

United States Senate

WASHINGTON, DC 20510

October 6, 2010

Via Electronic Transmission

The Honorable Karen G. Mills
Administrator
U.S. Small Business Administration
409 Third Street, SW, Suite 7000
Washington, DC 20416

Dear Administrator Mills:

As Ranking Members of the Senate Committee on Finance, and the Senate Committee on Homeland Security and Governmental Affairs, Permanent Subcommittee on Investigations, we sent a letter on April 8, 2010, to 69 Inspectors General, asking among other things, about any agency interference or resistance to the OIG's oversight work.

The OIGs replied, indicating varying degrees of cooperation with their agencies. We were disappointed to learn that the Small Business Administration is among those that have not fully cooperated with the OIG. A copy of the Inspector General's letter is attached for your reference. Specifically, the Inspector General reported that from October 1, 2008 to April 8, 2010, the OIG has encountered significant delays on 13 projects. In several cases, OIG had to request the same information over 16 times per project and delays have exceeded 11 months.


- The OIG requested access to data from SBA's Loan and Lender Monitoring System, which is used to evaluate risk in SBA's guaranteed loan programs. In May 2009 the OIG requested this information for use in Recovery Act audit work, as well as general credit program oversight. In August 2009, the Agency agreed to grant access after the OIG drafted a letter to the Agency head citing a denial of access. However, full access, including system training for OIG staff, was not completed until January 2010.
- In October 2009, the OIG initiated an audit to monitor the project to upgrade the Agency Loan Management and Accounting System (LMAS). During the review period the SBA had contracted with an outside consulting firm to access the performance of this project and determine ways to accelerate progress. The consultant's project was completed at the end of November 2009, and on December 16, 2009, the OIG requested a copy of the consultant's report. The OIG made a follow up request to a senior SBA official on January 22, 2010 and was told the Agency would not release the report until the LMAS project reorganization was completed in March. Not receiving the report hindered the OIG's ability to conduct a timely audit.

We are concerned that the OIG has to deal with resistance in order to accomplish its statutorily required work. In light of these problems, we have the following questions:

- 1) Prior to this letter, were you aware of these examples of interference with the OIG's oversight function?
- 2) If so, when and how did you become aware of these issues and what steps have you taken to correct the problems?
- 3) If not, what steps do you intend to take to correct the problems?
- 4) What instructions have been provided the employees of the SBA informing them of their requirement to cooperate with the OIG?
- 5) Please provide a copy of any such instructions.

Thank you for your cooperation and attention to this important matter. Please provide the request set forth in this letter no later than October 20, 2010. Should there be any questions, please contact Jason Foster on Senator Grassley's staff at (202) 224-4515, or Keith Ashdown on Senator Coburn's staff at (202) 224-3721. All formal correspondence should be sent electronically in PDF format to Brian_Downey@finance-rep.senate.gov or via facsimile to (202) 228-2131.

Sincerely,



Charles E. Grassley
Ranking Member
Committee on Finance



Tom Coburn
Ranking Member
Permanent Subcommittee on Investigations
Homeland Security and Governmental Affairs Committee

Attachment



**U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20416**

June 22, 2010

The Honorable Charles E. Grassley
Ranking Member, Senate Finance Committee
United States Senate
Washington, DC 20515

The Honorable Tom Coburn
Ranking Member, Permanent Subcommittee on Investigations
Homeland Security and Governmental Affairs Committee
United States Senate
Washington, DC 20515

Dear Senators Grassley and Coburn:

This letter responds to your letter of April 8, 2010, which requested four categories of information: (1) instances when the Small Business Administration (SBA) was uncooperative in providing information requested by the SBA Office of Inspector General (OIG) or when SBA resisted or objected to OIG oversight activities; (2) information regarding closed investigative, evaluation or audit reports that had not been made publicly available; (3) instances when the OIG was threatened or otherwise impeded in its efforts to communicate with Congress regarding budgetary or other issues; and (4) a copy of our response to Representative Issa's March 24, 2010 request regarding outstanding audit recommendations that have not been fully implemented.

1. Instances When SBA Delayed Providing Information or Resisted OIG Oversight.

The OIG frequently encounters some delays in obtaining information from the Agency and often needs to make more than one request for the information. It is unclear whether this is a result of an intentional effort not to cooperate with the OIG, the fact that managers do not prioritize OIG requests as compared to other projects, the general lack of resources at SBA, or other reasons. It is our understanding that many OIGs face similar issues. Examples of the more substantial delays in providing information to the OIG during the requested time period (Oct. 1, 2008 to April 8, 2010) are set forth in Attachment 1 to this letter. Your letter asked for the Agency's rationale for these delays. Other than as indicated in the Attachment 1, agency managers generally did not give a reason other than they were busy.

We are highlighting two instances where the OIG experienced significant resistance from the Agency. Perhaps the most significant was our request for access to data from SBA's Loan and Lender Monitoring System, which is used to evaluate risk in SBA's guaranteed loan programs. In May 2009, we requested this information for use in our Recovery Act audit work, as well as general credit program oversight. In August 2009, the Agency agreed to grant access after OIG drafted a

letter to the Agency head citing a denial of access. However, full access, including system training for OIG staff, was not completed until January 2010. Although the Agency cited a variety of reasons why it believed it was inappropriate to provide access to the system, none of these reasons were persuasive in light of the language in the Inspector General Act of 1978 giving OIGs access to all information that is available to their relevant agency.

Another instance where the OIG experienced a substantial delay related to an Agency project to upgrade its Loan Management and Accounting System (LMAS). In October 2009, the OIG initiated an audit to monitor project activities. During the period of our review, SBA had contracted with an outside consulting firm to assess the performance of this project and determine ways to accelerate progress. The consultant's project was completed at the end of November 2009, and on December 16, 2009, the OIG requested a copy of the consultant's report. The OIG made a follow up request to a senior SBA official on January 22, 2010 and was told the Agency would not release the report until the LMAS project reorganization was completed in March. Not receiving the report hindered the OIG's ability to conduct a timely audit.

2. Unpublished Closed Investigation, Evaluation and Audit Reports.

All closed audit, evaluation, investigation and other reports containing recommendations for corrective action issued during the requested time frame (January 1, 2009 to April 30, 2010) have been posted on the OIG website (www.sba.gov/ig). The OIG also provides information on all indictments and convictions in its semi-annual reports, which are posted on the OIG website. For your information, during the requested time frame, our staff of 32 criminal investigators obtained 90 indictments, 70 convictions, and over \$33.8 million in fines, restitution, recoveries, and settlements. With respect to matters that were not reported in the semi-annual reports OIG issued in April 2010, October 2009 and April 2009, Attachment 2 to this letter contains summary information on investigations that were closed during the requested time frame.

3. Instances When The OIG Was Threatened or Impeded in Communicating with Congress.

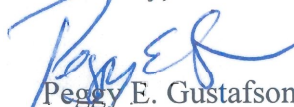
The OIG is not aware of any such instances.

4. Response to Rep. Issa's Letter.

A copy of our response is enclosed.

Please feel free to contact me if there are questions or if you require additional information.

Sincerely,



Peggy E. Gustafson
Inspector General

cc: Senator Max Baucus, Chair, Finance Committee
Senator Carl Levin, Chair, Permanent Subcommittee on Investigations