

COTTON & COMPANY LLP

auditors ♦ advisors

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December 20, 2002

Mr. Thomas Dumaresq
Chief Financial Officer
U.S. Small Business Administration
409 Third Street, SW
Washington, DC 20416

Dear Mr. Dumaresq:

As required by auditing standards issued by the American Institute of Certified Public Accountants, this letter will advise you to notify all persons known to be relying or likely to rely upon SBA's FY 2000 and 2001 financial statements and related Cotton & Company audit reports that:

- Those financial statements and reports should no longer be relied on, because of the possibility that material adjustments may be necessary for disaster loans sold, disaster loan subsidy expense, and other directly-related accounts and footnotes corresponding with SBA's disaster loan program.
- Revised financial statements and audit reports will be issued upon completion and subject to the results of your investigation.

Before SBA makes its notification, please assure that you discuss with appropriate regulatory agencies the disclosure to be made or other measures to be taken in the circumstances.

Please refer to auditing standard AU 561, Subsequent Discovery of Facts Existing at the Date of the Auditor's Report, for criteria governing our responsibilities. Cotton & Company will work with you to ensure that requirements are understood and met as they apply to this matter.

Very truly yours,

COTTON & COMPANY LLP

By: 

Charles Hayward, CPA

cc: Mr. Peter McClintock
Acting Inspector General



established 1981