

APPENDIX 3 – OFFICE OF THE INSPECTOR GENERAL AUDIT FOLLOW-UP

Detail of Final Action Activity

Disallowed / Questioned Costs

Report # 2-22, Travel of SBA's Former Region VI Regional Administrator

Summary: The audit objective was to determine whether a former Regional Administrator's Government travel complied with applicable travel regulations. The audit recommended SBA obtain reimbursement for unallowable travel payments.

Final Action: \$2,809.25 collected / \$6,844.09 written off

Report # 3-19, Asset Sales Program

Summary: The audit objective was to determine if SBA's oversight of the contractor was sufficient to preclude overpayment for contracted services. The audit recommended SBA recover amounts for unwarranted duplicate and upgraded third party report costs, require the due diligence contractor to conduct an analysis to verify the accuracy of invoicing for third party reports, and identify and recover any erroneous payments. The sale of SBA loans is suspended, therefore the recommendations were closed.

Final Action: \$0.00 collected / \$0.00 written off

Report # 4-02, Early Defaulted Loan to Flower Mound Conoco

Summary: The audit objective was to determine if the lender and borrower materially complied with the SBA's requirements when originating, closing and liquidating the loan. The audit recommended SBA seek recovery from the lender, plus interest and fees. Management disagreed and the funds were written-off.

Final Action: \$376,106.00 written off

Report # 4-16, SBA's Administration of the Procurement Activities of Asset Sale Due Diligence Contracts and Task Orders

Summary: The audit objectives were to determine if SBA followed proper pre-award procurement methods, awarded contracts, task orders, performed post award duties, and responded to Freedom Of Information Act requests in accordance with policies and procedures. And, whether the SBA's use of the GSA Federal Supply Schedule was in the Agency's best interest and the allegation presented in the complaint was supported. The audit recommended the SBA seek recovery of the overcharged amounts.

Final Action: \$1,690,838.00 collected

Report # 4-24, Single Audit of Federal Financial Assistance Programs Greenpoint Manufacturing and Design Center, March 10, 2003

Summary: The audit objective was to determine whether the grantee prepared personal activity reports that documented employee salaries, as required. The audit recommended the SBA ensure the grantee implement the use of personal activity reports and maintain authorization for all employees' initial base salaries and subsequent increases.

Final Action: \$331,489.00 collected

Report # 4-25, SBA Guaranteed Loan to Wayne A. Neal

Summary: The audit objective was to determine if the lender originated, disbursed and liquidated the loan purchased by the SBA in accordance with the SBA rules and regulations. The audit recommended the Agency seek recovery for the guaranty paid for the loan.

Final Action: \$177,166.00 collected

Report # 4-31, Expenses for Meals and Refreshments Incurred by The Latino Coalition Foundation on an SBA 7(j) Cooperative Agreement

Summary: The audit objective was to determine if certain expenditures for meals and refreshments violated any Federal rules or regulations. The audit recommended SBA obtain reimbursement for unallowable costs spent on alcoholic beverage service during a welcome reception.

Final Action: \$1,001.80 collected

Report # 4-33, SBA Guaranteed Loan to Elatec Technology Corporation, HK Equipment, Inc., and Haverhill Technology Center, LLC

Summary: The audit objective was to determine if the lender and borrower materially complied with SBA's requirements to originate, close and liquidate the loan. The audit recommended the SBA recover from the lender the amount paid to purchase the guaranty on the loan.

Final Action: \$362,207.00 collected

Report # 4-38, SBA Guaranteed Loan to Lenzell, Inc. d/b/a New Vision

Summary: The audit objective was to determine if the lender originated, disbursed and liquidated the loan in accordance with SBA rules and regulations. The audit recommended the SBA seek recovery from the lender.

Final Action: \$19,040.00 collected / \$64,536.00 written off

Funds Put To Better Use**Reports # 4-07, Puerto Rico & US Virgin Island DO Cosponsored and SBA-Sponsored Activities**

Summary: The audit objective was to determine if the district office operated in compliance with Federal laws and the SBA policies and procedures when planning and conducting cosponsored and the SBA-sponsored activities. The audit recommended the SBA refund monies solicited and accepted from a prohibited source for the identified cosponsorship events. These funds were refunded.

Final Action: \$7,000.00 refunded

Report # 5-19, Advisory Memorandum Report Consolidation of SBA's Systems Subject to FISMA

Summary: The objective of this evaluation was to determine whether SBA could consolidate its major system list. The evaluation report identified several systems and recommended that they should be consolidated by the Chief Information Officer (CIO). The CIO agreed and implemented the changes.

Final Action: \$450,000.00 implemented

Final Action on Audit Recommendations Not Completed Within 1 Year October 1, 2004 – September 30, 2005

Report # 43H006021, 8(a) Continuing Eligibility Reviews

Program: 8(a)

Date Issued: 09/30/94

Management Decision Date: 12/30/94

Explanation: The one recommendation is to the Office of Government Contracting and Business Development to establish procedures for determining whether 8(a) participants should no longer be considered economically disadvantaged based on their ownership interest in their 8(a) firms. The Office of Business Development revised the 8(a) Participation Agreement to include graduation criteria and criteria on excessive withdrawals. Participation criteria has been cleared, approved and implemented by requiring execution by each new 8(a) participant. The OIG will review these actions before the recommendation is finalized. The target date for final action has passed; a new target date has not yet been determined.

Report # 9-23, Survey of Electronic Records Management

Program: M&A

Date Issued: 09/15/99

Management Decision Date: 11/30/99

Explanation: This recommendation is to the Office of Management and Administration to implement an electronic records management program that meets the requirements of 36 CFR 1222, 36 CFR 1228 and 36 CFR 1234. An electronic records inventory was developed. Schedules for current electronic systems have been developed. The program office is working with OIG to ensure all required steps have been taken. The target date for final action has passed; a new target date has not yet been determined.

Report # 0-14, 7(a) Service Fee Collections

Program: OCFO

Date Issued: 03/30/00

Management Decision Date: 08/22/00

Explanation: The recommendation is to the Chief Financial Officer to establish receivable accounts for 7(a) loan service fees. The OIG agreed in January 2004 to remove this recommendation subject to its review of the process to collect delinquent 7(a) servicing fees. A report of delinquent user fees was developed. But this recommendation cannot be fully implemented until the Agency has a new loan system. The target date for final action has passed; a new target date has not yet been determined.

Report # 0-19, Small Disadvantaged Business Certification Program Obligations and Expenditures**Program:** GC/BD**Date Issued:** 06/30/00**Management Decision Date:** 03/30/01

Explanation: The recommendation is to the Office of Government Contracting and Business Development to seek a basis to require mandatory reimbursement from other agencies to fund the Small Disadvantaged Business Certification (SDB) program through an Executive Order or amendments to the Federal Acquisition Regulations. The Office of Business Development is not in favor of mandatory reimbursement by other agencies to fund the SDB program. Historically, the agencies have always voluntarily paid their obligations. And in the spirit of cooperation between agencies, the SBA would rather work collaboratively with other Federal agencies for SDB certification reimbursement. Therefore, the SBA will again meet with the agencies to discuss their reimbursements. The target date for final action has passed; a new target date has not yet been determined.

Report # 0-30, SBA's Administration of the MBELDEF Co-sponsorship Program: SDB**Date Issued:** 09/30/00**Management Decision Date:** 03/26/01

Explanation: Five recommendations remain open. Three are to the Office of Strategic Alliances (OSA) to incorporate safeguards into co-sponsorships, require the co-sponsorship program official to obtain appropriate training, and to take steps to ensure that employees enforce the terms of co-sponsorship agreements. Two recommendations are to the Office of Business Development (BD) to determine the pro rata share of food costs for non-government attendees versus the amount collected, and ensure the responsible program officials report co-sponsorship performance problems in accordance with SOP 90 75 2. The SBA's policy of not disbursing funds to co-sponsors will be reflected in updated guidance issued via a new Co-sponsorship SOP targeted for March 2006. OSA is considering required and recurring training for managers of cosponsored activities. OSA has steadily improved co-sponsorship reporting requirements through outreach and training to program/field offices, developing a review of field reporting compliance with the Office of Field Operations in addition to QSR reviews. Reporting requirements will also be reflected in the updated SOP. BD determined the pro rata share of food costs for the non-government attendees versus the amount collected. BD worked with the Office of General Counsel (OGC) to collect monies owed by MBELDEF, and received an agreement from MBELDEF regarding repayment of the debt. A Settlement Agreement and General Release document was prepared by the SBA and accepted by the attorney for MBELDEF. A final action to close this recommendation was submitted to and is being reviewed by the OIG. The Agency issued a Policy Notice to all SBA employees requesting that they follow the guidelines for co-sponsorship agreements in the Co-sponsorship SOP. The final action to close this recommendation is also being reviewed by the OIG. The target dates for the remaining final actions have passed; new target dates have not yet been determined.

Report # 1-11, Results Act Performance Measurement for the Minority Small Business and Capital Ownership Development Program**Program:** 8(a)**Date Issued:** 03/27/01**Management Decision Date:** 09/28/01

Explanation: There are three recommendations to the Office of Government Contracting and Business Development (GC/BD) to (1) ensure the SBA measures the success of the 8(a) Business Development program in accordance with the measure of success prescribed in P.L. 100 656, 2) the Performance Plans include indicators for determining how effectively and efficiently the 8(a) program is operating, and 3) the Performance Plans accurately describe and report performance indicators and data. A replacement for the data management system currently used by the SBA district offices will be developed during FY 2006 and implemented during FY 2007. The new system will allow better measurement of program success. BD also includes Scorecard indicators for determining how effectively and efficiently the 8(a) program is operating. Scorecard data is used in the performance plans. The target dates for final action have passed; new target dates have not yet been determined.

Report # 1-12, SBA's Information Systems Controls – FY 2000**Program:** OCIO**Date Issued:** 03/27/01**Management Decision Date:** 07/03/01

Explanation: The two recommendations are to the Office of the Chief Information Officer (OCIO). These recommendations are to develop quality control program procedures to periodically review existing applications to assure documentation is kept current and accurately reflects the cumulative effects of program changes made over time, and continue its efforts to identify and eliminate incompatible duties, responsibilities and functions. The OCIO developed and implemented quality control procedures for the loan monitoring system and expanded review throughout the development process. The OCIO has further increased its project oversight efforts by serving on several project governance boards. This recommendation was finalized immediately after the close of FY 2005. The OCIO is continuing the development of reports for program office representatives and security administrators to review and monitor the access accounts and privilege levels. The target date for this final action has passed; a new target date has not yet been determined.

Report # 1-16, SBA's Follow-Up on SBLC Examinations**Program:** CA**Date Issued:** 08/17/01**Management Decision Date:** 09/25/01

Explanation: There are two recommendations to Capital Access to develop and implement formal procedures for the Small Business Lending Companies (SBLC) examination follow-up process and ensure appropriate corrective actions are taken in a timely manner, and to develop and promulgate internal control standards for the SBLC program similar to those required for the non-SBLC lenders subject to financial institution regulators. The Lender Review SOP is in Agency clearance. This SOP addresses the SBLC examination follow-up process and corrective actions. The target dates for final action have passed; new target dates have not yet been determined.

Report # 2-12, Improvements in the SBLC Oversight Process**Program:** SBLC**Date Issued:** 03/20/02**Management Decision Date:** 08/27/02

Explanation: The two remaining recommendations are to develop a formal policy regarding effective supervisory and enforcement actions, and to implement a system similar to that used by bank oversight organizations to assist in establishing lines of authority between the Office of Lender Oversight (OLO) and the Office of Financial Assistance (OFA). A final draft of proposed oversight regulations is being reviewed in OLO. The proposed oversight regulations will cover supervisor and enforcement actions. The target dates for both final actions have passed; new target dates have not yet been determined.

Report # 2-17, SBA's FY 2001 Financial Statements – Management Letter**Program:** OCFO**Date Issued:** 04/12/02**Management Decision Date:** 12/02/02

Explanation: The remaining recommendation is to the Office of the Chief Information Officer to establish procedures to periodically monitor software installed at workstations to assure proper licensing and authorized access to data. The TrackIt program has been upgraded and new audits of all workstations are being conducted and analyzed. Procedures are being developed to ensure audits are conducted on an established schedule. The target date for final action has passed; a new target date has not yet been determined.

Report # 2-18, SBA's Information Systems Controls Fiscal Year 2001**Program:** COO**Date Issued:** 05/06/02**Management Decision Date:** 06/28/02

Explanation: There are three open recommendations. Two are for the Chief Operating Officer, in conjunction with Office of the Chief Information Officer (OCIO), Office of Human Resources and appropriate program offices to develop an Agency-wide security plan and to provide adequate funding and resources to allow OCIO to develop and implement technical training for security staff and network and application security administrators. The remaining recommendation is to the OCIO, in conjunction with appropriate program offices, to develop and implement standard operating procedures for network system and security administrators. An SOP has been published. Draft policies have been developed covering system administrators and general user accounts, and for the process used to request LAN and mainframe accounts. OCIO staff has also developed and submitted plans for specialized training, and filled positions for an IT Specialist and Management Analyst. The target dates for the final action have passed, new target dates have not yet been determined.

Report # 2-27, SBA's Experience with Defaulted Franchise Loans**Program:** OFA**Date Issued:** 09/16/02**Management Decision Date:** 12/19/02

Explanation: One recommendation for the Office of Financial Assistance (OFA) remains open to clearly define what constitutes a franchise loan. The OFA continues to look for a definition that will meet the IG's concerns about loans to small businesses that use a larger firm's brand name. The FTC is responsible for defining a franchise and the SBA is concerned that any definition that the Agency might develop would be in conflict with existing guidance provided by the FTC. The target date for this final action has passed; a new target date has not yet been determined.

Report # 2-29, Internal Control Over Colson Services Corporation's Contract as Central Servicing Agent for SBA's CDC Program**Program:** OFA**Date Issued:** 09/16/02**Management Decision Date:** 12/12/02

Explanation: The recommendation is for the Chief Financial Officer to use the Certified Development Company program trial balance to record Master Reserve Fund items on the SBA's financial statements. This action has been deferred because Treasury has delayed the issuance of new guidance on "fiduciary activities" until FY 2006. The target date for this final action is 06/30/06.

Report # 3-08, SBA's Oversight of the Fiscal Transfer Agent (FTA) for the 7(a) Loan Program**Program:** CA**Date Issued:** 01/30/03**Management Decision Date:** 10/15/03

Explanation: Three recommendations remain open to Capital Access (CA) to begin the process of initiating a new procurement action for FTA activities and terminate the existing contract, review FTA activities and identify contract costs for fees and services, and to develop the SBA procedures and regulations governing the proper operation of the Master Reserve Fund (MRF). The Agency has begun drafting the request for procurement (RFP) for a new FTA contract and expects to name a new contractor in April 2006. CA and the OIG have agreed to an alternative solution and will insert a provision in the RFP for the new FTA contract that would change the rebate from a flat dollar amount to an amount that would rise and fall with the level of the Federal Funds rate. The Agency continues to work on developing an SOP for the MRF and expects to have it completed by 09/30/2006.

Report # 3-10, 504 Loan Program Oversight**Program:** 504**Date Issued:** 02/06/03**Management Decision Date:** 10/01/03

Explanation: The two open recommendations are to the Office of Lender Oversight to design a Certified Development Companies (CDC) review guide and require district offices to obtain and analyze complete annual CDC reports. A Lender Review SOP is in Agency clearance. This SOP will address the specific requirements of the 504 Loan Program, providing guidance about incorporating

performance aspects to address financial risk, require district offices to obtain and analyze completed annual CDC reports, and incorporate a scoring system that emphasizes the key performance issues. The target dates for final action have passed; new target dates have not yet been determined.

Report # 3-14, TEP Consulting Inc.**Program:** OVBD**Date Issued:** 03/14/03**Management Decision Date:** 04/10/03

Explanation: The one open recommendation is to the Office of Administration (OA) to recover, from TEP Consulting, the unallowable and unsupported costs charged to the cooperative agreement. The OGC is working with the OIG and OA to obtain information needed to determine if further legal action is warranted. The target date for final action has passed; a new target date has not yet been determined.

Report # 3-18, Grants to The Texas Center For Women's Business Enterprise**Program:** WBO**Date Issued:** 03/20/03**Management Decision Date:** 06/04/03

Explanation: The two remaining recommendations are for the Office of Administration (OA) to require The Texas Center For Women's Business Enterprise to refund unsupported costs and the costs of the vehicle furnished to the former Executive Director for personal use. The OGC is working with OA to obtain additional information relating to the issue of debarment and whether the costs in question are justified. The target dates for final action have passed; new target dates have not yet been determined.

Report # 3-20, SBA's Information System Controls for FY 2002**Program:** Agency Management**Date Issued:** 03/31/03**Management Decision Date:** 05/12/03

Explanation: There are seven open recommendations to the Chief Information Officer (OCIO) and Chief Operating Officer (COO). Recommend the Chief Information Officer (CIO) fully implement the planned upgraded intrusion detection system and reporting monitoring tools. The OIG has reviewed, but not yet approved a final action for this recommendation. Recommend the CIO develop and implement policies and procedures regarding its access and password policies. Group policy enforces all Network Administrative accounts to be password protected, and all accounts require password changes in accordance with SOP 90 47. Recommend the CIO enforce the procedures currently in place and remove all unauthorized remote desktop software from workstations. OCIO has identified computers with unauthorized remote software and removed the applications. Recommend the CIO provide a standard configuration for Windows 2000 consistent with NIST and NSA guidelines, and further recommend the CIO complete the implementation of Windows 2000. OCIO has established a standard baseline configuration for Windows 2000 consistent with CIS level I benchmark and completed the implementation of Windows 2000. Recommend the COO follow the formal process outlined in the Improvement in Information System Control report and make changes to the current COOP, as necessary. A COOP Task Force was formed to update the various elements of the COOP

and has reduced the number of alternate operating sites from seven to two. Recommend the CIO require the JAAMS security administrator to perform an annual review of users to ensure no user has excessive access and all users are currently authorized JAAMS users. OCIO performed an annual review; documentation from this review is being used to prepare the final action for submission to the OIG. Recommend the CIO provide adequate training and periodic retraining to enable JAAMS security administrators to effectively perform their duties. OCIO has conducted several internal training sessions and will continue to conduct refresher courses to ensure that the administrators know how to adequately provide account management services. The target dates for these final actions have passed; new target dates have not yet been determined.

Report # 3-21, Equity Injection in the SBA 7(a) Loan Guaranty Program**Program:** 7(a)**Date Issued:** 03/31/03**Management Decision Date:** 05/27/04

Explanation: The two open recommendations are to the Office of Financial Assistance to provide adequate training for all lender employees involved with the SBA loan origination, and develop a master application checklist that covers all the core essential items regarding equity injection. Final action documentation was completed for both recommendations and provided to the OIG for their concurrence.

Report # 3-26, Microloan Program: Moving Toward Performance Management**Program:** Microloan**Date Issued:** 05/13/03**Management Decision Date:** 08/28/03

Explanation: Two recommendations remain open to the Office of Financial Assistance (OFA) to ensure the development of a comprehensive Microloan program SOP and the current microloan production minimum for intermediaries is raised. The Microloan Program was to be discontinued; therefore OFA ceased concentrating on completion of the SOP. When the program was extended, work on the SOP resumed, although the actual issuance of the SOP still does not have a firm target date. OFA continues to support the position of increasing the minimum performance standard for microloan production, but this requires a regulatory change. After consultation with the Office of General Counsel (OGC), OFA determined that the Agency could not pursue a regulatory change at this time when future funding for the program continues to be in question. OFA will continue to work with OGC to find the best avenue to allow the SBA to increase the minimum performance standard. The target dates for final action have passed; new target dates have not yet been determined.

Report # 3-32, SBA's Acquisition, Development and Implementation of the Joint Accounting and Administrative Management System**Program:** Agency Management**Date Issued:** 06/30/03**Management Decision Date:** 09/11/03

Explanation: The four open recommendations are to the Chief Information Officer (CIO) and the Chief Financial Officer (CFO). Recommend the CIO revise the Information Technology Investment Manual to

ensure that the contractor or Government entity preparing the business case or cost benefits analysis works directly for the CIO rather than the SBA sponsoring office. The CIO will insert language into the ITIM requiring a quality control process be instituted. Recommend the CFO review the JA2MS procurement contract to determine if annual license fees for software purchased but not currently implemented can be suspended until the software is actually implemented. The contract for Oracle licenses is currently under review. Recommend the CIO, in conjunction with the CFO, work with the vendor for Oracle Federal Financials to create an alternate identifier for SBA personnel to ensure employees' social security numbers are not visible or accessible. The OCIO will meet with the new Project Lead on the contract to determine if the recent Oracle upgrade will resolve the issues and to implement a plan to make corrections. Recommend the CFO seek monetary recovery from World Wide Technology, Inc. or an in-kind contribution of additional Oracle Discoverer licenses to compensate for the unusable Financial Analyzer software. The contract is currently under review. The target dates for final action have passed; new target dates have not yet been determined.

Report # 3-33, SBIC Oversight**Program:** SBIC**Date Issued:** 07/01/03**Management Decision Date:** 10/06/03

Explanation: The recommendation is to the Investment Division to revise SOP 10 06, Oversight and Regulation of Small Business Investment Companies. A plan was developed, in conjunction with OMB, to mitigate the potential losses arising from the participating securities program. These changes are currently being implemented and will be incorporated into the SOP once implementation is finished during FY 2006. The target date for final action has passed; a new target date has not yet been determined.

Report # 3-34, SBA's Compliance with JFMIP Property Management System Requirements**Program:** Agency Management**Date Issued:** 07/23/03**Management Decision Date:** 09/11/03

Explanation: The recommendation is to the CFO to either establish and implement an interface or consolidate the reporting of all property management functions in JA2MS. This is a low priority financial management initiative because the SBA does not have any property items that meet the \$50K threshold for capitalized property. As a result, the SBA has deferred implementation. The target date for final action is 10/01/06.

Report # 3-35, National Women's Business Council (NWBC)**Program:** Agency Management**Date Issued:** 07/28/03**Management Decision Date:** 09/03/03

Explanation: This recommendation is to the NWBC Executive Director to require Springboard 2000 Enterprises, Inc. and Forum for Women Entrepreneurs to provide justification for receiving \$579,368.00 based on expenses incurred. Upon review of the opinions provided by the SBA's Associate General Counsel for Litigation, the program office recommended that no further action

be taken. It did not appear to be in the best interests of the Government to pursue this item further. A final action was submitted, but the OIG does not concur. NWBC requested that the CFO and OGC include this item in a demand letter that is under consideration/preparation to the former Executive Director. If and when that letter is sent, this recommendation will be acted upon, as well. The target date for final action has passed; a new target date has not yet been determined.

Report # 3-36, Early Defaulted Loan to P. O'Reilly Enterprises, Inc.**Program:** OFA**Date Issued:** 08/19/03**Management Decision Date:** 10/01/03

Explanation: The recommendation is to the Office of Financial Assistance (OFA) to seek recovery of \$282,447 from First International Bank, less any subsequent recoveries, for a specific loan. The loan file and audit report were recently found by OFA and are being reviewed. The target date for final action has passed; a new target date has not yet been determined.

Report # 3-41, SBA Guaranteed Loan to Concrete Transport, Inc.**Program:** 7(a)**Date Issued:** 09/29/03**Management Decision Date:** 04/22/04

Explanation: The recommendation is to Capital Access to require the lender to repay the SBA \$273,675 for a specific loan. The lender has been contacted regarding repayment. The target date for final action has passed; a new target date has not yet been determined.

Report # 4-09, Review of SBA Purchase Cards**Program:** OPGM**Date Issued:** 01/26/04**Management Decision Date:** 08/24/04

Explanation: The two open recommendations are to the Office of Procurement and Grants Management to issue a Procedural Notice reminding cardholders and their approving officials of the appropriate procedures for procuring items or services, and directing the approving officials to collect purchase cards from employees separating from service with the SBA. A Procedural Notice will be issued early in FY 2006. The target date for final action has passed; a new target date has not yet been determined.

Report # 4-13, Early Defaulted Loan to Ocumed Group, Inc., Roseland, NJ**Program:** 7(a)**Date Issued:** 03/02/04**Management Decision Date:** 04/06/04

Explanation: The recommendation is to Capital Access to seek recovery from the lender of principal, interest and expenses paid to First International Bank for a specific loan. A legal opinion regarding litigation was requested. The target date for final action has passed; a new target date has not yet been determined.

Report # 4-15, SACS/MEDCOR: Ineffective and Inefficient**Program:** 8(a)**Date Issued:** 03/09/04**Management Decision Date:** 05/11/04

Explanation: The recommendation is to the Office of Government Contracting and Business Development, in conjunction with OCIO, to design, develop and implement a management information system that will support the program mission and objectives, providing useful information for the Agency. A complete replacement will be developed during FY 2006 and implemented during FY 2007. The target date for final action has passed; a new target date has not yet been determined.

Report # 4-16, SBA's Administration of the Procurement Activities of Asset Sale Due Diligence Contracts and Task Orders**Program:** OPGM**Date Issued:** 03/17/04**Management Decision Date:** 05/12/04

Explanation: The 20 open recommendations are to Office of Management and Administration. The recommendations are: to revise current procedures regarding set-aside contracts to require information be provided to clearly support the amount of personnel costs to be subcontracted; to ensure the amount of subcontracting is reviewed and documented in the contract file; to revise procedures to ensure contracting officials review proposals and question any language that indicates contractors are not complying; to develop and implement procedures to monitor contractor compliance with the 50 percent rule; to obtain an interpretation from the Office of Policy, Planning and Liaison on whether the labor of third-party vendors should be considered in determining compliance with the 50 percent rule; to refer any potential contract violations to GSA for appropriate action; to require FSS contractors classified as small businesses to certify their size to ensure they fit within applicable size standards; to ensure GSA ordering procedures are fully complied with for task orders to FSS contracts; to ensure all sole source requirements of the FAR are complied with; to take appropriate action to ensure the contracting officials involved in the decision to solicit only one contractor for the due diligence task order follow proper procedures; to ensure debriefings are conducted in accordance with the FAR; to take appropriate action to ensure contracting officials involved in the decision to postpone the debriefing related to the Due Diligence Task Order for Asset Sale 4 conduct future briefings in accordance with requirements; to ensure contracting officials provide all potential offerors with any contractor questions and respective SBA answers that clarify ambiguities in the solicitation; to develop and implement planning procedures in accordance with FAR Part 7 and issue a Procedural Notice to ensure SBA program officials are aware of procurement planning requirements; to ensure written acquisition plans are prepared for all future asset sale due diligence contracts and task orders; to develop and issue Agency procedures regarding the content, format and retention of all required contractor performance evaluations; to ensure contracting officials receive training; to ensure future asset sale due diligence contracts are reported to the FPDS; to issue draft SOP 00 11 2 as soon as possible; and to ensure contracting officials are reviewing the GSA approved price lists when issuing task orders to FSS contracts. Contracting Officials have already been advised of these requirements; formal written guidance is being prepared and will be issued early in FY 2006. The target dates for final action have passed; new target dates have not yet been determined.

Report # 4-17, SBA's FY 2003 Financial Statements – Management Letter**Program:** Agency Management**Date Issued:** 03/23/04**Management Decision Date:** 05/14/04

Explanation: The three open recommendations are to the Office of the Chief Financial Officer (OCFO) to develop a methodology to verify the completeness and accuracy of performance measure data reported by program offices, work with Treasury and OMB to obtain Treasury account symbols for the Master Reserve Fund (MRF) and begin reporting its MRF activity on the SF-224, and report MRF cash balances as Cash Held Outside of Treasury. The Agency has established a process that requires program office documentation to support the submitted performance data. This documentation is reviewed and approved within the OCFO prior to inclusion in the performance database. FY 2005 performance data has been improved using this process. Inclusion of MRF activity in the SBA's reporting has been deferred because Treasury has delayed the issuance of new guidance on "fiduciary activities" until FY 2006 and their guidance could make this recommendation obsolete. The target date for final action for performance data sampling has passed, a new target date has not yet been determined. The target date for final action on the two recommendations related to reporting of MRF activity is 06/30/06.

Report # 4-18, SBA's Loan Application Tracking System**Program:** COO**Date Issued:** 04/05/04**Management Decision Date:** 08/13/04

Explanation: The two open recommendations are to the Chief Operating Officer, in conjunction with other SBA offices, to replace LATS with E-Tran for field office submission of the SBA loans after the certification and accreditation of the E-Tran system has been completed, and establishes a Change Control Board for SBA's Loan Accounting System (LAS). The replacement of LATS with E-Tran will occur under the newly formed LAS Modernization Project. The ADA for Capital Access is functioning as the Executive Sponsor in an effort to modernize the LAS and make it independent of the mainframe system. A Steering Committee of senior SES managers from OCFO, ODA, OFA, M&A, OFO, OCIO and COO has been formed to ensure Agency-wide buy-in, select an internal project manager and lead the procurement process to secure an external project management support contractor to assist the process. The newly-formed LAS Modernization project will work off the draft charter for the Change Control Board to establish a rational process for implementing changes from different offices in the new technology environment. The target dates for final action have passed; new target dates have not yet been determined.

Report # 4-19, SBA's Information Systems Controls FY 2003**Program:** OCIO**Date Issued:** 04/29/04**Management Decision Date:** 08/04/04

Explanation: Six recommendations remain open to the Office of Chief Information Officer. One recommendation is to revise and enhance existing policies and procedures to ensure control weaknesses identified in certification and accreditation (C&A) reviews and audit reports are resolved in a timely manner. SOP 90 47 2 has been completed, but not yet released. OCIO is also reviewing

NIST Standards, the C&A process and FISMA guidance, incorporating those processes, as needed. IT Security has had discussions with Capital Planning and in FY 2006 will be a regular on the agenda of BTI-AC Committee Meetings and BTIC Executive Meetings. IT Security will be involved in the annual In Process Review control function and the Post Implementation Review process. A second recommendation is to the Chief Information Officer (CIO), in conjunction with system owners, to develop policies and procedures to require system owners to provide plans of action for correcting weaknesses identified in audits, reviews, etc. The OCIO performs and includes Risk Mitigation Plans in the C&A packages. Identified weaknesses are documented and tracked in the POAM tool, and quarterly updates are completed prior to FISMA submissions. A third recommendation is to implement procedures to ensure compliance with a Procedural Notice regarding the "Removal of Old Computer User Accounts," and require security administrators to review all current accounts, and to develop procedures for controlling contractor access to the network and applications, etc. A process has been developed for periodic reviews of network and application accounts. IT Security is already reviewing the mainframe and the LAN, and will implement this process Agency wide. A fourth recommendation is to develop procedures to ensure network system administrators: assess vulnerabilities, make appropriate changes, develop an action plan to address vulnerabilities, document a standard domain controller configuration, etc. The OCIO currently has procedures in place, IT security tracks vulnerabilities and corrective actions. A standard server configuration and domain policy configuration has been developed and implemented. A fifth recommendation is to develop network administration policies and procedures to assure vendor patches and security hot-fixes are installed in a timely manner. The OCIO believes it currently has procedures in place to ensure the timely installation of patches and security hot fixes. A final action has been prepared and will be submitted to the OIG for their review. The last recommendation is to perform a security assessment to determine the most effective placement of server sensor devices and revise the IDS vendor's contract, as necessary. The OCIO is completing a diagram showing the placement of these sensors and evaluating the IDS vendor contract for revisions. The target dates for these final actions have passed; new target dates have not yet been determined.

Report # 4-22, Business Development Provided by the 8(a) Business Development Program

Program: BD

Date Issued: 06/02/04

Management Decision Date: 07/14/04

Explanation: The two recommendations are to the Office of Business Development to ensure the draft SOP is finalized and includes a list of specific business development activities SBA is to provide and details the process for delivering these services. And, to ensure SBA collects sufficient data, which will allow the SBA to analyze and report on the amount of business development provided to 8(a) firms and more effectively measure achievements of the program's expected results. The SOP was issued in July 2005, will be reviewed during FY 2006 and updated in FY 2007 to accommodate new efficiencies and data requirements to improve business development services through a new business development replacement system. This new system will provide data on the amount of business development provided to 8(a) firms. The target dates for final actions have passed; new target dates have not yet been determined.

Report # 4-26, Early Defaulted Loan to Northwest Conoco**Program:** 7(a)**Date Issued:** 06/22/04**Management Decision Date:** 07/01/04

Explanation: The recommendation is to the Office of Financial Assistance (OFA) to seek recovery of an SBA guaranty repair paid to Washington Mutual Bank for a specific loan. The Office of General Counsel is working with OFA and is currently drafting a legal opinion to address the relevant legal issues. The target date for final action has passed; a new target date has not yet been determined.

Report # 4-34, SBA's Process for Complying with the FMFIA Reporting Requirements**Program:** OCFO**Date Issued:** 07/29/04**Management Decision Date:** 09/09/04

Explanation: The three recommendations remaining open are to the Office of the Chief Financial Officer to work in conjunction with the OHC to incorporate FMFIA related job performance standards in the performance appraisals of selected SBA managers, take appropriate action to revise, clear and issue the draft SOP 00 02 3, and clearly define material weakness in the SOP, as it relates to SBA and its programs, and define material weakness at the different levels of management within the Agency. The current performance system includes adequate requirements for compliance to FMFIA related duties. The OCFO is working on an update to the SOP that will include additional requirements from the revised OMB Circular A-123, Appendix A, on the enhanced controls over financial reporting. The definition of an FMFIA "material weakness" has been discussed in the training provided to SBA program managers during FY 2005, and it will be included in the updated SOP. The target dates for these final actions have passed; new target dates have not yet been determined.

Report # A1-06, Evaluation of SBA's Computer Security Program**Program:** OCIO**Date Issued:** 09/28/01**Management Decision Date:** 01/09/02

Explanation: The recommendation is to the Office of Chief Financial Officer to correct, mitigate or accept vulnerabilities identified in SBA's risk assessments. A risk mitigation plan has been developed. The plan has been added to the certification and accreditation review with monitoring performed during the quarterly FISMA update process. As an ongoing process, program offices will submit their updated status/documentation for completion or MOUs which request owners' willingness to accept the stated risk. OCIO is in the process of reviewing MOUs that have been submitted. The target date for final action has passed; a new target date has not yet been determined.