/budget_justification/pdfs/01_Operation_and_Maintenance/O_M_VOL_1_PART_2/OIG_OP-5.pdf; U.S. Department of Education, OIG, "Fiscal Year 2017 Budget Request," pp. AA-2, AA-8, AA-9, at <http://www2.ed.gov/about/overview/budget/budget17/justifications/aa-oig.pdf>; U.S. Office of Management and Budget (OMB), "Budget of the U.S. Government, FY2017; U.S. Department of Education, Appendix, p. 393, at <https://www.whitehouse.gov/sites/default/files/omb/budget/fy2017/assets/edu.pdf>; U.S. Department of Energy, "FY2017 Congressional Budget Request, vol. 2," pp. 1, 186, 187, at <http://energy.gov/sites/prod/files/2016/02/f30/FY2017BudgetVolume2.pdf>; U.S. Department of Health and Human Services, OIG, "FY2017 Justification of Estimates for Appropriations Committees," p. 7, at https://oig.hhs.gov/reports-and-publications/archives/budget/files/FY2017_HHSOIG_Congressional_Justification.pdf; U.S. Department of Homeland Security, "Congressional Budget Justification, FY2017, vol. 1: Department Management and Operations, Analysis and Operations, Office of the Inspector General, U.S. Customs and Border Protection," p. OIG-3, at https://www.dhs.gov/sites/default/files/publications/FY%202017%20Congressional%20Budget%20Justification%20-%20Volume%201_.pdf; U.S. Department of Housing and Urban Development, "FY2017 Congressional Justifications," p. 53-1, at http://portal.hud.gov/hudportal/documents/huddoc?id=FY_2017_CJs_Combined.pdf; U.S. Department of the Interior, OIG, "Budget Justifications and Performance Information, Fiscal Year 2017," p. 2, at https://www.doi.gov/sites/doi.gov/files/uploads/FY2017_OIG_Budget_Justification.pdf; U.S. Department of Justice, OIG, "FY2017 Performance Budget: Congressional Budget Submission," p. 22, at <https://www.justice.gov/jmd/file/820866/download>; U.S. Department of Labor, OIG, "FY2017 Congressional Budget Justification," p. 3, at

<https://www.dol.gov/sites/default/files/documents/general/budget/CBJ-2017-V3-04.pdf>; U.S. Department of State, Foreign Operations, and Related Programs, "Congressional Budget Justification, FY2017," p. 31, at <http://www.state.gov/documents/organization/252179.pdf>; OMB, "Budget of the United States Government, FY2017: Department of State and Other International Programs," p. 832, at <https://www.whitehouse.gov/sites/default/files/omb/budget/fy2017/assets/sta.pdf>; U.S. Department of Transportation, "Transforming Communities in the 21st Century, Budget Highlights, FY2017," p. 64, at https://www.transportation.gov/sites/dot.gov/files/docs/DOT_BH2017_508%5B2%5D.pdf; U.S. Department of the Treasury, OIG, "FY2017 President's Budget," p. OIG-11, at <https://www.treasury.gov/about/budget-performance/CJ17/10.%20OIG%20FY%202017%20CJ.PDF>; U.S. Department of Veterans Affairs, "Budget in Brief, 2017," pp. 2, 13, 43, at <http://www.va.gov/budget/docs/summary/Fy2017-BudgetInBrief.pdf>; U.S. Environmental Protection Agency, "Fiscal Year 2017 Justification of Appropriation Estimates for the Committee on Appropriations," p. 3, 4, 585, 587, at <https://www.epa.gov/sites/production/files/2016-02/documents/fy17-congressional-justification.pdf>; and U.S. Small Business Administration, OIG, "FY2017 Congressional Budget Justification," p. 3, at <https://www.sba.gov/sites/default/files/FY17-CBJ-oig.pdf>.

Notes: Full-time equivalent (FTE) employment means the total number of regular straight-time hours worked (i.e., not including overtime or holiday hours worked) by employees divided by the number of compensable hours applicable to each fiscal year. Annual leave, sick leave, compensatory time off and other approved leave categories are considered "hours worked" for purposes of defining full-time equivalent employment. See OMB Circular No. A-11 (2016), p. 2 of Section 85 at https://www.whitehouse.gov/sites/default/files/omb/assets/all_current_year/all_2016.pdf.

- a. The Department of Agriculture's OIG's appropriation includes \$450,000 from the Risk Management Agency, \$1,006,000 from Food and Nutrition Services, \$1,000,000 from Rural Development, \$800,000 from Office of the Chief Financial Officer/Working Capital Fund audits, and \$400,000 from the Forest Service.
- b. The Department of Defense's OIG's appropriation includes \$10,262,000 from the Overseas Contingency Operations/Global War on Terrorism account. Also, the Department of Defense's OIG reports that it had 107 contractor FTEs in FY2015, and anticipates having 107 contractor FTEs in FY2016.
- c. The Department of Health and Human Services' OIG's appropriation includes \$254,817,000 from the Health Care Fraud and Abuse Control Account.
- d. The Department of Homeland Security's OIG's appropriation includes \$24,000,000 from the Disaster Relief Fund.
- e. The Department of Labor's OIG's appropriation includes \$5,660,000 from the Employment Security Administration account in the Unemployment Trust Fund, and \$305,000 from the Black Lung Disability Trust Fund.
- f. The Department of State also received an appropriation of \$66,600,000 for Overseas Contingency Operations, which includes an appropriation for the Special Inspector General for Afghanistan Reconstruction (SIGAR).
- g. The Department of the Treasury also received an appropriation of \$167,275,000 for the Inspector General for Tax Administration; and an appropriation of \$40,671,000 for the Special Inspector General for the Troubled Asset Relief Program.
- h. The Environmental Protection Agency's OIG's appropriation includes \$9,939,000 from the Hazardous Substance Superfund.
- i. The Small Business Administration's OIG's appropriation includes a \$1,000,000 transfer from the Small Business Administration's disaster assistance account.

Staffing and Organizational Structure

As shown in **Table 3**, the SBA OIG's FTEs have not changed significantly over the past 15 years, ranging from a low of 93 FTEs in FY2014 to a high of 112 FTEs in FY2000. The SBA OIG reports that it had 103 FTEs in FY2015, and expects to have 110 FTEs in FY2016. Approximately 83% of the SBA OIG's expenditures are attributed to payroll expenses.³⁸

³⁸ Ibid., p. 3.

The SBA's IG has testified that “resource constraints do sometime preclude us from initiating or continuing a number of investigations” and if she were provided additional resources, she would “target early defaulted loans, fraud, and lender negligence, and ... increase the capacity of our existing investigative personnel.”³⁹

Left unstated is that the SBA OIG's relatively small size compared to other Cabinet-level agencies could have implications for its communication and other interactions with Congress. For example, the DOD OIG's Office of Legislative Affairs and Communications has 11 FTEs, including a Director and personnel assigned to the Office of Legislative Affairs, the Office of Public Affairs, and the Office of Internal Communications. They collectively serve as the DOD OIG's primary point of contact for congressional and media requests and inquiries.⁴⁰ The SBA OIG, like many other similarly-sized OIGs, has a single person, in this case the Chief of Staff, who serves in that capacity.

Having one person serving this role for the SBA OIG may be sufficient to meet congressional needs. However, having one person, as opposed to several, changes the dynamics of that relationship. On the one hand, having a single person serving this role diminishes the possibility of miscommunication within the office and of sending Congress mixed messages. On the other hand, having several people dedicated to legislative affairs provides enhanced opportunities for OIG staff interaction, collaboration, and specialization which could prove beneficial for meeting congressional needs.

Table 3. SBA OIG's Full-Time Equivalent Employees, FY2000-FY2016

Fiscal Year	Full-Time Equivalent Employees	Fiscal Year	Full-Time Equivalent Employees
2016 (est.)	110	2007	103
2015	103	2006	95
2014	93	2005	95
2013	106	2004	98
2012	110	2003	100
2011	110	2002	108
2010	110	2001	108
2009	104	2000	112
2008	106		

Source: U.S Small Business Administration, OIG, “Correspondence with the author,” June 23, 2016.

The SBA OIG's staff is organized into three divisions and several support offices:

- The **Auditing Division** performs and oversees audits and reviews of SBA programs and operations, focusing on SBA business and disaster loans, business development and government contracting programs, as well as mandatory and

³⁹ U.S. Congress, House Committee on Appropriations, Subcommittee on Financial Services and General Government, *Financial Services and General Government Appropriations for 2014, Part 6*, 113th Cong., 1st sess., April 10, 2013, p. 195.

⁴⁰ U.S. Department of Defense (DOD), OIG, “Legislative Affairs and Communications,” at <http://www.dodig.mil/EA/index.html>; and DOD, OIG Office of Legislative Affairs and Communications, “Correspondence with the author,” July 18, 2016.

other statutory audit requirements involving computer security, financial reporting, and other work.

- The **Investigations Division** manages a program to detect and deter illegal and improper activities involving SBA's programs, operations, and personnel. The Division has *criminal investigations staff* who carry out a full range of traditional law enforcement functions and *security operations staff* who conduct name checks and, where appropriate, fingerprint checks on program applicants to prevent known criminals and wrongdoers from participating in SBA programs. Security operations staff also conduct required employee background investigations.
- The **Management and Administration Division** provide business support (e.g., budget and financial management, human resources, IT, and procurement) for the various OIG functions and activities.
- The **Office of Counsel** provides legal and ethics advice to all OIG components; represents the OIG in litigation arising out of or affecting OIG operations; assists with the prosecution of criminal, civil, and administrative enforcement matters; processes subpoenas; responds to Freedom of Information and Privacy Act requests; and reviews and comments on proposed policies, regulations, legislation, and procedures.
- The **OIG Hotline**, under the purview of the **Chief of Staff**, reviews allegations of waste, fraud, abuse, or serious mismanagement within the SBA or its programs from employees, contractors, and the public.⁴¹

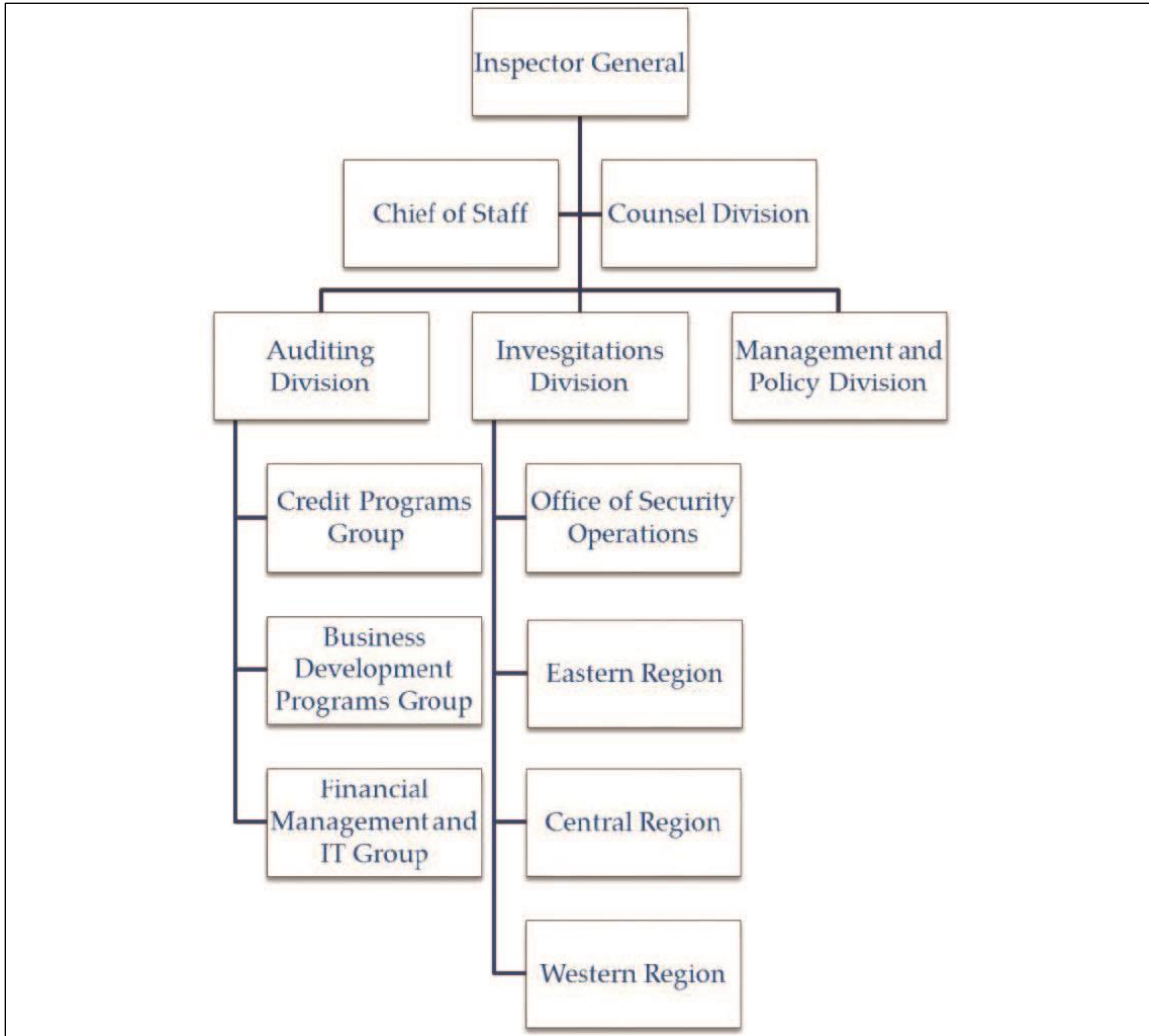
The SBA OIG's headquarters is located in Washington, DC. The SBA OIG's Investigations Division has 12 field offices located across the United States.⁴²

The SBA OIG's structure is shown in its FY2016 organizational chart:

⁴¹ SBA, OIG, "FY2017 Congressional Budget Justification," p. 23, at <https://www.sba.gov/sites/default/files/FY17-CBJ-oig.pdf>.

⁴² The SBA's Investigations Division has 12 field offices: five in its eastern region: Atlanta, Georgia; Melville, New York; Miami, Florida; Philadelphia, Pennsylvania; and Washington, DC; four in its central region: Chicago, Illinois; Detroit, Michigan; Houston, Texas; and Kansas City, Missouri; and three in its western region: Federal Way, Washington; Lakewood, Colorado; and Norwalk, California. See SBA, "OIG Directory," at <https://www.sba.gov/oig/oig-directory>.

Figure I. SBA OIG's Organizational Chart, FY2016



Source: U.S. Small Business Administration, OIG, “Semiannual Report to Congress, Spring 2016,” p. 63, at https://www.sba.gov/sites/default/files/oig/SBA_OIG_SAR_Spring_2016.pdf.

Recent Activities

As mentioned previously, the SBA OIG conducts and supervises audits and investigations of the SBA’s programs and operations. As a complement to its criminal and civil fraud investigations, the SBA OIG also recommends to the SBA suspensions, debarment, and other administrative enforcement actions against SBA lenders, borrowers, contractors, and others who have engaged in fraud or have otherwise exhibited a lack of business integrity.⁴³ The SBA OIG also conducts, supervises, and participates in various training activities to counter fraud in SBA programs.

The following sections provide recent examples of these activities.

⁴³ SBA, OIG, “Semiannual Report to Congress, Spring 2016,” p. 17, at https://www.sba.gov/sites/default/files/oig/SBA_OIG_SAR_Spring_2016.pdf.

Audit Reports

During FY2015, the SBA OIG issued 17 audit reports containing 80 recommendations for improving the SBA's operations. Three examples follow:

Women-Owned Small Business Federal Contract Program

An audit of the SBA's Women-Owned Small Business Federal Contract program (WOSBP) found that federal agencies' contracting officers awarded \$7.1 million in FY2014 set-aside contracts to ineligible firms, 10 of the 34 WOSBP set-aside awards examined were for ineligible work, and 9 of these 34 were awarded to firms that did not provide required documentation to prove they were eligible for WOSBP awards. The SBA OIG provided five recommendations:

1. Provide additional, updated training and outreach to federal procuring agencies' contracting officers explaining the program's set-aside and documentation requirements.
2. Provide additional, updated training and outreach to WOSBP firms, potential WOSBP firms, and contracting officers on current repository and documentation requirements.
3. Revise the self-certification forms (SBA Forms 2413 and 2414) to include the name of the individual who is in control of day-to-day operations, if different than the owner.
4. Update Form 413 to ensure it properly provides financial information in accordance with program requirements.
5. Perform eligibility examinations of the firms identified as potentially ineligible for the program.⁴⁴

The SBA agreed with the SBA OIG's findings and recommendations and reported that it plans to provide WOSBP-specific training to the federal contracting community and to women-owned small businesses, update the self-certification forms as well as SBA Form 413, and complete eligibility reviews for firms that were identified as potentially ineligible.⁴⁵

Expedited Disaster Loan Processing

An audit of two SBA expedited disaster loan processes implemented to reduce a backlog of disaster loan applications following Hurricane Sandy found that one of them (the Sandy Alternative Processing Pilot (SAPP), which streamlined the home loan process) slightly reduced loan application processing time by loan officers and mitigated loan default risk. The other (a modified Phase II method for economic injury disaster loan (EIDL) processing) did not result in any time savings. Also, neither of the expedited methods reduced the overall time from application acceptance to initial loan disbursement. In addition, the SBA incorrectly implemented the modified Phase II EIDL procedures in 15 loan applications, resulting in incorrect loan amounts. The SBA OIG concluded that this was caused by insufficient training for loan officers. The SBA OIG provided four recommendations:

⁴⁴ SBA, OIG, *Improvements Needed in SBA's Management of the Women Owned Small Business Federal Contracting Program*, Report Number 15-10, pp. 6, 10, May 15, 2015, at https://www.sba.gov/sites/default/files/oig/Report_15-10_Improvements_Needed_in_SBAs_Management_of_WOSBP.pdf.

⁴⁵ Ibid.

1. Undertake an internal review to determine why Hurricane Sandy loans processed using the expedited SAPP and Modified Phase II EIDL processes took longer than standard loans from application acceptance to initial disbursement.
2. Clarify income continuity standards and materiality thresholds for different income sources and provide guidance on debt analysis for RAPID loan applications.
3. Establish and implement a training program for loan officers, supervisory loan officers, and those hired in response to an emergency to ensure that they have a clear understanding of the processes for effectively processing EIDLs.
4. Implement additional oversight of EIDL processing to alleviate errors and improve accuracy in applying modified Phase II EIDL procedures.⁴⁶

The SBA generally concurred with the SBA OIG's findings and recommendations. The SBA researched the cause of increased disbursement times for expedited home loans and determined that it was unrelated to the expedited processing procedures, updated home and business expedited loan processing procedures in its new standard operating procedures, implemented training for loan officers and supervisors, and modified the Disaster Credit Management System to improve the accuracy of EIDL processes.⁴⁷

Oversight of Lender Service Providers

Many lending institutions contract with lender service providers (LSPs) to provide services in connection with originating, closing, servicing, or liquidating SBA business loans. LSPs "allow lenders that historically had not devoted resources to SBA lending to expand access to capital and participate in SBA loan programs."⁴⁸

An audit of LSPs serving as loan agents found that the number of LSPs and the number of LSP lender agreements had increased significantly in recent years. The SBA OIG recommended that the SBA improve its internal controls to ensure LSPs' performance and conduct complies with SBA requirements. The SBA OIG determined that the SBA had not established a method to track LSP portfolio activities, and therefore could not adequately assess potential risks associated with LSP involvement in SBA loan programs. In addition, the SBA OIG found that the SBA did not adequately investigate a number of potential violations of SBA policy by lenders and LSPs, such as a lack of approved agreements. The SBA OIG recommended that the SBA

1. Develop a method to identify LSP participation within SBA loan programs and their associated SBA loan portfolios to evaluate performance.
2. Require the SBA's Office of Credit Risk Management (OCRM) to establish a formal process and procedure to address referrals related to LSPs.⁴⁹

The SBA agreed with the SBA OIG's findings and recommendations and reported that it plans to develop a method to identify LSP participation at the loan level and that OCRM is creating a

⁴⁶ SBA, OIG, *Hurricane Sandy Expedited Loan Processes*, Report Number 15-13, pp. 17, 18, July 13, 2015, at https://www.sba.gov/sites/default/files/oig/Audit_Report_15-13_Sandy_Expedited_Processes.pdf.

⁴⁷ Ibid.

⁴⁸ SBA, OIG, *Improvement is Needed in SBA's Oversight of Lender Service Providers*, Report Number 15-6, Executive Summary, March 12, 2015, at https://www.sba.gov/sites/default/files/oig/OIG_Report_15-06_Lender_Service_Providers.pdf.

⁴⁹ Ibid.

process to track, manage, and prioritize lender referrals, including those relating to lender use of LSPs.⁵⁰

Investigations, Debarment Referrals, and Training Activities

In FY2015, the SBA OIG's investigations resulted in 52 indictments or informations and 57 convictions.⁵¹ For example, in FY2015,

- An Alabama man was sentenced to 108 months of confinement for wire fraud, making false statements on loan and credit applications, and money laundering. He was also sentenced to a concurrent term of 24 months of confinement for making false statements to the SBA. In addition, he was ordered to serve 36 months of supervised release and forfeit more than \$1 million to the United States.⁵²
- A California man was sentenced to 6.5 years in federal prison and 5 years of supervised release for his involvement in fraudulently obtaining SBA 7(a) guaranteed loans. He was also ordered to pay \$1.6 million in restitution, of which \$930,000 will be paid to the SBA. A co-conspirator was sentenced to six months of home detention and three years of supervised release, and was ordered to pay restitution of \$210,000 and participate in mental health treatment.⁵³

The SBA OIG also made 74 debarment referrals to the SBA.⁵⁴ The SBA OIG also provided 28 training and outreach sessions, attended by 1,067 government employees, lending officials, and law enforcement representatives, on topics related to fraud in government lending and contracting programs.⁵⁵

Monetary Savings and Recoveries

The SBA OIG reports that its audits and investigations resulted in monetary savings and recoveries of nearly \$134 million in FY2015 (\$61.0 million from potential investigative recoveries and fines, \$4.9 million from asset forfeitures, \$38.7 million for loans or contracts not approved or canceled, \$14.2 million from loans not made as a result of name checks, \$3.6 million

⁵⁰ Ibid.

⁵¹ An *information* is a sworn written statement that charges that a particular individual has done a criminal act or is guilty of a criminal omission. Because the Fifth Amendment to the U.S. Constitution expressly creates a constitutional right to be indicted by a grand jury, an information is used in federal criminal procedure only when a defendant voluntarily pleads guilty (often as part of a plea bargain) and waives the right to an indictment. See The Free Dictionary, "Information," at <http://legal-dictionary.thefreedictionary.com/Information>; and The Law Dictionary, "Information," at <http://thelawdictionary.org/information/>.

⁵² SBA, OIG, "FY2017 Congressional Budget Justification," p. 11, at <https://www.sba.gov/sites/default/files/FY17-CBJ-oig.pdf>.

⁵³ Ibid.

⁵⁴ U.S. Congress, House Committee on Small Business, *SBA Management and Performance Challenges: The Inspector General's Perspective*, 114th Cong., 2nd sess., March 16, 2016, H. Hrg. 114-049 (Washington: GPO, 2016), p. 29. Debarred contractors, lenders, and borrowers are generally ineligible for new federal contracts or SBA loans for a fixed period of time, while suspended contractors, lenders, and borrowers are generally ineligible for the duration of any investigation or litigation involving their conduct.

⁵⁵ Ibid.

in disallowed costs agreed to by management, and \$11.4 million from recommendations that funds be put to better use agreed to by management).⁵⁶

Most OIGs, including the SBA OIG, quantify their monetary savings by identifying and reporting amounts affected by their activities. This methodological approach, arguably, provides a fairly good overview of the scope, nature, and impact of the OIG's activities. However, this approach has limitations. For example, precise data concerning monetary savings is not always readily available. Also, from a budgetary perspective, the monetary savings identified is sometimes less than the actual monetary savings realized. For example,

- The \$61.0 million in potential recoveries and fines is derived from the actual amount imposed by courts in criminal sentencings (including fines and restitution), criminal settlements, and civil settlements. These recoveries are deemed “potential” because the court ordered them in FY2015, but they may not have been collected yet. The SBA OIG does not track collections resulting from these orders. As a result, the SBA OIG is not able to report the final amount of money actually recovered.⁵⁷
- The \$38.7 million in reported savings from loans or contracts not approved or cancelled is “comprised of the sum of the amounts that would have been borrowed as loans or awarded via contracts had there been no involvement by the OIG Investigations Division.”⁵⁸ From a budgetary perspective, the actual monetary savings generated by these actions is less than the amount cited.⁵⁹ When a SBA loan is not approved, no funds are returned to the SBA because the loan amount has not been issued yet. When a SBA business loan is cancelled, the loan amount is ultimately returned to the lender, not to the SBA because the SBA did not make the loan, it guaranteed a portion of it. When a small business contract is not approved, no funds are returned to the agency sponsoring the contract because the contracted amount has not been awarded yet. When a small business contract is cancelled, the contracted amount is typically made available to other contractors.
- The \$14.2 million in reported savings from loans not made as a result of name checks is the amount that would have been borrowed by ineligible applicants “based on the amount applied for by each applicant denied; then calculated by the percentage of ownership or stock owned or to be owned in the small business or development company.”⁶⁰ Once again, from a budgetary perspective, the actual monetary savings generated by these actions is less than the amount cited.
- The \$3.6 million in reported savings from disallowed costs agreed to by management could result in actual budgetary savings, but the recovery process typically takes time. As a result, the final savings for disallowed costs is often not known during the fiscal year in which it is reported.

⁵⁶ SBA, OIG, “FY2017 Congressional Budget Justification,” p. 21, at <https://www.sba.gov/sites/default/files/FY17-CBJ-oig.pdf>.

⁵⁷ SBA, OIG, “Correspondence with the author,” June 23, 2016.

⁵⁸ *Ibid.*

⁵⁹ By promoting program efficiency, it could be argued that these actions cumulatively result in administrative cost savings. However, it is difficult to quantify these savings.

⁶⁰ SBA, OIG, “Correspondence with the author,” June 23, 2016.

- The \$11.4 million in reported savings from recommendations that funds be put to better use agreed to by management may result in improved operational and/or programmatic efficiencies. However, these recommendations do not typically result in budgetary savings because the funds are still spent, albeit for other purposes.

Finally, estimating the monetary savings from the SBA OIG's activities is challenging because it is difficult, if not impossible, to determine what changes the SBA might have made to its programs and operations if the SBA OIG did not exist.

Perhaps indicative of these methodological challenges, the SBA OIG's annual congressional budget justification document's statistical highlights section refers to these figures as "office-wide dollar accomplishments" as opposed to monetary savings.⁶¹ The SBA's current IG has also used the term office-wide dollar accomplishments, as opposed to monetary savings, when describing her office's accomplishments during congressional testimony.⁶²

Most Serious Management and Performance Challenges Facing the SBA

Pursuant to P.L. 106-531, the Records Consolidation Act of 2000, and OMB Circular A-136, the SBA OIG issues an annual *Report on the Most Serious Management and Performance Challenges Facing the SBA*. This report is, arguably, the SBA OIG's signature oversight document, focusing attention "on areas that are particularly vulnerable to fraud, waste, error, and mismanagement, or otherwise pose a significant risk and generally have been subject to one or more OIG or GAO reports."⁶³

The FY2016 *Report on the Most Serious Management and Performance Challenges Facing the SBA* lists the following 10 challenges:

1. Weaknesses in small business contracting programs and inaccurate procurement data undermine the reliability of contracting goals achievements.
2. Weaknesses in information systems' security controls pose significant risks to the agency.
3. SBA needs effective human capital strategies to carry out its mission successfully and become a high-performing organization.
4. SBA needs to further strengthen its oversight of lending participants.
5. SBA needs to modify the Section 8(a) business development program so more firms receive business development assistance, standards for determining

⁶¹ For example, see SBA, OIG, "FY2017 Congressional Budget Justification," p. 21, at <https://www.sba.gov/sites/default/files/FY17-CBJ-oig.pdf>.

⁶² U.S. Congress, Senate Committee on Small Business and Entrepreneurship, *The FY2013 Budget Request for the Small Business Administration*, 112th Cong., 2nd sess., March 29, 2012, S.Hrg. 112-500 (Washington: GPO, 2012), p. 24; U.S. Congress, House Committee on Small Business, *Reducing Duplication and Promoting Efficiency at the SBA: The Inspector General's View*, 113th Cong., 1st sess., June 5, 2013, H. Hrg. 113-020 (Washington: GPO, 2013), p. 4; and U.S. Congress, House Committee on Appropriations, Subcommittee on Financial Services and General Government, *Financial Services and General Government Appropriations for 2014*, 113th Cong., 1st sess., April 10, 2013 (Washington: GPO, 2013), p. 194.

⁶³ SBA, OIG, "FY2017 Congressional Budget Justification," p. 17, at <https://www.sba.gov/sites/default/files/FY17-CBJ-oig.pdf>.

- economic disadvantage are justifiable, and firms follow 8(a) regulations when completing contracts.
6. Effective tracking and enforcement would reduce financial losses from loan agent fraud.
 7. SBA needs to modernize its loan accounting system and migrate it off the mainframe.
 8. SBA needs to accurately report, significantly reduce, and strengthen efforts to recover improper payments in the 7(a) loan program.
 9. Disaster assistance must balance competing priorities to deliver timely assistance and reduce improper payments.
 10. SBA needs to effectively manage its acquisition program.⁶⁴

The SBA OIG provides a series of recommended actions within each of the reported challenges to enhance the effectiveness of the SBA's programs and operations. The management challenges are "driven by SBA's current needs" and based on the SBA OIG's understanding of the SBA's programs and operations, as well as challenges presented in other agency reports, principally GAO reports. Accordingly, the challenges presented each year may change based the SBA's actions or inactions "to remedy past weaknesses."⁶⁵

For example, in its FY2016 report, the SBA OIG made "a significant change" involving small business contracting, added a new challenge regarding SBA's Disaster Assistance Program, and removed a challenge pertaining to the SBA's implementation of a quality control program in its loan centers because the SBA "has made progress in implementing a quality control program for all of its loan centers."⁶⁶

Impact on Program Efficiency and Effectiveness

OIGs are, arguably, best known for investigations addressing waste, fraud, and abuse and audits containing recommendations to enhance programmatic and operational efficiencies. However, a full and complete assessment of an OIG's impact should address all of the office's statutory responsibilities, including its efforts to

- enhance programmatic and operational efficiencies and the OIG's agency's effectiveness in achieving program goals through audits;
- reduce waste, fraud, and abuse through investigations;
- assist Congress and the OIG's agency by making recommendations concerning the impact of legislation and regulations on programmatic and operational efficiencies and waste, fraud, and abuse;
- assist the OIG's agency by making recommendations to facilitate the agency's relationships with other governmental and non-governmental entities; and

⁶⁴ SBA, OIG, *Report on the Most Serious Management and Performance Challenges in Fiscal Year 2016*, Report Number 16-01, October 15, 2015, at https://www.sba.gov/sites/default/files/oig/FY_2016_Management_Challenges_0.pdf.

⁶⁵ U.S. Congress, House Committee on Small Business, *SBA Management and Performance Challenges: The Inspector General's Perspective*, 114th Cong., 2nd sess., March 16, 2016, H. Hrg. 114-049 (Washington: GPO, 2016), pp. 23-24.

⁶⁶ SBA, OIG, *Report on the Most Serious Management and Performance Challenges in Fiscal Year 2016*, Report Number 16-01, October 15, 2015, at https://www.sba.gov/sites/default/files/oig/FY_2016_Management_Challenges_0.pdf.

- keep the OIG’s agency head and Congress fully and currently informed of its findings and the agency’s progress in implementing recommended corrective actions.

Enhancing Programmatic and Operational Efficiency and the Achievement of Program Goals Through Audits

As shown in **Table 4**, over the past six and one-half fiscal years, the SBA OIG reports that it

- issued 148 audit reports (an average of 22.8 audit reports per fiscal year);
- provided 796 recommendations for improving SBA operations, identifying improper payments, and strengthening controls to reduce fraud and unnecessary losses in SBA programs (an average of 122.5 recommendations per fiscal year), with the SBA taking action on 767 recommendations (an average of 118.0 recommendations addressed per fiscal year);
- generated \$223.9 million in savings and program efficiencies (an average of \$34.4 million per fiscal year) in disallowed costs agreed to by SBA management and recommendations that funds be put to better use agreed to by SBA management;
- questioned \$241.1 million in costs (an average of \$37.0 million per fiscal year),⁶⁷ and
- recommended that \$141.1 million be put to better use (an average of \$21.7 million per fiscal year).

Table 4. SBA OIG’s Audits, FY2010-FY2016
(\$ in millions)

Fiscal Year	Number of Audit Reports	Number of Recommendations Issued/Acted Upon ^a	Dollar Amount in Accomplishments ^b	Value of Costs Questioned	Value of Recommendations that Funds be Put to Better Use
2016 (1 st half)	12	49/50	\$2.3	\$3.0	\$1.3
2015	17	80/84	\$15.0	\$2.4	\$9.1
2014	20	100/137	\$93.7	\$4.4	\$4.8
2013	19	129/109	\$42.8	\$45.9	\$40.7
2012	22	126/113	\$8.8	\$172.1	\$50.7
2011	24	136/168	\$60.2	\$12.3	\$0.0
2010	34	176/106	\$1.1	\$1.0	\$34.5
Total	148	796/767	\$223.9	\$241.1	\$141.1

⁶⁷ The SBA views questioned costs as those that are found to be improper. Unsupported costs may be proper, but lack documentation. The SBA considers unsupported costs a subset of questioned costs. See SBA, OIG, “Semiannual Report to Congress, Spring 2016,” p. 25, at https://www.sba.gov/sites/default/files/oig/SBA_OIG_SAR_Spring_2016.pdf.

Sources: SBA, OIG, "Congressional Budget Justification, FY2012," pp. 1, 12, at https://www.sba.gov/sites/default/files/aboutsbaarticle/FINAL%20FY%202012%20CBJ%20FY%202010%20APR_0.pdf; SBA, OIG, "Congressional Budget Justification, FY2013," p. 11, at [https://www.sba.gov/sites/default/files/files/4-508%20Compliant%20FY%202013%20Office%20of%20Inspector%20General%20CBJ2\(1\).pdf](https://www.sba.gov/sites/default/files/files/4-508%20Compliant%20FY%202013%20Office%20of%20Inspector%20General%20CBJ2(1).pdf); SBA, OIG, "Semiannual Report to Congress, Spring 2011," p. 18, at <https://www.sba.gov/sites/default/files/oig/Semi-Annual%20Report%20to%20Congress%20-%20Spring%202011.pdf>; SBA, OIG, "Semiannual Report to Congress, Fall, 2011," p. 18, at <https://www.sba.gov/sites/default/files/oig/Fall%202011%20SBA%20OIG%20SAR.pdf>; SBA, OIG, "FY2014 Congressional Budget Justification," p. 16, at <https://www.sba.gov/sites/default/files/files/4-508%20Compliant%20OIG%20FY%202014%20CBJ.PDF>; SBA, OIG, "FY2015 Congressional Budget Justification," pp. 1, 17, at <https://www.sba.gov/sites/default/files/files/SBA%20OIG%20FY%202015%20Congressional%20Submission%20508%20FINAL%20post.pdf>; SBA, OIG, "FY2016 Congressional Budget Justification," pp. 1, 22, at https://www.sba.gov/sites/default/files/files/4-Office_of_the_Inspector_General_FY_2016_CBJ_508.pdf; SBA, OIG, "FY2017 Congressional Budget Justification," pp. 1, 21, at <https://www.sba.gov/sites/default/files/FY17-CBJ-oig.pdf>; and SBA, OIG, "Semiannual Report to Congress, Spring 2016," p. 22, at https://www.sba.gov/sites/default/files/oig/SBA_OIG_SAR_Spring_2016.pdf.

Notes:

- a. The number of the SBA OIG's recommendations acted upon by the SBA in a fiscal year may exceed the number of recommendations issued by the SBA OIG because the number acted upon may include recommendations issued in previous fiscal years.
- b. Sum of disallowed costs agreed to by management and recommendations that funds be put to better use agreed to by management.

In terms of impact, the data presented in **Table 4** suggest that the SBA has made hundreds of changes to its internal operating procedures and programs as a direct result of the SBA OIG's audits.⁶⁸ In addition, comments by Members of the House Committee on Small Business and Senate Committee on Small Business and Entrepreneurship during congressional oversight hearings suggest that, generally speaking, they find the SBA OIG's audits helpful in their oversight of the SBA, especially in terms of identifying management weaknesses and recommending solutions to remedy those weaknesses.⁶⁹ For example, in his opening remarks at a March 2016 congressional oversight hearing concerning the SBA's management and performance challenges, Representative Steve Chabot, chair of the House Committee on Small Business stated,

It is clear that the Inspector General plays a critical role in ensuring effective management of the SBA. By conducting audits to identify program mismanagement, by investigating fraud or other wrongdoing, or by recommending changes to increase the efficiency of SBA operations, she has provided independent and objective reviews of agency actions.⁷⁰

Some Members have also noted that the SBA OIG's impact is limited because the SBA OIG has no enforcement authority and the SBA has chosen to ignore many of its recommendations. As Representative Nydia Velazquez noted during that March 2016 congressional oversight hearing, some of the management challenges reported in the SBA OIG's annual *Report on the Most Serious Management and Performance Challenges Facing the SBA* "were first highlighted over a

⁶⁸ For additional information concerning the SBA OIG's impact on the SBA's 7(a) loan guarantee program, see CRS Report R41146, *Small Business Administration 7(a) Loan Guaranty Program*, by (name redacted) .

⁶⁹ For example, see U.S. Congress, House Committee on Small Business, *SBA Management and Performance Challenges: The Inspector General's Perspective*, 114th Cong., 2nd sess., March 16, 2016 (Washington: GPO, 2016); and U.S. Congress, House Committee on Small Business, Committee Staff, "Memorandum, Full Committee Hearing: SBA Management and Performance Challenges: The Inspector General's Perspective," March 14, 2016, at http://smallbusiness.house.gov/uploadedfiles/3-16-2016_hearing_memo.pdf.

⁷⁰ U.S. Congress, House Committee on Small Business, *SBA Management and Performance Challenges: The Inspector General's Perspective*, 114th Cong., 2nd sess., March 16, 2016 (Washington: GPO, 2016), pp. 1-2.

decade ago.”⁷¹ In addition, the SBA’s current IG testified at that hearing that the SBA currently “has 144 open OIG recommendations pertaining to reviews conducted in recent years and not so recent years across SBA programs.”⁷² She also testified that the SBA

did demonstrate positive progress in resolving recommendations associated with five of the identified challenges [in the annual report on the most serious challenges facing the SBA]. However, they remained at status quo on four of the challenges and demonstrated no progress on one recommendation in an area related to information technology. Now, clearly these results I would say paint a mixed picture relative to SBA’s commitment to addressing these challenges in earnest and their ability to overcome these challenges.

Having said that, I think it also has to be acknowledged that SBA has shown that with a sustained, committed effort over time, they can achieve successful results in these challenges. For example, they moved to green [implemented the SBA OIG’s recommendations concerning] ... the very large challenge related to their LMAS [Loan Management and Accounting System Modernization] IT system. So I think that really shows that these are challenges that with the right effort can really be conquered and met.⁷³

Others have suggested that OIGs, in general, including the SBA OIG, focus their auditing efforts on identifying and addressing programmatic and operational inefficiencies and spend less time addressing “whether the agency program operations were providing the outputs intended by Congress.”⁷⁴ In their view, Congress passed P.L. 103-62, the Government Performance and Results Act of 1993, and P.L. 111-352, the Government Performance and Results Act Modernization Act of 2010, to provide mechanisms to assess the effectiveness of federal programs in a way that supplements the efforts of OIGs (e.g., by establishing statutory requirements for most agencies to set goals, measure performance, and submit related plans and reports to Congress for its potential use).⁷⁵

In sum, the evidence suggests that the SBA OIG’s audits have helped to increase the efficiency of the SBA’s programs and operations and, as a result, have enhanced the agency’s efforts to achieve its goals to assist small business through its various lending, training, contracting, and disaster assistance programs. It could also be argued that the SBA OIG’s impact is muted because OIGs lack enforcement authority, meaning that the SBA may proceed with, or without, taking into account the recommendations presented in the SBA OIG’s audits.

Reducing Waste, Fraud, and Abuse Through Investigations

As shown in **Table 5**, over the past six and one-half fiscal years, the SBA OIG reports that it

- opened 458 cases (an average of 70.5 cases opened per fiscal year);

⁷¹ Ibid., p. 1.

⁷² Ibid., p. 4.

⁷³ Ibid.

⁷⁴ Barry Pineles, chief counsel, House Committee on Small Business, “Hearing Memorandum: Reducing Duplication and Promoting Efficiency at the SBA: The Inspector General’s View,” June 3, 2013, at http://smallbusiness.house.gov/uploadedfiles/6-5-2013__final_hearing_memo.pdf.

⁷⁵ Ibid., pp. 6-8. For additional information and analysis concerning P.L. 103-62, the Government Performance and Results Act of 1993, and P.L. 111-352, the Government Performance and Results Act Modernization Act of 2010, see CRS Report R42379, *Changes to the Government Performance and Results Act (GPRA): Overview of the New Framework of Products and Processes*, by (name redacted).

- issued 446 indictments or informations (an average of 68.6 indictments or informations per fiscal year), with 346 convictions (an average of 53.2 convictions per fiscal year);
- generated \$861.4 million in investigative recoveries and fines, asset forfeitures attributed to OIG investigations, loans or contracts not approved or cancelled as a result of investigations, and loans not made as a result of name checks (an average of \$132.5 million per fiscal year); and
- recommended 342 suspensions or disbarments (an average of 52.6 per fiscal year), with the SBA suspending or disbarring 202 of these firms or owners (an average of 31.1 firms/owners per fiscal year).

The SBA OIG also reported that it had an active, annual caseload of about 250 criminal and civil fraud investigations of potential loan and contracting fraud and other wrongdoing from FY2010 through FY2016, and anticipates having an active caseload of about 215 investigations in FY2017.⁷⁶

Table 5. SBA OIG's Investigations, FY2010-FY2016

(\$ in millions)

Fiscal Year	Number of Cases Opened	Number of Indictments and Informations	Number of Convictions ^a	Recoveries and Management Avoidances ^b	Number of Suspensions & Debarments Recommended/ Issued ^c
2016 (1 st half)	49	18	24	\$104.4	36/11
2015	78	52	57	\$118.8	74/46
2014	51	103	67	\$76.2	50/42
2013	50	64	51	\$348.2	65/26
2012	65	59	59	\$81.8	45/31
2011	85	69	47	\$60.7	41/30
2010	80	81	41	\$71.3	31/16
Total	458	446	346	\$861.4	342/202

Sources: SBA, OIG, "Semiannual Report to Congress, Spring 2010," p. 24, at <https://www.sba.gov/sites/default/files/oig/oig%20spring%202010%20sar.pdf>; SBA, OIG, "Semiannual Report to Congress, Fall 2010," p. 24, at https://www.sba.gov/sites/default/files/oig/Semiannual%20Report%20to%20Congress%20-%20Fall%202010_0.pdf; SBA, OIG, "Congressional Budget Justification FY2012," pp. 1, 12, 13, at https://www.sba.gov/sites/default/files/aboutsbaarticle/FINAL%20FY%202012%20CBJ%20FY%202010%20APR_0.pdf; SBA, OIG, "Congressional Budget Justification, FY2013," pp. 11-12, at [https://www.sba.gov/sites/default/files/files/4-508%20Compliant%20FY%202013%20Office%20of%20Inspector%20General%20CBJ2\(1\).pdf](https://www.sba.gov/sites/default/files/files/4-508%20Compliant%20FY%202013%20Office%20of%20Inspector%20General%20CBJ2(1).pdf); SBA, OIG, "FY2014 Congressional Budget Justification," pp. 2, 16, 17, at [⁷⁶ SBA, OIG, "FY2014 Congressional Budget Justification," p. 2, at <https://www.sba.gov/sites/default/files/files/4-508%20Compliant%20OIG%20FY%202014%20CBJ.PDF>; SBA, OIG, "FY2015 Congressional Budget Justification," p. 1, at <https://www.sba.gov/sites/default/files/files/SBA%20OIG%20FY%202015%20Congressional%20Submission%20508%20FINAL%20post.pdf>; SBA, OIG, "FY2016 Congressional Budget Justification," p. 1, at \[https://www.sba.gov/sites/default/files/files/4-Office_of_the_Inspector_General_FY_2016_CBJ_508.pdf\]\(https://www.sba.gov/sites/default/files/files/4-Office_of_the_Inspector_General_FY_2016_CBJ_508.pdf\); and SBA, OIG, "FY2017 Congressional Budget Justification," p. 1, at <https://www.sba.gov/sites/default/files/FY17-CBJ-oig.pdf>.](https://www.sba.gov/sites/default/files/files/4-</p>
</div>
<div data-bbox=)

508%20Compliant%20OIG%20FY%202014%20CBJ.PDF; SBA, OIG, "FY2015 Congressional Budget Justification," pp. 1, 15, 17, 18, at <https://www.sba.gov/sites/default/files/files/SBA%20OIG%20FY%202015%20Congressional%20Submission%20508%20FINAL%20post.pdf>; SBA, OIG, "FY2016 Congressional Budget Justification," pp. 1, 22, 23, at https://www.sba.gov/sites/default/files/files/4-Office_of_the_Inspector_General_FY_2016_CBJ_508.pdf; SBA, OIG, "FY2017 Congressional Budget Justification," pp. 1, 22, 23, at <https://www.sba.gov/sites/default/files/FY17-CBJ-oig.pdf>; and SBA, OIG, "Semiannual Report to Congress, Spring 2016," pp. 21, 22, at https://www.sba.gov/sites/default/files/oig/SBA_OIG_SAR_Spring_2016.pdf.

Notes:

- a. The number of convictions may exceed the number of indictments and informations in a fiscal year because a conviction in any fiscal year could result from an indictment or information issued in that fiscal year or a previous fiscal year.
- b. Sum of potential investigative recoveries and fines, asset forfeitures attributed to OIG investigations, loans or contracts not approved or cancelled as a result of investigations, and loans not made as a result of name checks.
- c. The number of suspensions and debarments issued by the SBA in response to a recommendation from the SBA OIG does not include the number of recommended suspensions and debarments pending at the end of the fiscal year.

In terms of impact, the data presented in **Table 5** suggest that, since FY2010, the SBA OIG's investigations have resulted in hundreds of criminal convictions and millions of dollars in recovered funds. In addition, comments by Members of the House Committee on Small Business and Senate Committee on Small Business and Entrepreneurship during congressional oversight hearings suggest that, generally speaking, they acknowledge and value the SBA OIG's investigations as a means to identify and reduce waste, fraud, and abuse.⁷⁷ In addition, the SBA OIG has testified that her office has developed a good working relationship with the SBA and the Department of Justice in investigating and taking action on suspected fraudulent activity.⁷⁸

However, as the current IG has testified, the SBA OIG's investigative efforts, in initiating and continuing investigations, are constrained by resource limitations.

Recommendations Concerning the Impact of Legislation and Regulations

The SBA OIG reports that it routinely reviews and comments on proposed changes to the SBA's program directives.⁷⁹ These changes "include regulations, internal operating procedures, agency policy notices, and SBA forms completed by the public."⁸⁰

The SBA OIG also tracks, reviews, and comments on legislation affecting the SBA and participates in OMB's Legislative Referral Memoranda (LRM) process for reviewing and

⁷⁷ For example, see U.S. Congress, House Committee on Small Business, *SBA Management and Performance Challenges: The Inspector General's Perspective*, 114th Cong., 2nd sess., March 16, 2016 (Washington: GPO, 2016), pp. 2, 7-8, 12; and U.S. Congress, House Committee on Small Business, Committee Staff, "Memorandum, Full Committee Hearing: SBA Management and Performance Challenges: The Inspector General's Perspective," March 14, 2016, at http://smallbusiness.house.gov/uploadedfiles/3-16-2016_hearing_memo.pdf.

⁷⁸ U.S. Congress, House Committee on Appropriations, Subcommittee on Financial Services and General Government, *Financial Services and General Government Appropriations for 2014, Part 6*, 113th Cong., 1st sess., April 10, 2013, p. 195.

⁷⁹ SBA, OIG, "Semiannual Report to Congress, Spring 2016," p. 18, at https://www.sba.gov/sites/default/files/oig/SBA_OIG_SAR_Spring_2016.pdf.

⁸⁰ *Ibid.*

coordinating agency recommendations on proposed, pending, and enrolled legislation.⁸¹ The SBA OIG also “receives, through the SBA Office of Congressional and Legislative Affairs, congress-related documents being circulated by OMB, including pending legislation for consideration of Administration views and perspectives.”⁸²

When the SBA OIG identifies “material weaknesses” in changes proposed by the SBA, it “works with the Agency to implement recommended revisions to promote controls that are more effective and deter waste, fraud, or abuse.”⁸³ The SBA OIG provides the SBA with both formal and informal comments. Formal comments are provided “through the Agency’s internal document control process, the Correspondence Management System (CMS),⁸⁴ and as a reviewing party in the Agency’s Paperwork Reduction Act (PRA) process.”⁸⁵ Informal comments “occur in the context of program officials seeking SBA OIG guidance when preparing new guidance.”⁸⁶

In terms of legislation, the SBA OIG provides comments and suggestions “directly with congressional stakeholders” and shares its views with SBA officials and OMB if the legislation is being “circulated for solicited views by OMB through its LRM process, or if determined by the OIG to be a necessary course of action.”⁸⁷

As shown in **Table 6**, over the past six and one-half fiscal years, the SBA OIG reports that it

- conducted 760 reviews of legislation, regulations, standard operating procedures, and other issuances (an average of 116.9 reviews per fiscal year);⁸⁸ and
- submitted comments on 415 of these initiatives (an average of 63.8 initiatives commented on per fiscal year).

⁸¹ See U.S. Office of Management and Budget, “Circular No. A-19, Legislative Coordination and Clearance (9/20/1979),” at https://www.whitehouse.gov/omb/circulars_a019/.

⁸² SBA, OIG, “Correspondence with the author,” July 5, 2016.

⁸³ SBA, OIG, “Semiannual Report to Congress, Spring 2016,” p. 18, at https://www.sba.gov/sites/default/files/oig/SBA_OIG_SAR_Spring_2016.pdf.

⁸⁴ The SBA’s CRM-Correspondence Management (CRM-CM) system “will efficiently manage, organize, search, track, and report on correspondence and action plans... The CRM-CM will store and manage correspondence from the members of the U.S. House of Representatives and the U.S. Senate, the President, and SBA’s Administrator or Deputy Administrator.” See SBA, “Privacy Impact Assessment: Name of System/Application: CRM-Correspondence Management Program Office: Office of the Executive Secretariat,” at https://www.sba.gov/sites/default/files/files/CRM_Correspondence_Management.pdf.

⁸⁵ SBA, OIG, “Correspondence with the author,” July 5, 2016. “OIRA [the Office of Information and Regulatory Affairs] was created within OMB [the Office of Management and Budget] by Section 3503 of the Paperwork Reduction Act (PRA) of 1980 (44 U.S.C. Chapter 35) ...With regard to paperwork reduction, the act generally prohibited agencies from conducting or sponsoring a collection of information until they had submitted their proposed information collection requests to OIRA and the office had approved those requests. The PRA’s requirements cover rules issued by virtually all agencies, including Cabinet departments, independent agencies, and independent regulatory agencies and commissions. Although the PRA gave OIRA substantive responsibilities in many areas, the bulk of the office’s day-to-day activities under the act were initially focused on reviewing and approving agencies’ proposed information collection requests.” For additional information and analysis concerning the PRA see CRS Report RL32397, *Federal Rulemaking: The Role of the Office of Information and Regulatory Affairs*, coordinated by (name redacted) and CRS Report RL32240, *The Federal Rulemaking Process: An Overview*, coordinated by (name redacted).

⁸⁶ SBA, OIG, “Correspondence with the author,” July 5, 2016.

⁸⁷ Ibid.

⁸⁸ Other issuances include policy notices, procedural notices, the SBA Administrator’s action memoranda, and other SBA initiatives, which frequently involve the implementation of new programs or policies.

Table 6. Legislation, Regulations, Standard Operating Procedures (SOPs), and Other Issuances Reviewed and Comments Provided, FY2010-FY2016

Fiscal Year	Legislation, Regulations, SOPs, and Other Issuances Reviewed	Number of Initiatives for Which Comments Were Provided
2016 (1 st half)	59	31
2015	129	72
2014	93	46
2013	115	60
2012	136	79
2011	133	80
2010	95	47
Total	760	415

Sources: SBA, OIG, “Semiannual Report to Congress, Spring 2010,” p. 22, at <https://www.sba.gov/sites/default/files/oig/oig%20spring%202010%20sar.pdf>; SBA, OIG, “Semiannual Report to Congress, Fall 2010,” p. 21, at https://www.sba.gov/sites/default/files/oig/Semiannual%20Report%20to%20Congress%20-%20Fall%202010_0.pdf; SBA, OIG, “Congressional Budget Justification FY2012,” p. 12, at https://www.sba.gov/sites/default/files/aboutsbaarticle/FINAL%20FY%202012%20CBJ%20FY%202010%20APR_0.pdf; SBA, OIG, “Semiannual Report to Congress, Spring 2011,” p. 17, at <https://www.sba.gov/sites/default/files/oig/Semi-Annual%20Report%20to%20Congress%20-%20Spring%202011.pdf>; SBA, OIG, “Semiannual Report to Congress, Fall 2011,” p. 17, at <https://www.sba.gov/sites/default/files/oig/Fall%202011%20SBA%20OIG%20SAR.pdf>; SBA, OIG, “Congressional Budget Justification, FY2013,” p. 11, at [https://www.sba.gov/sites/default/files/files/4-508%20Compliant%20FY%202013%20Office%20of%20Inspector%20General%20CBJ2\(1\).pdf](https://www.sba.gov/sites/default/files/files/4-508%20Compliant%20FY%202013%20Office%20of%20Inspector%20General%20CBJ2(1).pdf); SBA, OIG, “Semiannual Report to Congress, Spring 2012,” p. 20, at <https://www.sba.gov/sites/default/files/oig/SBA%20OIG%20SAR%20Spring%202012%20.pdf>; SBA, OIG, “Semiannual Report to Congress, Fall 2012,” p. 20, at https://www.sba.gov/sites/default/files/oig/FINAL_FALL%202012_SAR.pdf; SBA, OIG, “FY2014 Congressional Budget Justification,” p. 17, at <https://www.sba.gov/sites/default/files/files/4-508%20Compliant%20OIG%20FY%202014%20CBJ.PDF>; SBA, OIG, “Semiannual Report to Congress, Spring 2013,” p. 19, at https://www.sba.gov/sites/default/files/oig/SBA%20OIG%20_Spring_%202013_SAR.pdf; SBA, OIG, “Semiannual Report to Congress, Fall 2013,” p. 18, at https://www.sba.gov/sites/default/files/oig/Fall_2013_-_SBA_OIG_SAR_0.pdf; SBA, OIG, “FY2015 Congressional Budget Justification,” p. 15, at <https://www.sba.gov/sites/default/files/files/SBA%20OIG%20FY%202015%20Congressional%20Submission%20508%20FINAL%20post.pdf>; SBA, OIG, “FY2016 Congressional Budget Justification,” p. 23, at https://www.sba.gov/sites/default/files/files/4-Office_of_the_Inspector_General_FY_2016_CBJ_508.pdf; SBA, OIG, “FY2017 Congressional Budget Justification,” p. 22, at <https://www.sba.gov/sites/default/files/FY17-CBJ-oig.pdf>; and SBA, OIG, “Semiannual Report to Congress, Spring 2016,” p. 22, at https://www.sba.gov/sites/default/files/oig/SBA_OIG_SAR_Spring_2016.pdf.

Notes: Other issuances include policy notices, procedural notices, the SBA Administrator’s action memoranda, and other SBA initiatives, which frequently involve the implementation of new programs or policies.

The data in **Table 6** suggest that the SBA OIG actively reviews and comments on legislation and SBA program directives. However, it is difficult to determine the impact of these reviews and comments because the SBA OIG does not track or report data concerning the SBA’s response to these comments. The SBA OIG indicated that

neither the dynamic nature of the informal comment process nor the collaborative follow-up procedures from formal comments are conducive to quantification.... Our sense of these comments is that the Agency will generally act upon SBA OIG comments. Typically, the Agency modifies clearances and PRA packages in response to material SBA OIG concerns. An accurate tracking and quantification of these clearances,

however, is unlikely to yield particularly useful data relative to the resource expenditure necessary for that collection.⁸⁹

Facilitating the SBA’s Relationships with Other Governmental and Non-governmental Entities

The SBA OIG provides training and outreach sessions on topics related to fraud in government lending and contracting programs. These training and outreach sessions are designed to facilitate the SBA’s relationships with other governmental and non-governmental entities in identifying and ameliorating fraud.

During FY2015, the OIG provided 28 presentations for 1,067 attendees, including SBA and other government employees, lending officials, and law enforcement representatives.⁹⁰ Topics included “types of fraud, fraud indicators and trends; how to report suspicious activity that may be fraudulent; suspension and debarment, the Program Fraud Civil Remedies Act, and other topics related to deterring and detecting fraud in government lending and contracting programs.”⁹¹

As shown in **Table 7**, the SBA OIG provided 131 outreach and training sessions from FY2010-FY2015 (an average of 21.8 sessions per fiscal year), to 6,072 attendees (an average of 1,012 attendees per fiscal year).

The SBA OIG also co-sponsors and/or participates in roundtable discussions, procurement training seminars, and various small business award ceremonies; and is an active participant in the Emerging Leaders program.⁹² During the first half of FY2016, the SBA OIG co-sponsored and/or participated in 83 of these outreach activities.⁹³

Table 7. Outreach and Training Sessions, FY2010-FY2015

Fiscal Year	Number of Sessions	Number of Attendees
2015	28	1,067
2014	25	1,370
2013	19	900
2012	24	1,100
2011	24	1,130

⁸⁹ SBA, OIG, “Correspondence with the author,” July 5, 2016.

⁹⁰ SBA, OIG, “FY2017 Congressional Budget Justification,” p. 19, at <https://www.sba.gov/sites/default/files/FY17-CBJ-oig.pdf>.

⁹¹ Ibid.

⁹² The Emerging Leaders program provides “executives of businesses poised for growth in historically challenged communities” with “the organizational framework, resource network, and motivation required to build sustainable businesses and promote the economic development within urban communities.” The program “is open to small business owners and executives that: have annual revenues of at least \$400,000; have been in business for at least 3 years; have at least one employee, other than self.” See SBA, “SBA Emerging Leaders Initiative,” at <https://www.sba.gov/about-sba/sba-initiatives/sba-emerging-leaders-initiative>.

⁹³ SBA, OIG, “Semiannual Report to Congress, Spring 2016,” pp. 44-52, at https://www.sba.gov/sites/default/files/oig/SBA_OIG_SAR_Spring_2016.pdf.

Fiscal Year	Number of Sessions	Number of Attendees
2010	11	505
Total	131	6,072

Sources: SBA, OIG, “Semiannual Report to Congress, Spring 2010,” p. 22, at <https://www.sba.gov/sites/default/files/oig/oig%20spring%202010%20sar.pdf>; SBA, OIG, “Semiannual Report to Congress, Fall 2010,” p. 21, at https://www.sba.gov/sites/default/files/oig/Semiannual%20Report%20to%20Congress%20-%20Fall%202010_0.pdf; SBA, OIG, “Semiannual Report to Congress, Spring 2011,” p. 17, at <https://www.sba.gov/sites/default/files/oig/Semi-Annual%20Report%20to%20Congress%20-%20Spring%202011.pdf>; SBA, OIG, “Semiannual Report to Congress, Fall 2011,” p. 16, at <https://www.sba.gov/sites/default/files/oig/Fall%202011%20SBA%20OIG%20SAR.pdf>; SBA, OIG, “Semiannual Report to Congress, Spring 2012,” p. 21, at <https://www.sba.gov/sites/default/files/oig/SBA%20OIG%20SAR%20Spring%202012%20.pdf>; SBA, OIG, “Semiannual Report to Congress, Fall 2012,” p. 17, at https://www.sba.gov/sites/default/files/oig/FINAL_FALL%202012_SAR.pdf; SBA, OIG, “FY2014 Congressional Budget Justification,” p. 15, at <https://www.sba.gov/sites/default/files/files/4-508%20Compliant%20OIG%20FY%202014%20CBJ.PDF>; SBA, OIG, “FY2015 Congressional Budget Justification,” p. 16, at <https://www.sba.gov/sites/default/files/files/SBA%20OIG%20FY%202015%20Congressional%20Submission%20508%20FINAL%20post.pdf>; SBA, OIG, “FY2016 Congressional Budget Justification,” pp. 3, 20, at https://www.sba.gov/sites/default/files/files/4-Office_of_the_Inspector_General_FY_2016_CBJ_508.pdf; and SBA, OIG, “FY2017 Congressional Budget Justification,” pp. 2, 19, at <https://www.sba.gov/sites/default/files/FY17-CBJ-oig.pdf>.

The data presented in **Table 7** suggest that the SBA OIG actively provides training and outreach sessions related to identifying and addressing fraud. The office also participates in a number of activities involving federal agencies and others with an interest in fraud prevention activities. It is difficult to measure the impact of these training and outreach activities on the SBA’s interaction with other federal agencies. The SBA OIG reports that these sessions are well-attended, and receive high ratings from attendees.

Keeping the SBA Administrator and Congress Fully and Currently Informed

As mentioned previously, the IG Act requires IGs to keep their agency’s administrator and Congress fully and currently informed concerning fraud and other serious problems, abuses, and deficiencies relating to the agency’s administration of its programs and operations and to report on the progress made in implementing recommended corrective action. The SBA OIG’s informational role is conducted through both formal and informal communication.

Formal communication occurs through (1) the publication of audits, investigations, semiannual reports, and the annual *Report on the Most Serious Management and Performance Challenges Facing the SBA*; (2) correspondence with SBA officials, congressional staff, and Members of Congress; (3) briefings with SBA officials, congressional staff, and Members of Congress (as needed or as requested); (4) press releases; and occasionally (5) congressional testimony.⁹⁴ Informal communication occurs primarily through telephone consultation or by email with SBA officials, congressional staff, and Members of Congress (often facilitated by the SBA OIG’s chief of staff).⁹⁵

⁹⁴ The SBA IG testified before Congress six times in 2011, once in 2012, three times in 2013, three times in 2014, none in 2015, and once in 2016. See SBA, “Congressional Testimony,” at <https://www.sba.gov/oig/category/oig-navigation-structure/reading-room/congressional-testimony>.

⁹⁵ SBA, OIG, “Correspondence with the author,” June 23, 2016.

In terms of communication with the SBA, the SBA OIG reports that it has “immediate and direct access to the Administrator and her staff. As such, there are meetings that occur as needed with the Administrator. There are more frequent meetings with Deputy Administrator [Douglas J.] Kramer.”⁹⁶

In 2014, SBA Administrator Maria Contreras-Sweet testified before the Senate Committee on Small Business and Entrepreneurship that she tries to visit with the SBA’s IG “on a monthly basis” and to have a proactive relationship with the OIG by receiving feedback “in advance of promulgating something” to help the agency “to be more efficient” and to avoid getting “caught up in messy quagmires at the end of the process.”⁹⁷

In terms of communication with Congress, the SBA OIG reports that it “has regular communications and meetings (as needed or requested) to keep the Congress apprised of significant findings or issues identified during our oversight of SBA” and that the “OIG has a staff member that is responsible for congressional relations.”⁹⁸ In addition, because its semiannual reports to Congress are published every six months, the SBA OIG finds that those reports’ “utility as a viable means to make a recommendation for legislation advancing through the legislative process is limited in the context of current legislative affairs.”⁹⁹ As a result, because “the legislative process is very dynamic,” the SBA OIG often relies on “frequent and informal” communication with congressional staff and Members of Congress to provide its input on legislation and other matters affecting the SBA, often by telephone and email.¹⁰⁰

The SBA OIG reports frequent and, in its view, meaningful consultation with both the SBA and Congress in an attempt to keep them fully informed of its activities and recommendations. It is difficult to determine the impact and/or extent of the SBA OIG’s communication with SBA officials, congressional staff, and Members of Congress because much of that communication occurs through informal means, is not tracked, and data concerning the SBA’s or congressional response to the provided comments and recommendations are not compiled or reported.

As mentioned previously, SBA Administrator Maria Contreras-Sweet has testified before Congress that she believes that her relationship with the SBA OIG is “proactive” and “helps us to be more efficient.”¹⁰¹ Also, comments by the ranking Members of Congress on the House and Senate Committees on Small Business suggest that they are relatively satisfied with the SBA OIG’s informational efforts. For example, in his opening remarks at the aforementioned March 2016 congressional hearing on the SBA’s management and performance challenges, Representative Steve Chabot, chair of the House Committee on Small Business stated,

By clarifying the specific areas in which improvement is needed and highlighting possible paths forward for the agency, the insights offered by the Inspector General are invaluable as the Committee continues to work with the SBA to develop meaningful solutions to its management and performance challenges.¹⁰²

⁹⁶ Ibid.

⁹⁷ U.S. Congress, Senate Committee on Small Business and Entrepreneurship, *The Fiscal Year Budget Request for the Small Business Administration*, 113th Cong., 1st sess., April 17, 2013, S. Hrg. 113-176 (Washington: GPO, 2014), p. 10.

⁹⁸ SBA, OIG, “Correspondence with the author,” June 23, 2016.

⁹⁹ SBA, OIG, “Correspondence with the author,” July 5, 2016.

¹⁰⁰ Ibid.

¹⁰¹ U.S. Congress, Senate Committee on Small Business and Entrepreneurship, *The Fiscal Year Budget Request for the Small Business Administration*, 113th Cong., 1st sess., April 17, 2013, S. Hrg. 113-176 (Washington: GPO, 2014), p. 10.

¹⁰² U.S. Congress, House Committee on Small Business, *SBA Management and Performance Challenges: The Inspector General’s Perspective*, 114th Cong., 2nd sess., March 16, 2016 (Washington: GPO, 2016), p. 2.

Relationship with Congress

Generally speaking, OIGs' relationships with Congress tend to ebb and flow over time, varying with the personalities, interests, needs, and actions of the principals involved. One constant has been a genuine interest from Members of Congress of both political parties in OIGs' efforts to identify and reduce waste, fraud, and abuse and enhance program efficiency and effectiveness. The congressional interest in these issues can take on a partisan, contentious tone, especially during periods of divided government. The House and Senate Committees on Small Business, however, have traditionally tried to avoid partisanship. For example, at a potentially contentious Senate Committee on Small Business and Entrepreneurship hearing in 2007, then-Senate Committee Chair John Kerry stated, "Senator Snowe [then-ranking Member] and I and all Members of this Committee manage a Committee that works in a very bipartisan way and try very hard to keep the politics off the table."¹⁰³ More recently, House Small Business Committee chair, Steve Chabot, stated during House floor consideration of H.R. 208, the Recovery Improvements for Small Entities After Disaster Act of 2015:

I want to offer a special thanks to our committee's ranking member, Ms. Velazquez, for her insight and leadership on this issue and for working in a bipartisan, bicameral manner, as she does. I have seen that as chair of the Small Business Committee that I chair now, but I have also been the ranking member under her when she was chair, and it was always bipartisan. We have worked together in a very collegial manner, and I thank her for that.¹⁰⁴

The extent to which the small business committees have been able to avoid partisan conflict has varied somewhat over time, reflecting the personalities of committee leaders and the nature of the issues that have presented themselves at any given time. Nonetheless, the small business committees' tradition of valuing bipartisanship has served to reduce the potential for conflict with the SBA OIG, primarily because committee members do not feel a need to question the SBA OIG's motives when its investigations and audits find perceived weaknesses in the Administration's implementation of the SBA's programs or in the Administration's efforts to identify and address waste, fraud and abuse. The expectation that both committee members and the SBA's IG do not, and should not, pursue a political agenda may help to explain why small business committee members rarely ask the SBA OIG to undertake specific studies.¹⁰⁵ In their view, the SBA's IG is expected to aggressively pursue perceived weaknesses in the SBA's programs and operations regardless of potential political consequences. Requesting specific studies could be seen as suggesting that the SBA OIG is not doing its job well, or as a partisan effort to embarrass the Administration.

Government-wide, at this time, some OIGs, including the SBA OIG, seemingly have a relatively non-controversial, harmonious relationship with Congress and the committees of jurisdiction overseeing the IG's agency. Others have a more contentious, controversial relationship with

¹⁰³ U.S. Congress, Senate Committee on Small Business and Entrepreneurship, *SBA Lender Oversight: Preventing Loan Fraud and Improving Regulation of Lenders*, 110th Cong., 1st sess., November 13, 2007, S.Hrg. 110-504 (Washington: GPO, 2008), p. 1.

¹⁰⁴ Rep. Steve Chabot, "Superstorm Sandy Relief and Disaster Loan Program Improvement Act of 2015," House debate, *Congressional Record*, vol. 161, part 168 (November 16, 2015), p. H8226.

¹⁰⁵ In FY2014, none of the 20 reports issued by the SBA OIG were undertaken due to a request from a Member of Congress or congressional staff, or a member of the public. One report was undertaken in response to a hotline complaint from SBA program officials. In FY2015, none of the 17 reports issued by the SBA OIG were undertaken due to a request from a Member of Congress or congressional staff, an SBA employee, or a member of the public. SBA, OIG, "Correspondence with the author," June 23, 2016.

Congress, including a few instances in which Members of Congress have raised the possibility of impeachment.

The SBA OIG's relationship with Congress has not always been without controversy. For example, in October 2008 (prior to Peggy Elizabeth Gustafson's service as IG), then-Senator John Kerry, chair of the Senate Committee on Small Business and Entrepreneurship, criticized the SBA OIG on the Senate floor for issuing what he described as "a heavily redacted report" concerning the SBA's oversight of one of the agency's largest 7(a) lenders. Speaking on behalf of himself and then-Ranking Member Senator Olympia Snowe, he accused the SBA OIG of not exercising "independent authority on what was redacted and instead let the agency it was investigating dictate that large sections of the report be redacted ... contrary to the usual process that occurs with SBA OIG reports."¹⁰⁶ He argued that the SBA OIG's action had "the potential to render the OIG useless," and "prevented accountability in Government by keeping from the public information about the oversight capabilities of an agency that, though comparatively small, can have a huge impact on our economy."¹⁰⁷

Senator Kerry's comments illustrate how quickly an OIG's relationship with Congress can change. Prior to the publication of that redacted report, the SBA OIG was generally praised by Members of both political parties for its efforts concerning the oversight of the SBA's response to the 2005 Gulf Coast hurricanes, audits of the SBA's oversight of lenders, and investigations leading to numerous indictments and convictions of fraudulent SBA lenders and borrowers.

In sum, comments by House and Senate small business committee leaders seem to suggest that they are generally satisfied with the SBA OIG's current efforts and view it and GAO as two valuable assets that can assist and enhance the committees' oversight role. However, history has shown that an apparent harmonious relationship between an OIG and congressional committees can change quickly as circumstances change.

Some areas of possible congressional interest concerning the SBA OIG, other than funding and staffing issues, include exploring ways to more accurately quantify the SBA OIG's claims of monetary savings and determining if the SBA OIG should undertake additional tracking and monitoring activities to more accurately quantify the office's impact on SBA programs and operations and legislation.

Author Contact Information

(name redacted)
Senior Specialist in American National Government
[redacted]@crs.loc.gov....

¹⁰⁶ Sen. John Kerry, "Report of the SBA Inspector General," remarks in the Senate, *Congressional Record*, vol. 154, part 160 (October 2, 2008), pp. S10468-S10470. Also, see U.S. Congress, Senate Committee on Small Business and Entrepreneurship, *SBA Lender Oversight: Preventing Loan Fraud and Improving Regulation of Lenders*, 110th Cong., 1st sess., November 13, 2007, S.Hrg. 110-504 (Washington: GPO, 2008), pp. 1-6, 31-45, 109-112.

¹⁰⁷ Sen. John Kerry, "Report of the SBA Inspector General," remarks in the Senate, *Congressional Record*, vol. 154, part 160 (October 2, 2008), p. S10469.

EveryCRSReport.com

The Congressional Research Service (CRS) is a federal legislative branch agency, housed inside the Library of Congress, charged with providing the United States Congress non-partisan advice on issues that may come before Congress.

EveryCRSReport.com republishes CRS reports that are available to all Congressional staff. The reports are not classified, and Members of Congress routinely make individual reports available to the public.

Prior to our republication, we redacted names, phone numbers and email addresses of analysts who produced the reports. We also added this page to the report. We have not intentionally made any other changes to any report published on EveryCRSReport.com.

CRS reports, as a work of the United States government, are not subject to copyright protection in the United States. Any CRS report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS report may include copyrighted images or material from a third party, you may need to obtain permission of the copyright holder if you wish to copy or otherwise use copyrighted material.

Information in a CRS report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to members of Congress in connection with CRS' institutional role.

EveryCRSReport.com is not a government website and is not affiliated with CRS. We do not claim copyright on any CRS report we have republished.