

## OIG Recovery Act Plan Overview

<b>OIG Name:</b>	U.S. Small Business Administration, Office of Inspector General
<b>OIG Broad Recovery Act Goals:</b>	The OIG has developed oversight plans for deploying additional resources to provide “real-time” monitoring, evaluation, and reporting of SBA’s implementation of the Act. Since the Act provides very short time frames for obligating funds, there will be significant pressure on SBA to expedite and maximize financial assistance to small businesses. Past experience, such as SBA’s response to the 9-11 terrorist attacks and the 2005 Gulf Coast hurricanes, has shown that this pressure can significantly increase the vulnerability of SBA’s programs to fraud and unnecessary losses. Therefore, the OIG’s oversight efforts will focus heavily on assessing controls and detecting and deterring fraud, waste and abuse in Recovery Act programs.
<b>OIG Broad Outreach Recovery Act Goals:</b>	The OIG will conduct outreach efforts to raise fraud awareness and engage industry trade groups. Outreach efforts will focus on providing SBA lenders and employees with information on detecting fraud patterns that have been identified in OIG loan fraud investigations through written guidance, website information, and presentations at trade group events, as well as notifying the public of scams. Additionally, the OIG will be posting the results of audits and other reviews on its Recovery Act website.
<b>OIG Recovery Act Risk Assessment Process:</b>	The OIG is taking a number of actions to alert Agency managers of risks and recommend cost effective controls to help prevent fraud, waste, and abuse, and ensure program goals are achieved and stimulus funds are accurately tracked and reported. We are reviewing Agency regulations and procedures as they are developed for new programs and modifications to existing programs under the Recovery Act. As we identify risks, we have and will continue to provide Agency managers with comments and recommendations for ways to mitigate these risks.
<b>OIG Recovery Act Funds:</b>	\$10,000,000
<b>Expiration Date of OIG Recovery Act Funds:</b>	September 30, 2013
<b>FY 2009 OIG Non-Recovery Act Funds:</b>	\$16,750,000
<b>Number of OIG Planned Recovery Act Hires:</b>	5-10
<b>OIG Recovery Act Funds to be Allocated to Contracts:</b>	Yes
<b>Purpose of Recovery Act Contracts:</b>	Contractors will be used to assist with loan review audits and financial statement audits.
<b>Types of Recovery Act Contracts Awarded to Date:</b>	Fixed price modification of the existing financial statement audit contract.
<b>Link to OIG FY 2009 Recovery Act Work Plan:</b>	<a href="http://www.sba.gov/ig/recovery">www.sba.gov/ig/recovery</a>

**OIG FY 2009 Recovery Act Work Plan**

Agency	Program Area	Agency Recovery Act Funds Associated w/Program Area	Type of Review (Administrative / Financial, Eligibility, Performance, Other)	Entity Performing Review (OIG Staff, Contractor, Other)	Project Title	Background	Objective	Expected Quarter in Which Work will Start	Expected Quarter in which Final Report will be Issued	Expected Number of Reports
SBA	Loans and Loan Guaranties, Grant and Contract Administration, IT and Financial Management		Other	OIG Staff	Critical Unresolved Audit Recommendations in Program Areas Funded by the Recovery Act	Under the Recovery Act, SBA will receive \$730 million to expand the Agency's lending and investment programs and to create new ones that will aid small business owners and revitalize the secondary market for SBA-guaranteed loans. To reduce the risks associated with the extraordinary level of Recovery Act funding, OMB has directed agencies to address weaknesses or deficiencies disclosed by prior audits and investigations in program areas under which Recovery Act funds are authorized. To assist SBA in this effort, the OIG has identified unresolved audit recommendations from previous reports that address weaknesses or deficiencies in (1) programs directly impacted by the Recovery Act, and (2) operational support processes that will impact the disbursement and financial reporting of Recovery Act funds.	Determine whether SBA has taken appropriate action to address weaknesses or deficiencies disclosed by prior audits related to program areas funded by the Recovery Act and related activities needed to safeguard funds, including: Credit programs; Grant and contract administration; and Information technology and financial management	Q2 FY 09	Q3 FY 09	1
SBA	Program Administration		Administrative/ Financial	OIG Staff	OIG Consultation with the Agency on Recovery Act Program Plans and Implementing Rules and Guidance	Under OMB's Recovery Act guidance, agencies are directed to consult with OIGs in order to help mitigate the implementation risks of the Recovery Act, enhance performance management and accountability, and define strategies to prevent or timely detect waste, fraud or abuse.	(1) Identify strategies to prevent or timely detect waste, fraud or abuse. (2) Evaluate and comment on SBA's program plans, regulations, and procedures for new programs created by the Recovery Act, as well as modifications to existing programs. (3) Evaluate whether program outputs and outcomes are clear and measurable.	Q2 FY 09	N/A	0
SBA	Program Administration		Administrative/ Financial	OIG Staff	SBA's Compliance with Public Reporting Requirements	OMB has developed a series of public reporting requirements for agencies receiving funding under the Recovery Act. Accurate and reliable data will be necessary for SBA to achieve the level of transparency expected under the Recovery Act.	(1) Determine whether SBA has created a portal where the public can find and analyze information and report potential fraud, waste and abuse pertaining to the Recovery Act. (2) Determine whether SBA is timely submitting weekly and monthly financial reports to OMB that fulfill OMB reporting requirements. (3) Assess data quality controls to ensure reporting is complete and accurate.	Q2 FY 09	N/A	0
SBA	Procurement		Other	OIG Staff	Office of Business Operations Contracting Personnel Qualifications and Warrant Authority	SBA's Office of Business Operations (OBO) is responsible for planning, executing, and supporting the Agency's procurement activities. Prior to the Recovery Act, OIG initiated an audit of contracting personnel qualifications and warrant authority in OBO. This audit is relevant to the Recovery Act as SBA is expected to initiate an additional \$20 million in contract activity with Recovery Act funds.	Evaluate whether OBO's contracting personnel are adequately trained, certified, and equipped to meet the Agency's needs for awarding and administering contracts under the Recovery Act.	Q2 FY 09	Q3 FY 09	1

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SBA	504 Program, Microloan Program		Administrative/ Financial	OIG Staff	Evaluation of Applicability of the Single Audit Act to Microloans and CDCs	Under OMB's Recovery Act guidance, agencies are required to perform a risk analysis of Recovery Act programs and request OMB to designate any high-risk programs as Single Audit major programs. SBA had received a prior exclusion for CDCs and needs to determine the applicability of Single Audits given the provisions of the Recovery Act.	Determine whether SBA has performed a risk analysis of the 504 and microloan programs in deciding whether these programs should be designated as Single Audit major programs.	Q2 FY 09	N/A	0
SBA	Program Administration		Administrative/ Financial	OIG Staff	Assessment of Agency Recovery Act Plans	In order to implement sound program management principles, OMB has required agencies receiving Recovery Act funds to develop formal documented plans for how the funds will be applied and managed. OMB's guidance requires program-specific plans to include project objectives, planned activities, implementation timelines, measures for monitoring and evaluating programs, as well as additional details.	(1) Assess whether the Agency has developed an agency wide plan, as well as plans for each program named in the Recovery Act. (2) Determine whether the recovery plans include all of the reporting elements specified by OMB guidelines.	Q3 FY 09	N/A	0
SBA	Program Administration		Administrative/ Financial	OIG Staff	Assessment of SBA's Risk Mitigation Plans	OMB's Recovery Act guidance requires agencies to capture and report against government-wide accountability measures, identify agency-specific risks, prioritize risk areas, and initiate risk mitigation strategies. While risk assessments and mitigation plans are initially for internal agency use, OMB anticipates that the Recovery Act Accountability and Transparency Board will initiate risk management reporting requirements in the future. OIG will evaluate and provide feedback on SBA's risk assessment and mitigation plans based on issues identified in prior audit work.	Evaluate whether SBA's risk mitigation plans appropriately identify and address all risk areas required by OMB for each of the following programs: Eliminating/reducing fees on SBA loans (§ 501); Increasing the SBA guaranty share on 7(a) loans (§ 502); Secondary market guaranty authority for 504 loans (§ 503); Refinancing debt on 504 loans (§ 504); Expanding leverage capacity of Small Business Investment Companies (§ 505); Business stabilization loan program (§ 506); Expanding the surety bond program (§ 508); Loans to secondary market broker-dealers (§ 509); and Expansion of the microloan program.	Q3 FY 09	N/A	0
SBA	Loans and Loan Guaranties	\$ 630,000,000	Performance	OIG Staff	Quarterly Reviews of the Recovery Act's Impact on Increased Lending and Secondary Market Liquidity	Among the objectives of the Recovery Act, are to stimulate small business lending, increase access to credit, and improve secondary market liquidity. OMB's guidance has stressed the importance of structuring and implementing Recovery Act programs so that they can be tracked and evaluated through measurable outcomes. Quarterly reviews of program data will allow OIG to monitor how effectively SBA's programs are meeting the goals of the Recovery Act. In addition to evaluating program performance, these reviews will allow OIG to identify program trends as they occur, as well as indicators of control weaknesses or fraud. This information will assist the Agency's efforts to proactively identify and minimize risks in a timely manner.	Analyze loan activity and lender participation to evaluate the effectiveness of SBA's Recovery Act programs.	Q3 FY 09	Q2 FY 10	4

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SBA	7(a) Program, 504 Program, Business Stabilization (ARC) Loans	\$ 630,000,000	Eligibility	Contractor	Quarterly Reviews of Loans Made Under the Recovery Act	A number of audits over the last several years have been critical of the Agency's ability to provide adequate oversight of lenders and identify lender noncompliance with SBA's rules and regulations or prudent lending practices. The OIG will review new loans made under the Recovery Act, on a "real-time" basis in order to identify compliance issues and reduce the risk of potential improper payments by the Agency on defaulted loans.	Determine whether loans were originated and closed in accordance with SBA's rules and regulations and commercially prudent lending standards, to include: 7(a) loans; 504 loans that include refinancing; and Business Stabilization loans.	Q3 FY 09	Q2 FY 10	4
SBA	Financial Management		Administrative/ Financial	Contractor	KPMG Audit of SBA's FY 2009 Financial Statements - Statement of Budgetary Resources	In conjunction with the annual financial statement audit, OIG will modify the scope of its contract with KPMG to include additional testing for Recovery Act activity. KPMG will assess the adequacy of SBA's internal controls to ensure that Recovery Act funds are properly tracked, controlled, and reported.	(1) Determine whether SBA has adequate controls in place to provide reasonable assurance that Recovery Act funds are properly controlled and that the Recovery Act budget process is executed in accordance with Federal guidance. (2) Determine whether SBA's OCFO has established general ledger accounts to properly track recovery fund activity and has properly accounted for fixed administrative costs. (3) Determine whether recorded spending authority from offsetting collections are available for obligation and referenced to the appropriate authorizing legislation.	Q3 FY 09	Q1 FY 10	1 or more
SBA	Financial Management		Administrative/ Financial	Contractor	KPMG Audit of SBA's FY 2009 Financial Statements - Credit Receivables - Loan Guaranties	In conjunction with the annual financial statement audit, OIG will modify the scope of its contract with KPMG to include additional testing for Recovery Act activity. KPMG will assess the adequacy of SBA's internal controls over the loan guarantee process.	Determine whether SBA has adequate controls in place over guarantee loan approvals, purchases, modifications and charge-offs.	Q3 FY 09	Q1 FY 10	Included above
SBA	Financial Management		Administrative/ Financial	Contractor	KPMG Audit of SBA's FY 2009 Financial Statements - Grant Expenses Testwork	In conjunction with the annual financial statement audit, OIG will modify the scope of its contract with KPMG to include additional testing for Recovery Act activity. KPMG will assess the adequacy of SBA's internal controls in place over the grant management and accounting processes, which will include microloan program grants funded by the Recovery Act.	(1) Determine whether SBA performs internal control assessments to evaluate the risk of waste, fraud, and/or abuse and identifies strategies to prevent and timely detect waste, fraud, and abuse in grants. (2) Determine whether SBA has a system of quality controls for accrued grant liabilities in the financial statement footnotes. (3) Validate the accuracy of accrual amounts for a statistical sample of grants.	Q3 FY 09	Q1 FY 10	Included above
SBA	Microloans	\$ 6,000,000	Performance	OIG Staff	Audit of SBA's Microloan Program Expansion Under the Recovery Act	The Recovery Act authorizes \$6 million for direct lending under SBA's Microloan program. A previous OIG report identified significant internal control weaknesses in the administration of the Microloan program. The OIG will evaluate program activities under the Agency's new program policy, which is currently in development, to determine their effectiveness..	(1) Determine whether loans were originated and closed in accordance with SBA program policies and procedures. (2) Determine whether intermediaries provided management, marketing, and technical assistance in accordance with SBA requirements. (3) Determine whether SBA has taken effective risk mitigation actions to minimize unnecessary program losses.	Q3 FY 09	Q1 FY 10	1

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SBA	Microloans	\$ 24,000,000	Administrative/ Financial	OIG Staff	Audit of Grants for Technical Assistance in the Microloan Program	The Recovery Act authorizes \$24 million for marketing, management, and technical assistance activities under SBA's Microloan program. SBA makes grants to nonprofit community-based lenders ("intermediaries"), who make loans under the program, to provide business based training and technical assistance to its microborrowers.	(1) Determine whether SBA officials are awarding and administering grants for technical assistance in a manner that will result in meaningful and measurable outcomes. (2) Evaluate adequacy of safeguards to ensure that funds are used for their intended purpose. (3) Assess the timeliness of awards and whether SBA has initiated additional oversight to mitigate additional risks associated with the Recovery Act.	Q4 FY 09	Q2 FY 10	1
SBA	Program Administration		Administrative/ Financial	OIG Staff	SBA's Response to the Increased Oversight Requirements of the Recovery Act	Under OMB's Recovery Act guidance, agencies are required to take steps, beyond standard practice, to initiate additional oversight mechanisms for programs funded by the Recovery Act. At a minimum, agencies are to evaluate and demonstrate the effectiveness of standard monitoring and oversight practices. Agencies are required to enhance performance management and accountability processes, as well as implement appropriate internal controls assessments to define strategies to prevent or timely detect waste, fraud or abuse.	(1) Assess actions taken by SBA to increase oversight of programs created or modified by the Recovery Act. (2) Determine the adequacy of onsite lender and CDC reviews.	Q4 FY 09	Q2 FY 10	1
SBA	Contracts	\$ 20,000,000	Administrative/ Financial	OIG Staff	SBA Controls Over \$20 Million in IT Contracts under the Recovery Act	Under the Recovery Act, SBA will receive \$20 million to improve, streamline, and automate information technology systems related to lender processes and lender oversight. According to the Agency's expenditure plans, SBA will primarily utilize contractors to implement these changes.	(1) Determine whether proper acquisition, planning, and oversight controls have been deployed. (2) Determine whether proper reporting of solicitation and contract awards has occurred.	Q4 FY 09	Q3 FY 10	1
SBA	Contracts		Administrative/ Financial	OIG Staff	Award and Administration of Recovery Act Oversight Contracts	Under OMB's Recovery Act guidance, agencies are to provide maximum opportunities for small businesses to compete and participate as prime and subcontractors in contracts awarded by agencies, while ensuring that the government procures services at fair market prices. Additionally, using other than fixed-price contracts requires agencies to pay special attention to ensuring that sufficient qualified acquisition personnel are available to perform contract administration to mitigate the government's risk. When riskier contract types are proposed, agencies should provide appropriate oversight so that all alternatives have been considered and that qualified staff is available for monitoring performance to mitigate risks.	(1) Determine whether SBA has awarded contracts under the Recovery Act in a manner that maximizes opportunities for small businesses to compete and that maximizes competition. (2) Evaluate whether Recovery Act contracts are being administered in a way that mitigates cost, schedule, and performance risks and delivers meaningful and measurable outcomes.	Q4 FY 09	Q2 FY 10	1

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SBA	504 Program		Performance	OIG Staff	Periodic Reviews of the Use of SBA's Secondary Market Authority on 504 Loans	SBA's 504 loan program currently results in the creation of unguaranteed first mortgages made by private sector lenders to small businesses. The Recovery Act granted SBA the authority to establish a secondary market guaranty authority, to provide a Federal guaranty for pools of these loans that are to be sold to third-party investors. The authority is designed to create more attractive mortgage pools for secondary market buyers, which will improve liquidity and allow lenders to provide more 504 loans. According to SBA, this program will service as a backstop that will only be used if other programs initiated by the U.S. Treasury (TARP and TALF) are not successful in returning liquidity to the secondary market.	(1) Determine whether SBA has established an adequate process for evaluating applications for guaranties on pools of 504 first lien loans. (2) Determine whether SBA's guaranties were properly applied to 504 loans and the pools of guaranteed loans were sold to third party investors. (3) Determine whether SBA's guaranties were properly applied to 504 loans and the pools of guaranteed loans were sold to third party investors.	Q4 FY 09	Q2 FY 11	1 or more
SBA	Implementation		Other	OIG Staff	Semi-annual Reviews of Agency Progress and Issues Surrounding SBA's Implementation of the Recovery Act	In order to provide unprecedented levels of transparency and accountability, the Recovery Act and OMB guidance require increased financial reporting on, and oversight of, programs, grants, and projects funded under the Act to deter and detect fraud, waste and abuse, and ensure that program goals are met. As part of the OIG's increased oversight activities, we will be assessing the Agency's progress and the risks created by any delays in program implementation.	(1) Determine whether SBA is making sufficient progress in implementing the Recovery Act . (2) Assess the risk impact of any delays.	Q4 FY 09	Q4 FY 10	2

**Type of Reviews**

**Administrative/Financial Reviews** - reviews of management administrative issues, management internal controls, or financial systems/processes

**Eligibility Reviews** - reviews to determine if eligibility requirements were met for a given program

**Performance Reviews** - reviews to determine the effectiveness of a given program

**Other Reviews** - reviews that do not fit within the above categories