



Office of Inspector General U.S. Small Business Administration

December 2004 Update

Business Loan Programs

Texas Man Indicted and Charged with Bank Fraud, False Statements, and False Claim to U.S. Citizenship.

On December 1, 2004, a Texas man was indicted (superceding) and charged with two counts of **bank fraud**, two counts of **false statements to a financial institution**, and one count of **false claim to U.S. citizenship**. The charges relate to an SBA-guaranteed loan for \$880,000. During the course of the loan process, the man signed fraudulent documents relating to his financial status and the required cash injection. He also indicated on the SBA Form 912 that he was a U.S. citizen when, in fact, he was not. The investigation is being worked jointly with the Department of Homeland Security and the Texas Alcoholic Beverage Commission.

Texas Businessman Denied SBA-Guaranteed Loan.

The co-owner of a business in Tyler, Texas, was denied a \$1,845,000 SBA-guaranteed loan after the Dallas Fort Worth SBA District Office questioned numerous statements in the loan application and referred the loan to OIG. An initial investigation of the proposed borrowers determined that in 1999, the applicant had been indicted and convicted of Unlawful Possession and Use of Food Stamp Authorization Cards and Aiding and Abetting. The applicant received 24 months probation. The applicant failed to claim or report a criminal conviction on his SBA Form 912. After learning of this discrepancy, the financial institution withdrew its loan application.

Two New Jersey Men Indicted for Conspiracy and Making Material False Statements.

On December 20, 2004, a business owner in Egg Harbor, New Jersey, was indicted on one count of **conspiracy** and four counts of **making material false statements**. A former business partner in Little Egg Harbor, New Jersey, was also indicted on two counts of **conspiracy** and seven counts of **making material false**

statements. The indictments related to a \$1,750,000 SBA-guaranteed loan. The former partner brokered the loan through his firm to purchase the business and the real estate. The terms of the loan required the former partner, who was the only applicant and personal guarantor, to make a \$700,000 capital injection. The loan immediately went into default. The investigation revealed that the \$700,000 capital injection was never made. Judicial action against the former partner is pending. This case was based on a referral from the SBA New Jersey District Office.

President of Tennessee Business Indicted for Bank Fraud and Conspiracy. The president of a pager and cellular telephone retailer in Memphis, Tennessee, was indicted on December 21, 2004, on one count of **bank fraud** and one count of **conspiracy**. The business owner was indicted for inducing a bank and SBA to fund a \$100,000 SBA-guaranteed loan by submitting false invoices inaccurately representing the value of the equipment to be purchased and the selling price of the business being purchased. This case was based on a referral from the SBA Tennessee District Office.

Government Contracting and Business Development Programs

Agency Completes Final Action on Single Recommendation Made in the Audit of National Oceanic & Atmospheric Administration (NOAA) Computer Workstation Contracts. The following final action has been reported as being completed: the Agency developed definitive guidance to evaluate the manufacturing criteria at 13 C.F.R. 121.406. A final rule was published in the Federal Register to amend 13 C.F.R. 121.406 and provide guidance on how a small business concern can qualify to provide manufactured products under a small business set-aside or an 8(a) contract.

Agency Completes Final Action on Recommendation Made in Inspection Report on the Federal and State Technology Partnership Program (FAST). The following final action has been reported as being completed: the Agency provided the OIG with refined guidance on the development of performance indicators and established a core set of indicators by which program participants can measure the results of their activities. Two other recommendations made in the report remain open.

Agency Completes Two Final Actions on Recommendations Made in Audit of SBA's Administration of Procurement Activities of Asset Sale Due Diligence Contracts and Task Orders. The following two final actions have been reported as being completed: the Agency notified the Office of Federal Procurement Policy that due diligence contracts and task orders were not properly reported to the Federal Procurement Data System (FPDS) and recommended that periodic quality assurance reviews be conducted by the General Services Administration (GSA) to ensure the accuracy and reliability of the FPDS data. The Agency also notified GSA of the deficiencies discussed in the report and recommended that policies and procedures for contract evaluations and responsibility determinations be improved to ensure that small contractors are able to perform task order requirements without violating the terms of their Federal Supply Schedule contracts. Twenty other recommendations made in the report remain open.

Statutory/Regulatory/Policy Reviews

In effort to proactively identify and correct potential Agency inefficiency and management problems at the onset of policy and regulatory development, the OIG reviewed, cleared, and/or provided comments, as appropriate, on 16 Agency initiatives, including proposed legislation, Agency Standard Operating Procedures, and Agency notices containing directives to its employees.

This monthly update is produced by the SBA OIG,
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The OIG has established an e-mail address (oig@sba.gov) that we encourage the public to use to communicate with our office. We welcome your comments concerning this update or other OIG publications. To obtain copies of such documents please contact:

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Many audit and inspection reports can be found on the Internet at
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If you are aware of suspected waste, fraud, or abuse in any SBA program, please call the:

OIG FRAUD LINE at (202) 205-7151
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