

U.S. SMALL BUSINESS ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL

---

FISCAL YEAR 2008/2009 PERFORMANCE PLAN  
&  
FISCAL YEAR 2007 PERFORMANCE REPORT



# U.S. SMALL BUSINESS ADMINISTRATION OFFICE OF INSPECTOR GENERAL

## FISCAL YEAR 2008/2009 PERFORMANCE PLAN & FISCAL YEAR 2007 PERFORMANCE REPORT

### **OIG Vision**

The OIG strives to identify significant issues and provide recommendations and solutions to correct, reduce or eliminate problem areas or fraudulent schemes that could adversely impact the efficiency, effectiveness or integrity of SBA's programs and operations.

### **Performance Plan Alignment**

This 2-year Performance Plan aligns with the statutory responsibilities of the OIG under the IG Act, the Small Business Act, the Small Business Investment Act, an increasing number of Government-wide mandates, and with the OIG's FY 2006 – 2011 Strategic Plan. The Strategic Plan reflects a rethinking and refining of earlier strategic goals and planning framework in order to focus OIG efforts on identifying the larger systemic problems in SBA's programs and operations. In an era of tight budgets, the OIG must focus on the most significant risks to SBA and the taxpayer, and on improving program and operational processes. Audit and Investigative plans are designed to assist SBA in meeting the challenges it faces and accomplishing its mission in the most effective, efficient, and economical manner possible.

The two goals in the OIG's Strategic Plan are designed to align available resources and manage auditing and investigative activities in the light of SBA's most significant challenges and risks. For FY 2008 and FY 2009, strategies and performance indicators/measures have been developed for each of these goals to guide the OIG's auditing and investigative efforts.

The role of the OIG is to provide value to customers and stakeholders. The role of performance measurement is to deliver insights about that value. The OIG's goals encompass measures that will assist in evaluating the OIG's success in achieving its goals and objectives; however, a critical indicator of the OIG's accomplishments in fulfilling the requirements of the IG Act and other mandates will be the results demonstrated twice a year in the OIG's *Semiannual Reports to Congress*. These reports are located at <http://www.sba.gov/IG/igsemiannual.html>.

### **Fiscal Year 2008/2009 Activities and Strategies for Accomplishing OIG Strategic Goals**

- Give priority to complex projects focusing on SBA activities that pose the greatest risk of financial losses, or that need controls to improve the integrity or effectiveness of program service delivery.
- Perform oversight of the FY 2008 and 2009 SBA financial statement audits – a statutory requirement – and reviews of Federal Information Systems Controls related to the financial operations, both of which are conducted by an external auditor.
- Conduct Federal Information Security Management Act reviews – a mandatory annual requirement – including assessing controls over Personally Identifiable Information.

- Assess the effectiveness of and controls over disaster assistance loan making, servicing, collection, and liquidation processes to identify processing problems, duplication of benefits, and potential fraud.
- Perform Gulf Coast hurricane related audits focusing on prevention of problems, including reviewing internal controls, monitoring and advising department officials on precedent-setting decisions, and assessing the quality of loans.
- Review the effectiveness of SBA's oversight of selected financial assistance programs.
- Identify serious Management Challenges facing the Agency and work throughout the year with SBA management to resolve identified issues as quickly and efficiently as possible.
- Give priority to investigations where fraud is committed by loan agents and lenders.
- Focus on criminal investigation and prosecution of fraudulent activities committed within SBA programs that possess a potential for high risk: the Disaster Loan, SBIC, 7(a) Business Loan, and SBAExpress Programs.
- Expand outreach with Lenders and SBA officials to deter fraud and abuse.
- Continue efforts to work in cross-divisional teams to analyze data, assess trends, target areas of vulnerability and recommend systemic control improvements.
- Recommend debarments and other administrative enforcement actions to foster program integrity.
- Conduct character screenings on certain SBA program participants and complete required background checks on SBA employees and contractors to ensure the integrity of operations.
- Protect the integrity of SBA programs through recommendations that assistance be denied to those found to be of poor character.
- Review selected data systems supporting the collection of SBA's performance data.
- Monitor SBA's implementation of replacement systems and components of its core financial legacy-based Loan Accounting System (LAS).
- Assess the effectiveness of SBA's business loan liquidation activities.
- Assess the effectiveness of, and controls over, the collection of business loan program receivables.
- Assess the reliability of data input into the LAS and its impact on SBA's risk management and mitigation efforts.
- Perform selected reactive audits and investigations based on complaints received.
- Review the SBIC examination and funding processes.
- Review selected outsourcing by SBA of its functions and activities to determine whether the projected savings were realized.
- Conduct a follow-up review of selected past significant audit reports completed at least 3 years ago to assess the effectiveness of the corrective action implemented by SBA.

- Assess effectiveness of SBA oversight of its various Government contracting programs.
- Conduct mandated audits and reviews of selected SBA programs and activities, including preferred sureties, and use of cosponsorships and gifts.
- Review proposed legislation, regulations, and Agency directives proposed by or affecting SBA and provide salient comments to reduce confusion, waste, and inefficiency.

## **OIG Operational Strategies**

The OIG also uses the following operational strategies to achieve its goals.

- Attract, develop, and retain a highly skilled OIG workforce, and provide them with the tools, services, and processes necessary to continuously improve productivity.
- Develop an internal work environment that allows OIG employees to understand how their work is important in meeting OIG strategic goals.
- Ensure the integrity and reliability of work products by subjecting OIG operations to internal review, as well as to external “peer” reviews by other Federal OIGs.
- Use the annual planning and budget processes to manage OIG operations effectively and efficiently.
- Ensure effective two-way communication with customers, stakeholders, employees, and interested parties to identify opportunities for improvement.

## Performance Measures/Indicators

| <b>Measures/Indicators<sup>1/</sup></b><br>(In addition to the OIG's Semiannual Reports)  | <b>FY 2007 Actual</b> | <b>FY 2008 Estimate</b>      | <b>FY 2009 Estimate</b>      |
|---|-----------------------|------------------------------|------------------------------|
| <b>Quality</b>  |                       |                              |                              |
| Value of monetary recoveries and savings resulting from audits, other reports, investigations and security checks.  | \$129.7 million       | \$59.2 million <sup>2/</sup> | \$68.8 million <sup>2/</sup> |
| Percent of all report recommendations agreed to by management within 6 months of report issuance.   | 90%                   | 77%                          | 78%                          |
| Percent of all investigative cases opened during the fiscal year that involve fraud with potential dollar losses of \$100,000 or more committed against SBA.  | 53% <sup>3/</sup>     | 60% <sup>3/</sup>            | 60% <sup>3/</sup>            |
| Percent of all investigative cases closed during the fiscal year that were referred for criminal or civil prosecution, or SBA administrative action.  | 74%                   | 80%                          | 80%                          |
| <b>Timeliness</b>   |                       |                              |                              |
| Percent of audit projects completed within budgeted hours and milestones, or in established timeframe.  | 90%                   | 87%                          | 88%                          |
| Percent of all investigative cases accepted by prosecutors, referred for Agency action, or closed during the fiscal year in which the acceptance, referral or closure occurred within 18 months of case initiation. | 74%                   | 70%                          | 75%                          |

<sup>1/</sup> Achievement of the OIG's goals is subject to a number of external factors (see the "Performance Measurement Limitations" section of this document).

<sup>2/</sup> The out-year estimates for this measure are the averages for the previous five years. This measure includes:  
 Disallowed costs agreed to by management;  
 Recommendations that funds be put to better use agreed to by management;  
 Potential investigative recoveries and fines; and  
 Loans/contracts not made as a result of investigations and name checks.

<sup>3/</sup> Percentage of cases over \$100,000 has decreased due to lower dollar losses involving Gulf Coast hurricane cases.

## **Anticipated Impact/Outcomes of OIG Efforts under Strategic Goals**

- Reduction of risks to, and increased integrity of, Agency programs and operations.
- Resolution of OIG-identified Management Challenges.
- Improvement of efficiency and effectiveness in the delivery of SBA programs.
- Enhancement of internal controls.
- Reduction of fraud and abuse in SBA programs and operations.

## Highlights of Fiscal Year 2007 OIG Activities

During FY 2007, the OIG's efforts resulted in nearly \$130 million in cost avoidances and potential recoveries and fines, as shown in the following table.

| <b>Office-wide Dollar Accomplishments</b><br>October 1, 2006 – September 30, 2007 |                      |
|---|----------------------|
| Potential Investigative Recoveries and Fines                                      | \$20,791,370         |
| Loans/Contracts Not Made as Result of Investigations                              | \$9,717,113          |
| Loans Not Made as Result of Name Checks   | \$39,680,038         |
| Disallowed Costs Agreed to by Agency Management                                   | \$27,567,922         |
| Recommendations that Funds Be Put to Better Use Agreed to by Agency Management    | \$31,980,000         |
| <b>Total</b>  | <b>\$129,736,443</b> |

OIG efforts can be broken down into two main categories that are generally aligned with the OIG's two strategic goals: (1) efficiency and effectiveness of SBA programs; and (2) fraud deterrence and detection in SBA programs.

### Efficiency and Effectiveness of SBA Programs

During the first 6 months of FY 2007, the OIG issued 17 reports with significant recommendations for improving Agency operations, reducing fraud and unnecessary losses, and recovering funds.

| <b>Efficiency and Effectiveness Activities</b><br>October 1, 2006 – September 30, 2007 |              |
|--|--------------|
| Reports Issued   | 34           |
| Recommendations Issued   | 138          |
| Dollar Value of Costs Questioned   | \$28,009,202 |
| Dollar Value of Recommendations that Funds Be Put to Better Use                        | \$31,980,000 |

| <b>Follow-up Activities</b><br>October 1, 2006 – September 30, 2007                            |              |
|--|--------------|
| Recommendations for which Management Decisions were made during the Reporting Period           | 155          |
| Disallowed Costs Agreed to By Agency Management  | \$27,567,922 |
| Dollar Value of Recommendations that Funds Be Put to Better Use Agreed to by Agency Management | \$31,980,000 |
| Recommendations without a Management Decision at the End of the Reporting Period               | 28           |

**Legislation/Regulations/Standard Operating Procedures (SOPs)/Other Reviews**  
**October 1, 2006 – September 30, 2007**

|   |            |
|---|------------|
| Legislation Reviewed  | 6          |
| Regulations Reviewed  | 17         |
| Standard Operating Procedures and Other Issuances* Reviewed | 113        |
| <b>Total</b>  | <b>136</b> |

\*These include policy notices, procedural notices, Administrator's action memoranda, and other Agency initiatives, which frequently involve the implementation of new programs and policies.

**Fraud Detection and Deterrence in SBA Programs**

The OIG conducts a nationwide program to prevent and detect illegal and/or improper activities involving SBA programs, operations, and personnel. This function is fulfilled through the performance of criminal, civil, and administrative investigations. OIG staff utilize a full range of investigative techniques including arrest warrants, search warrants, and electronic monitoring. OIG also performs a deterrent function through educational outreach to lenders and employees.

**Fraud Detection and Deterrence Activities**  
**October 1, 2006 – September 30, 2007**

|              |    |
|--------------|----|
| Cases Opened | 99 |
| Cases Closed | 65 |

**Indictments and Convictions**  
**October 1, 2006 – September 30, 2007**

|                            |    |
|----------------------------|----|
| Indictments from OIG Cases | 79 |
| Convictions from OIG Cases | 60 |

**Recoveries and Management Avoidances**  
**October 1, 2006 – September 30, 2007**

|  |                     |
|--|---------------------|
| Potential Recoveries and Fines as a Result of OIG Investigations | \$20,791,370        |
| Loans/Contracts Not Approved as a Result of OIG Investigations   | \$9,717,113         |
| Loans Not Approved as a Result of the Name Check Program         | \$39,680,038        |
| <b>Total</b>   | <b>\$70,188,521</b> |



## **Performance Measurement Limitations**

The achievement of the OIG's goals is subject to a number of external factors. For example, the majority of the OIG's work is in response to referrals of suspected fraud, complaints, requests for auditing and investigative services, and an increasing number of statutory and other requirements. Further, decreases in personnel or funding resources would adversely affect achievement. In addition, implementation of OIG recommendations for program improvements rests with the Agency. The OIG also cannot control the results of judicial or administrative proceedings, or collect monetary sanctions imposed by the courts or the Agency as a result of its reviews or investigations. Due to these and other external factors, actual accomplishments may vary from year to year.

## **Data Validation and Verification**

Designated OIG staff is responsible for collecting, maintaining, and reporting performance data. As appropriate, quantitative data is collected and stored in Management Information Systems. Results are reported in accordance with legislative requirements. OIG management will review reported data for consistency with general performance observations. Each year, the OIG will reevaluate whether measures are effectively designed, useful, and results-oriented. Based on this evaluation, the OIG will determine whether performance measures should be revised for the next planning cycle.

# U.S. SMALL BUSINESS ADMINISTRATION OFFICE OF INSPECTOR GENERAL

## ORGANIZATIONAL STRUCTURE

The OIG is composed of the Immediate Office of the Inspector General and four Divisions: Auditing; Investigations; Counsel; and Management and Policy. The OIG has staff located in the following locations: Atlanta, GA; Chicago, IL; Dallas, TX; Denver, CO; Detroit, MI; Houston, TX; Herndon, VA; Kansas City, MO; Los Angeles, CA; Miami, FL; New Orleans, LA; New York, NY; Philadelphia, PA; Tacoma, WA; and Washington, DC.

**The Auditing Division** performs program performance reviews, internal control assessments, and financial, IT, and mandated audits, and oversees audits by contractors to promote the economical, efficient, and effective operation of SBA programs.

**The Investigations Division** manages a program to prevent and detect illegal and/or improper activities involving SBA programs, operations, and personnel. Criminal investigators carry out a full range of traditional law enforcement functions. The Security Operations staff ensures that all SBA employees and contractors have the appropriate background investigations and security clearances for their duties and conducts the name check program, which provides SBA officials with character-eligibility information on loan applicants and other potential program participants.

**The Counsel Division** provides legal and ethics advice to all OIG components, represents the OIG in litigation arising out of or affecting OIG operations, assists with the prosecution of civil enforcement matters, processes subpoenas and Freedom of Information and Privacy Act requests, and reviews and comments on proposed Agency policies, regulations, legislation, and procedures.

**The Management and Policy Division** provides business support (e.g., budget, financial management, human resources, IT, and procurement) for the various OIG functions, coordinates preparation of the OIG's *Semiannual Report to Congress*, the *Report on the Most Serious Management Challenges Facing SBA*, and OIG strategic and annual plans.

SMALL BUSINESS ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL



