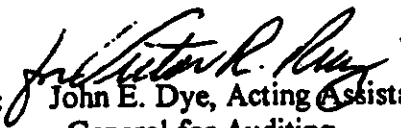




U.S SMALL BUSINESS ADMINISTRATION
OFFICE OF THE INSPECTOR GENERAL
WASHINGTON, DC 20416

MEMORANDUM AUDIT REPORT
ISSUE DATE: September 10, 1999
NUMBER: 9-21

TO: Wilfredo J. Gonzalez, District Director
North Florida District Office

FROM: 
John E. Dye, Acting Assistant Inspector
General for Auditing

SUBJECT: Memorandum Audit Report – Defaulted Loan Made by The Money Store
Investment Corporation to [Ex. 4]

Attached is a copy of the subject report. The audit identified no instances of noncompliance by the lender or borrower that contributed to the early default. Should you or your staff have any questions, please contact Garry Duncan at 202-205-7732.

Attachment

cc: The Money Store Investment Corporation
AA/ Office of Financial Assistance
AA/ Office of Field Operations

AUDIT OF
EARLY DEFAULTED LOAN TO [EX. 4]

AUDIT REPORT NO. 9-21

September 10, 1999

FBI EX-4

This report may contain propriety information subject to the provisions of 18 USC 1905 and must not be released to the public or another agency without permission of the Office of Inspector General.

AUDIT SCOPE AND OBJECTIVE

This report provides the conclusions of an audit on an SBA guaranteed loan (number [EX. 4]) made by The Money Store Investment Corporation (lender) to [EX. 6] [EX. 4 + 6] (borrower). The loan was judgmentally selected for review as part of the Office of Inspector General's ongoing program to audit SBA guaranteed loans charged off or transferred to liquidation within 36 months of origination (early default). Additional factors considered for selecting this loan included:

- Loan balance at default, and
- A pattern of early defaults by a particular lender.

The audit objective was to determine if the early loan default was caused by lender or borrower's noncompliance with SBA's requirements. The SBA and lender loan files were reviewed and district office and lender personnel were interviewed. Audit fieldwork was accomplished in June and July 1999. The audit was conducted in accordance with Government Auditing Standards.

BACKGROUND

On [EX. 4] the lender approved a [EX. 4] loan to [EX. 6] for the purchase of a [EX. 4] Florida. The loan proceeds were used for the purchase of the business, related real property, and working capital. The loan closed in October 1996 then defaulted in [EX. 4]. In October 1997 it was placed in liquidation with an unpaid principal balance of [EX. 4]. The liquidation process was completed in August 1999.

[EX. 4] in business since 1981, had focused on [EX. 4]. The business was sold because the owner wanted to retire. According to documents in the lender's file, the borrower changed the business focus to [EX. 4] but was not able to obtain sufficient commercial customers to maintain profitability.

RESULTS OF REVIEW

Our review did not identify any noncompliance by the lender or the borrower that caused the loan to default. We determined that the loan was substantially processed, closed, and disbursed in compliance with the loan agreement and SBA's requirements. Based on interviews and documentation in the loan file, we concluded the loan defaulted due to normal business reasons.

**OFFICE OF INSPECTOR GENERAL
AUDITING DIVISION**

AUDIT REPORT DISTRIBUTION

<u>Recipient</u>	<u>Number of Copies</u>
Associate Administrator for Capitol Access	1
Associate Administrator for Field Operations.....	1
Associate Administrator for Financial Assistance.....	1
Associate Administrator for Field Operations.....	1
General Counsel.....	2
District Director, North Florida District Office	1
Office of the Chief Financial Officer..... Attention: [EX-6]	1
General Accounting Office	1
The Money Store Investment Corporation.....	1