APPENDIX 2 – SELECTED OFFICE OF INSPECTOR GENERAL AUDITS AND REPORTS PUBLISHED IN FY 2005

The following is a compilation of summaries of selected Office of Inspector General reports published in FY 2005 as they relate to SBA's Long-Term Objectives.

Selected OIG Reports Published in FY 2005			
Number	**Issue Date**	**Title**	**Crosswalk to SBA Long Term Objectives**
5-02	7-Oct-04	Advisory Memorandum Report – Independent Evaluation of SBA's Information Security Program	4.4
5-04	2-Nov-04	Review of the Small Disadvantaged Business Certification Program	2.3
5-05	15-Nov-04	Audit of SBA's FY 2004 Financial Statements	4.3
5-09	11-Jan-05	Management Advisory Report – 9/11 Demand Letters	3.1
5-11	11-Feb-05	Cooperative Agreement to HP Small Business Foundation	2.3
5-12	24-Apr-05	Audit of SBA's FY 2004 Information System Controls	4.4
5-13	23-Feb-05	FY 2004 Financial Statements Management Letter	4.2
5-14	24-Feb-05	SBA Small Business Procurement Awards Are Not Always Going to Small Businesses	1.6
5-15	24-Feb-05	Management Challenge – Large Businesses Receive Small Business Awards	1.6
5-16	8-Mar-05	Review of Selected Small Business Procurements	4.5
5-17	30-Mar-05	Audit of SBA's Continuity of Operations Planning Program	4.1
5-18	18-Apr-05	Mentor Protégé	2.3
5-19	20-May-05	Advisory Memo Consolidation of SBA Systems	4.4
5-20	20-May-05	Contract Bundling	1.6
5-22	28-Jul-05	Audit of SBIC Liquidation Process	2.2
5-23	21-Sep-05	Audit of SBA's Administration of Its Special Appropriation Grants	4.5
5-24	28-Sep-05	Social Disadvantage in the 8(a) Business Development Program	2.3
5-25	22-Sep-05	Audit of SBA's Informs Electronic Forms System	4.4
5-28	30-Sep-05	Review of SBA Procedures for Cash Gifts	2.3
5-29	30-Sep-05	Management Advisory Report – SBA Needs to Implement a Viable Solution to its Loan Accounting System Migration Problem	4.4

5-02, Independent Evaluation of SBA's Information Security Program. On October 15, 2004, the Office of Inspector General (OIG) issued its independent evaluation of SBA's Information Security Program for FY 2004. The Federal Information Security Management Act (FISMA) requires the OIG to perform annual independent evaluations of the SBA information security program. For FY 2004, the SBA's computer security program showed mixed results. SBA achieved a major milestone in certifying and accrediting all of its major systems within the past fiscal year. However, SBA was not able to sufficiently address 248 open system risk assessment vulnerabilities and OIG audit findings, including 118 open risk assessment vulnerabilities and 14 OIG audit findings where estimated target dates for completing action to correct identified issues were exceeded. The OIG identified five significant deficiencies in SBA's computer security program. Moreover, these deficiencies were previously identified in 11 OIG recommendations which, if adopted in full, would address related security risks and exposures. The report contained two recommendations pertaining to reconciling and reporting security related expenditures within SBA's appropriation and accounting systems.

The report was to be included as part of the Agency's FISMA submission in accordance with Office of Management and Budget (OMB) guidance.

5-04, Review of the Small Disadvantaged Business Certification Program. On November 4, 2004, the OIG issued a report on its review of the Small Disadvantaged Business (SDB) Certification Program. The objective of the review was to determine whether SBA was properly evaluating the qualifications of SDB-only applicant firms (i.e., those that are not also 8(a) firms) for certification as SDBs. Ten of the 970 companies approved for certification in FY 2003, were reviewed to determine whether criteria were met for the five eligibility elements of social disadvantage, economic disadvantage, ownership, control, and size. The review found that eligibility reviewers in SBA's Office of Certification and Eligibility did not adequately consider whether owners of companies applying for SDB certification were economically disadvantaged. Contrary to regulations, eligibility reviewers were also certifying companies as SDBs when their owners had defaulted on Government obligations. As a result, at least 3 of the 10 SDBs in our sample should not have been certified. Companies inappropriately obtaining SDB certification could receive Federal contracts which would otherwise be awarded to eligible SDBs. Additionally, there were data integrity problems with an SDB application tracking system and inadequacies in file safekeeping, as program officials could locate only two-thirds of the files requested for review by auditors. The report recommended that the Acting Associate Administrator for Business Development develop and implement procedures to improve the SDB review process and de-certify certain firms the auditors found to be unqualified for SDB certification.

SBA Management generally agreed with three of the four findings, and with all but one of the recommendations. For the recommendation with which they disagreed, SBA management did not want to de-certify the firm found unqualified for program participation based on the owner of the firm's total assets without further investigation. SBA management agreed with the language of the remaining finding's title and the associated recommendations, but disagreed with the finding's premise that regulations prohibit applicants with prior Federal loan defaults from participating in the SDB Certification Program.

5-05, Audit of SBA's FY 2004 Financial Statements. On November 15, 2004, the OIG issued the independent auditor's report on SBA's FY 2004 Financial Statements. The auditors issued an unqualified opinion on the FY 2004 combined statement of budgetary resources and the FY 2003 consolidated balance sheet (as restated), and issued a qualified opinion on the FY 2004 consolidated balance sheet and statements of net costs, changes in net position, and financing. The independent auditor was not engaged to apply all necessary auditing procedures to express an opinion on SBA's FY 2003 consolidated statements of net costs, changes in net position, financing, and the combined statement of budgetary resources, which previously received a disclaimed opinion. The auditors qualified their opinion because they were unable to satisfy themselves as to the reasonableness of: (1) SBA's FY 2004 subsidy re-estimates pertaining to its Section 7(a), 504, SBIC participating securities and debenture programs; (2) the value of Credit Program Receivables and Related Foreclosed Property; and (3) the value of Liabilities for Loan Guarantees for these four programs. The independent auditor's report on Internal Control discusses three matters considered reportable conditions: (1) Financial Management and Reporting Controls; (2) Credit Reform Controls; and (3) Agency-wide Information System Controls. The auditors considered the first two areas to be material weaknesses under the standards established by the American Institute of Certified Public Accountants and Office of Management and Budget Bulletin No. 01-02. The independent auditor's report on Compliance with Laws and Regulations disclosed that SBA was not in substantial compliance with the Federal Financial Management Improvement Act (FFMIA), and noted instances of noncompliance with the Anti-Deficiency Act and the Federal Credit Reform Act.

SBA management generally agreed with the auditors' findings and recommendations and noted that meeting the accelerated reporting date of November 15th was a major accomplishment. Management is generally pleased with the improvements in the audit opinion and believes it reflects a substantial improvement in the quality of the Agency's financial statements.

5-09, Management Advisory Report on Pre-Demand and Demand Letters for Delinquent 9/11 Disaster Loans. On January 11, 2005, the OIG issued a Management Advisory Report on Pre-Demand and Demand Letters for Delinquent 9/11 Defaulted Disaster Loans. As of September 30, 2004, 1,495 of these loans valued at $208.8 million were delinquent. OIG reviewed 37 delinquent 9/11 disaster loans and concluded that pre-demand or demand letters should have been sent to borrowers of 17 loans. SBA, however, had no record of letters being sent to 13 borrowers. The loans had been delinquent for an average of 279 days. Demand letters were not needed for the remaining 20 loans because of bankruptcy, offer-in-compromise, legal actions, or for those under 90 days delinquent. We recommended that the Director, Office of Financial Assistance take the following actions: (1) Revise Standard Operating Procedure (SOP) 50 51 2 to direct servicing centers to send timely pre-demand and demand letters to delinquent borrowers. These letters should be maintained in the loan file. (2) Ensure that sufficient staff resources are devoted to Center activities to fulfill the timely issuance of pre-demand and demand letters as required by OMB A-129.

The Assistant Administrator, Office of Financial Assistance, agreed to revise the SOP to include the sending of timely pre-demand and demand letters, but stated that the audit report did not demonstrate that additional resources were needed. In response, OIG noted that the recommendation was not to increase staff resources, but to ensure the Center devoted sufficient resources to the issuance of demand letters.

5-11, Review of a Cooperative Agreement to HP Small Business Foundation. On February 11, 2005, OIG issued a final audit report a review of a cooperative agreement to the HP Small Business Foundation. The recipient of the cooperative agreement did not have an acceptable accounting system for allocating and supporting costs incurred in accordance with applicable Federal requirements. As a result, the following problems were identified: (1) the recipient submitted more than $1 million dollars in expenses which were either incurred prior to the subject cooperative agreement, not properly supported, or lacked approval by SBA; (2) written procedures for screening and allocating costs were inadequate; (3) costs were misclassified; (4) vendor expenses were not addressed to the recipient; (5) contracting actions were not supported by written agreements; and (6) the recipient may have sub-granted the project to a third party in violation of the cooperative agreement. We recommended that the Office of Government Contracting and Business Development (GCBD) require the recipient to develop a financial management system that meets the requirements of OMB Circulars A-110 and A-122. We also recommended that the Office of Procurement and Grants Management (OPGM) request a legal opinion as to whether the arrangement between the recipient and a third party violated the terms of the cooperative agreement regarding sub-granting.

SBA officials agreed to implement the recommendations.

5-12, Audit of SBA's Information Systems Controls for Fiscal Year 2004. On February 24, 2005, OIG issued an audit report on SBA's information systems controls for FY 2004, which was issued by Cotton & Company LLP as part of the audit of SBA's FY 2004 financial statements. The auditors reviewed general and application controls over SBA's financial management systems to determine if those controls complied with various Federal requirements. General controls are the policies and procedures that apply to all or a large segment of an entity's information systems to help ensure their proper operation. General controls impact the overall effectiveness and security of computer operations, rather than specific computer applications. Application controls are the structure, policies, and procedures that apply to separate, individual application systems, such as accounts payable, inventory, payroll, grants, or loans. Application controls help ensure that transactions are valid, properly authorized, and completely and accurately processed by the computer. Federal requirements for general and application controls include OMB Circular A-130, Security of Federal Automated Information Resources, and the Computer Security Act of 1987. The auditors concluded that SBA continued to make progress in implementing its information systems security program, but that improvements are still needed. The report describes areas where controls can be strengthened, such as: (1) entity-wide security program controls; (2) access controls; (3) application software development and program change controls; (4) system software controls; (5) segregation of duty controls; and (6) service continuity controls. The report also provides recommendations for strengthening controls in these areas.

SBA generally agreed with the auditors' findings and recommendations, with the exception of finding 3A on application software development and program change controls, and finding 5A on segregation of duty controls for the Loan Accounting System (LAS). Finding 3A and recommendation 3A were modified to better reflect what was found during audit fieldwork. Finding 5A and recommendation 5B were not changed or modified as the Chief Information Officer must adequately ensure that LAS security is enforced Agency-wide.

5-13, Audit of SBA's FY 2004 Financial Statements - Management Letter. Pursuant to the Chief Financial Officers Act of 1990, Cotton & Company LLP's management letter was issued on February 23, 2005. The purpose of the management letter is to communicate to SBA management "non-reportable conditions" that came to Cotton & Company's attention during their engagement to audit SBA's FY 2004 financial statements. The following areas, which were reported last year, are repeated in this report because the conditions, as well as the need for implementing enhanced controls, continue to exist: (1) accountable property controls; (2) Disaster Area Office centrally billed account; (3) Master Reserve Fund (MRF), cash held outside of Treasury; (4) recordation of allotment transactions; and (5) entry to align statement of financing with statement of net cost. The management letter also noted areas for improvement: (1) retention of documentation to support Colson data validation; (2) Surety Bond Guarantee (SBG) liability documentation; (3) monitoring of the Small Business Investment Company (SBIC) participating securities reimbursement assumption; (4) separation of duties within the Office of the Chief Information Officer (OCIO); (5) loan accrual methodology; (6) activity-based costing (ABC) model; (7) enhancements to footnote disclosures; (8) Performance and Accountability Report; (9) budget briefing book; (10) Disaster Loan Program Cohort 1996 Loan Data; and (11) section 504 credit subsidy cash flow model.

SBA management generally agreed with the auditors' findings and recommendations, but requested more information on the specifics of several findings that had not been previously communicated to the Office of the Chief Financial Officer (OCFO). Agency management also questioned whether several findings should be included in the report or could be presented better.

5-14, SBA Small Business Procurement Awards Not Always Going to Small Businesses. On February 24, 2005, the SBA OIG issued the report "SBA Small Business Procurement Awards Are Not Always Going to Small Businesses." The objective of the OIG's review was to determine whether small business procurement awards reported by the SBA in FY 2001 and 2002 were indeed awarded to companies that were small at the time of the award and to evaluate issues related to small business government contracting. To determine whether small business purchases reported by SBA were indeed purchased from companies that were small at the time of the purchase, the SBA reviewed six of the highest dollar awards in this category made from October 1, 2000, to June 30, 2002. The OIG found that, out of the six companies that received small business purchases, four were not small at the time of purchase. This occurred because SBA utilized multiple award contracts and did not ask contractors for an updated size certification. Regulations provide that a contractor self certify its size when responding to a solicitation. At the time of the procurements under study, that size certification remained valid throughout the life of the contract, unless a procuring Agency requested an updated certification. Because contracts can be active for many years, companies may become large, and an Agency can still obtain credit for small business procurement. The OIG's research also discovered inconsistent regulations that could affect small business procurement. Additionally, the SBA found that there are several problems with purchasing from small businesses on the GSA Schedules, including size self-certifications that do not follow SBA regulations, the avoidance of small business set-asides and other rules, and the Schedules' data quality. Lastly, the SBA identified some concerns with the Department of Defense's Central Contractor Registration, the Government's central repository of vendor data. Specifically, the small business size self-certifications and the lack of promotion for the "Dynamic Small Business Search" as the official source of small businesses are problematic. Because part of SBA's mission is to protect the interests of small businesses by ensuring that a fair proportion of government purchases are placed with small businesses, these concerns need to be addressed. The OIG issued recommendations to correct the reported deficiencies to the Associate Deputy Administrator for Government Contracting and Business Development.

The Agency agreed with recommendations 1, 2 and 5 and plans to take action in the near future that will address these recommendations. While recommendation 3 refers to small business representations at the establishment of a GSA Schedules contract, the Agency's response focuses on the designation of small business status on task orders. The Agency states, "We agree that SBA and GSA need to discuss the designation of small business status on orders, and possibly initiate a FAR case to clarify how NAICS codes apply to orders from these contract vehicles." With regard to recommendation 4, the Agency disagreed by concluding that "on unrestricted contracts and orders against an unrestricted contract, set-aside provisions do not apply."

5-15, New Management Challenge—Large Businesses Receive Small Business Awards. On February 24, 2005, the OIG issued a new management challenge on small business contracting under the report title "Large Businesses Receive Small Business Awards." This challenge provides a concise statement of the problems that have been identified in past OIG, Government Accountability Office, and Office of Advocacy reports, as well as in expert testimony to Congress. One of the most important challenges facing the SBA and the Federal Government is that large businesses are receiving small business procurement awards and agencies are receiving credit for these awards. The report identifies three actions that the Agency needs to take to overcome this challenge. In accordance with the Reports Consolidation Act of 2000, this challenge will be incorporated with other Agency challenges in our Report on the Most Serious Management Challenges Facing the SBA in FY 2006, and Agency progress in addressing this challenge will be re-evaluated at that time.

The complete FY 2006 report will be included in SBA's annual Performance and Accountability Report this fall.

5-16, Review of Selected Small Business Procurements. On March 8, 2005, the OIG issued a report on its review of selected small business procurements. The review was to determine whether certain large businesses: (1) were improperly awarded small business set-aside contracts, and (2) met the small business size standards when they were originally awarded Multiple Award Contracts (MACs). Although the Federal Procurement Data System (FPDS) identified seven small business set-aside contracts awarded to two of the four businesses that were reviewed, the SBA could only document that one of the seven was actually a small business set-aside contract. For this contract, the company improperly certified as a small business. As to the remaining six contracts, FPDS data was inaccurate or could not be confirmed because the procuring Agency no longer had complete records. Two out of the eight MACs reviewed were awarded to companies that were not small at the time they certified they were small, while the remaining six MACs were awarded to small companies. For one of the two MACs awarded to a company that was not small, the company made statements in its offer to obtain the award that showed that it was other than small. The second MAC was awarded based on a false certification that the company was a small business manufacturer and regular dealer. While this report contains no recommendations, two of the matters are still under review.

5-17, Audit of SBA's Continuity of Operations Planning Program. On March 30, 2005, the OIG issued its report on an audit of SBA's Continuity of Operations Program (COOP). The audit objectives were to determine whether: (1) SBA was in a position to achieve a timely and orderly recovery from an emergency and resumption to full service; (2) SBA's COOP and Business Resumption Plans (BRP) were sufficient to aid the recovery officials through a step by step process that would result in a successful recovery; (3) contingency plans contained all the elements of a viable COOP capability; and (4) SBA's Information Technology (IT) – System Disaster Recovery Plans (SDRP) were utilized and were adequate to aid in the restoration of SBA IT systems and the plans had been tested. The audit disclosed the following issues adversely impacting SBA's COOP capability:

- SBA's COOP was not adequate to ensure that the Agency could successfully recover essential Agency functions during disruptive emergency situations.
- SBA's COOP did not have an adequate chain-of-command, nor adequate oversight and funding. Additionally, SBA had not adequately tested its COOP and all program, disaster and field office BRPs that would be needed to resume office functions during emergency or disaster events.
- SBA's COOP and individual BRPs did not contain all necessary information to ensure that the plans were viable and that the Agency or its individual offices could utilize the plans in the event of an emergency. SBA had not implemented an effective review and approval program for its COOP and BRPs. The SBA Headquarters COOP did not adequately identify essential functions performed by the Agency and which functions must be continued under all circumstances. SBA did not adequately identify facilities and equipment needed in its COOP and office BRPs in the event of an emergency disruptive situation and plan activation.
- SBA did not have adequate SDRP's to ensure the recovery of critical IT systems supporting the Agency's essential functions. SBA did not restore its major systems during recovery test exercises by specifically using its SDRP's to perform the system restorations.

The OIG made 13 recommendations to correct the deficiencies identified in the report.

The Chief Operating Officer generally agreed with the 10 recommendations addressed to him. The Chief Information Officer (CIO) generally agreed with the three recommendations addressed to him.

5-18, Review of the Mentor-Protégé Program. On April 18, 2005, the OIG issued its report on an audit survey of the Mentor-Protégé Program. The survey objectives were to: (1) gather background information on various aspects of the Mentor-Protégé Program, including the criteria used for evaluating mentor-protégé agreements; (2) identify information to assess the benefits of the relationship and SBA's evaluation of that relationship; and (3) determine if there is an indication of program weaknesses warranting further audit work. As part of the survey, the OIG examined several judgmentally selected mentor-protégé agreements and interviewed officials from two district offices and SBA's Office of Business Development. The OIG found that program and participant successes had not been defined and program performance was not measured. Because of this, program officials had no mechanism to determine if the program or its participants had succeeded. We also found that the list of approved mentor-protégé agreements on SBA's Web site, which had been updated from the most recent program records, was still incomplete. When incomplete data is published on SBA's Web site, the quality and utility of information disseminated to the public is compromised. Further, when management has incomplete data, its ability to effectively run and control its operations is undermined. OIG made recommendations to the Associate Administrator for Business Development to: (1) define success for the Mentor-Protégé Program and its participants; (2) develop and implement measures for tracking program performance; (3) ensure that mentor-protégé agreements are specific enough that SBA can monitor and evaluate them; and (4) take steps to ensure that information concerning program activity is developed and maintained in an accurate and complete manner.

The Associate Administrator for Business Development agreed with the report's recommendations and provided comments indicating certain steps have already been taken to implement those recommendations.

5-19, Advisory Memorandum Report – Consolidation of SBA's Systems Subject to FISMA. On May 20, 2005, the OIG issued a report on a review of SBA's major IT systems that are subject to FISMA. Our overall objective was to determine if SBA could consolidate the number of general support systems and major applications (from 39 to a proposed 5 systems) and still meet FISMA security requirements. We concluded that SBA had 16 major applications and 4 general support systems which met criteria established by OMB for FISMA reporting as major systems. By reducing the number of systems, SBA could reduce the number of Certifications and Accreditations it is required to perform under FISMA. SBA expends approximately $25,000 to recertify existing major SBA systems every three years; therefore, it could potentially save about $158,333 every year, or $475,000 every three years.

The Acting Chief Information Officer (CIO) generally concurred with the conclusions in the report.

5-20, Audit of the Contract Bundling Process. On May 20, 2005, the OIG issued a report on an audit survey of the contract bundling process. OIG's objectives were to determine whether SBA adequately reviewed all possible bundled contracts, properly appraised them for necessity, and complied with OMB and Government Accountability Office recommendations. OIG found significant problems with the SBA's ability to obtain and track bundling of contracts. OIG recommended that the Associate Deputy Administrator for Government Contracting and Business Development (ADA/GCBD): (1) implement current operating plans, establish procedures with their major procurement agencies, and monitor and verify contract bundling through existing data collection systems; (2) establish a process to hold procuring agencies accountable for unreported bundlings and complete the implementation of developed compensating controls to better monitor contract bundling; and (3) disseminate a best practices guide required by OMB.

The ADA/GCBD indicated general agreement with the recommendations.

5-22, Audit of the SBIC Liquidation Process. On July 28, 2005, the OIG issued an audit report on the process used by the SBA Investment Division to liquidate SBICs. The OIG found that the liquidation process could be improved through the establishment and implementation of better goals and performance indicators, controls, and oversight.

The Associate Administrator for the Investment Division agreed with nine of the recommendations, partially agreed with one, and neither agreed nor disagreed with seven for which he required more time to study.

5-23, Audit of SBA's Administration of Its Special Appropriations Grants. On September 21, 2005, the OIG issued a report on a review of SBA's administration of a selected sample of it's special appropriations grants. The overall objectives of the review were to determine if: SBA was exercising adequate oversight of its special appropriations grants by following its own policies and procedures; grantees were providing appropriate documentation and SBA was reviewing the documentation to determine compliance with applicable policies and procedures before grantee costs were reimbursed; and SBA was ensuring that the grantees were delivering the services promised in their proposals. The review found that SBA: did not exercise adequate oversight of the three grants reviewed to ensure grantees followed applicable policies and procedures; approved and paid grantee reimbursement requests without requiring evidence that expenditures were allocable, allowable, and reasonable; did not require documentation from the grantees that clearly identified key personnel before awarding the grant; did not enforce the financial and performance reporting requirements of the grants, thereby ensuring grantees are delivering the services promised in their proposals; and did not have formal written procedures to guide the review, monitoring and oversight of its portfolio of special appropriations grants. Our report contained three findings and seven recommendations.

The Assistant Administrator for Administration's response to the draft report indicated agreement with one finding, but did not specifically address the other two findings or any of the recommendations.

5-24, Management Advisory Report – Criteria for Overcoming the Presumption of Social Disadvantage is Needed. On September 28, 2005, the OIG issued a report concerning the lack of criteria for overcoming the presumption of social disadvantage. OIG received an anonymous complaint regarding an 8(a) company's status in the 8(a) Business Development program. While conducting research to respond to the complaint, the SBA noted that, although the regulations state that the presumption of social disadvantage for members of groups designated as socially disadvantaged may be overcome with "credible evidence to the contrary," SBA had not established criteria for "credible evidence." We believe this criteria needs to be established to determine whether the owner of the 8(a) company being reviewed had overcome his social disadvantage. We made recommendations to the Associate Deputy Administrator for Government Contracting and Business Development and the Associate Administrator for Business Development (AA for BD), who both agreed that that the regulations needed to change.

The AA for BD agreed to determine whether the owner of the 8(a) company that the SBA reviewed overcame his social disadvantage.

5-25, Audit of SBA's InForms Electronic Forms System. On September 23, 2005, the OIG issued a report on a review of SBA's InForms electronic forms system. We found that SBA's electronic forms system was susceptible to unauthorized disclosure of personal or Privacy Act information. This information included individual SBA employees' names, employee identifier or social security numbers, addresses, phone numbers, and dates of birth. The lack of controls to prevent unauthorized disclosure of these records is a violation of the Privacy Act. We made two recommendations to replace the system due to the deficiencies identified in the report.

The Chief Information Officer and Chief Privacy Officer agreed with both recommendations in the report.

5-28, Review of SBA's Procedures for Cash Gifts. As required by a recent change in the Small Business Act, on September 30, 2005, the OIG issued a report on a review of SBA's procedures for cash gifts. The objective of the review was to determine if the Agency was following established procedures for soliciting, accepting, holding, and utilizing cash gifts. We examined 18 cash gifts, totaling $20,800, deposited from December 8, 2004, to May 31, 2005. In addition, the SBA examined documentation related to 184 donor solicitations that resulted in the 18 gifts. All the gifts were solicited by the Massachusetts District Office for support of Minority Enterprise Development (MED) Week 2004 and Small Business Week 2005. The review found that SBA did not perform certain required procedures for soliciting, accepting, and utilizing cash gifts.

SBA management generally agreed with the final report's nine recommendations.

5-29, Memorandum Advisory Report – SBA Needs to Implement a Viable Solution to Its Loan Accounting System Migration Problem. On September 30, 2005, OIG issued a report on a review of SBA's Loan Accounting System (LAS) migration. The objective of the review was to evaluate whether SBA's plans and controls were working effectively to address issues related to migrating from the legacy mainframe operating system that supports LAS. The review disclosed that SBA needed to immediately develop and deploy an effective LAS migration or modernization plan. The mainframe-based system has been in place for approximately 30 years and significantly contributes to the amount of manual processes in place. We also identified some alternatives to address migrating the LAS that were not considered by the Agency. In addition, the SBA noted that SBA had a number of serious security weaknesses that it has either accepted or could not successfully address within its current mainframe environment due to budget constraints or the abilities of the mainframe system to secure these issues. These security weaknesses were estimated to cost $3.6 million to correct in SBA's Mainframe Migration Report, issued in December 2004. As a result, SBA's main mission critical information is at risk of exposure or misuse due to a potential lack of confidentiality or integrity within the LAS system.

SBA management agreed with the findings and recommendations.