

FY 2020 OMB Supplemental Data Call

SBA

Disbursements for Goods & Services

7(a) Guaranty Purchases

Question 1 Free Text: Annual Performance Appraisal Criteria (PIIA Section: 3352(d) (5) (A) and (B))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

For 7(a) loan guaranty purchase program, the FY 2020 improper payment rate estimate of 5.51 percent is greater than the target reduction rate of 3.52 percent published in the FY 2019 AFR. However, in accordance with OMB-18-20, the 7(a) loan guaranty purchase program is considered to have met the reduction target as the lower bound for its confidence interval under the sampling methodology which meets the 95 percent confidence level, plus or minus 3 percent margin of error guidance, is 2.65 percent and is lower than the reduction target of 3.52 percent.

As a means to reduce and/or eliminate the occurrence of future improper payments, a Corrective Action Plan has been formalized for the 7(a) loan guaranty purchase Centers. Specific corrective actions are determined based upon the primary reason for the error and ensuring the error does not occur in the future. Plans for improvement include:

The corrective actions are currently underway. Similar to corrective actions performed in FY 2019, internal feedback was provided to center staff regarding the specific loan level deficiency upon detection.

As part of the Agency's Management Challenge 6.2, the Purchase Centers and Quality Control conducted an evaluation of the purchase process to enhance evident identification of material lender noncompliance. This evaluation, along with internal training, has been designed to enhance Quality Control's evident identification. The internal training is expected to be completed by the end of third quarter of FY 2021.

Corrective actions are tracked at the loan level through a centralized database. The two (2) Quality Control Specialists for the 7(a) guaranty purchase centers monitors errors from identification through completion of the corrective action. Headquarters management provides

oversight to ensure milestones are met. All improper payments identified as a result of the FY 2020 IPERIA reviews have been resolved through obtaining additional documentation, referral for denial review, collection of funds from the lender, or reimbursement to the lender. Corrective actions were generally completed at the loan level with 60 days with all actions taken by the end of the fiscal year.

Question 2: Detecting and Recovering Improper Payments (PIIA Section: 3352(e), 3352(e) (1))

Please describe the steps the agency has taken to detect and recover improper payments.

Indicate root cause	Indicate mitigation strategy/corrective action(s) taken	Provide any additional detail (optional free text)	Select the actual completion date for action(s) taken
9. Administrative or Process Errors Made by: Federal Agency	3-Training (how to complete contracts)		FY2020 Q3

Question 2 Free Text: Detecting and Recovering Improper Payments (PIIA Section: 3352(e), 3352(e) (1))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

The root cause for all 7(a) loan guaranty purchase improper payments were administrative/process errors made by the Agency. Improper payments generally arose when new purchase processors failed to identify material lender deficiencies in the handling of an SBA guaranteed loan and made administrative errors in the purchasing process. The primary reasons for purchase errors included:

Question 3: Recovery Audits (PIIA Section: 3352)

Please describe the steps the agency has taken to recover improper payments identified in recovery audits. Please note there is a 3000 character limit.

A cost analysis for the 7(a) loan guaranty purchase program was submitted to OMB on September 13, 2017, to include the results of a payment recapture audit performed in 2015 which again concluded that such an audit is not cost effective.

Question 4: Excluded Programs (PIIA Section: 3352(e) (7))

Please list any programs the agency excluded from review under its payment recapture audit program because a payment recovery audit program was determined to not be cost-effective and provide a

summary of the justification used to make that determination. Please note there is a 3000 character limit.

N/A

Question 7: Improper Payment Rate Reduction (PIIA Section: 3352(d) (2))

Please indicate whether lowering the improper payment rate beyond the current level would be cost prohibitive because applying additional mitigation strategies or corrective actions for improper payment prevention would cost more to implement than the amount that would be saved.

Cost Prohibitive (Yes/No)	Indicate Root Cause if known	Indicate which corrective action
NO	9. Administrative or Process Errors Made by: Federal Agency	3-Training (how to complete contracts)

Question 7 Free Text: Improper Payment Rate Reduction (PIIA Section: 3352(d) (2))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

Internal training for purchase processors, reviewers and approvers to determine proper recommendation of guarantee purchase denial, determining proper interest rates, proper determination of internal trade loan program and Preferred Lender Program requirements, proper determination of debt refinance, proper determination of lien perfection, and determining appropriate lender expenses.

Question 8: Tolerable Rate

Do you believe the program has reached a tolerable rate of improper payments?

Indicate Yes or No
YES

Question 8 Free Text: Tolerable Rate

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

Reduction Target has been met for the past two consecutive years

Question 10: Corrective Actions Taken (PIIA Section: 3352(d) (1))

Please indicate which corrective action(s) the program HAS TAKEN to prevent improper payments.

Indicate identified root cause	Indicate corrective action(s) taken	Select the actual completion date for action(s) taken	If other completion date, please indicate
9. Administrative or Process Errors Made by: Federal Agency	3-Training (how to complete contracts)	FY2020 Q2	

Question 10 Free Text: Corrective Actions Taken (PIIA Section: 3352(d) (1))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

Internal training for purchase processors, reviewers and approvers to determine proper recommendation of guarantee purchase denial, determining proper interest rates, proper exhaustion of lender collection, proper determination of change of ownership requirements, proper determination of debt refinance, proper determination of lien perfection, determining appropriate lender expenses, and determining the appropriate number of days interest owed. Recovery of lender expenses that were not fully justified and deemed ineligible.

Question 11: Corrective Actions to be Taken (PIIA Section: 3352(d) (1))

Please indicate which corrective action(s) the program WILL TAKE to prevent improper payments.

Indicate identified root cause	Indicate planned corrective action(s)	Select the planned completion date for action(s) program will take	Other planned completion date
9. Administrative or Process Errors Made by: Federal Agency	3-Training (how to complete contracts)	FY2021	

Question 11 Free Text: Corrective Actions to be Taken (PIIA Section: 3352(d) (1))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

Corrective actions are tracked at the loan level through a centralized database. The two (2) Quality Control Specialists for the 7(a) guaranty purchase centers monitors errors from identification through completion of the corrective action. Headquarters management provides oversight to ensure milestones are met. All improper payments identified as a result of the FY 2020 IPERIA reviews have been resolved through obtaining additional documentation, referral for denial review, collection of funds from the lender, or reimbursement to the

lender. Corrective actions were generally completed at the loan level with 60 days with all actions taken by the end of the fiscal year.

Question 12: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))

Please indicate which of the six (6) criteria (if any) were determined to be non-compliant in the most recent IG compliance review.

Indicate compliant or non-compliant	Compliance criteria
Compliant	1. Publish an AFR or PAR
Compliant	2. Conduct Program-Specific Risk Assessment
Compliant	3. Publish Improper Payment Estimates
Compliant	4. Publish Programmatic Corrective Action Plans
Compliant	5. Publish and Meet Annual Reduction Targets
Compliant	6. Report a gross Improper Payment Rate of Less than 10%

Question 12 Free Text: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

Office of Inspector General's (OIG) report number 20-15, Independent Auditors' Report on the U.S. Small Business Administration's (SBA's) Compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA). We contracted with the independent certified public accounting firm KPMG LLP (KPMG) to perform this engagement in accordance with consulting services standards established by the American Institute of Certified Public Accountants and the standards applicable to performance audits contained in the U.S. Government Accountability Office's (GAO) Government Auditing Standards. The objectives of the engagement were to review the payment integrity section of SBA's Fiscal Year (FY) 2019 Agency Financial Report to determine whether the Agency is in compliance with the Improper Payments Information Act of 2002 (IPIA) as amended. KPMG also evaluated the Agency's (1) accuracy and completeness of reporting and (2) performance in reducing and recapturing improper payments.

Question 13: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))

Please indicate how many consecutive years this program was deemed non-compliant as of the most recent IG compliance review (regardless of which of the six (6) criteria were determined non-compliant).

Indicate consecutive years
2

Question 13 Free Text: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

OIG reported that:

Question 16 Free Text: Do Not Pay Initiative (PIIA Section: 3354(b) (5))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

The SBA has implemented the Do Not Pay (DNP) Initiative and incorporated the use of the DNP post payment services using the data source Death Master File. The agency has also implemented limited use of the online portal for processing of manual 7(a) loan applications as part of pre-award eligibility and will be implementing pre-award eligibility for the Surety Bond Guarantee program. The SBA is working to enhance its use of the DNP data sources by exploring an interface with SBA systems to identify ineligible recipients at the time of pre-award in lieu of manually entering requests for information as is done currently.

Disaster Loan Disbursements

Question 1 Free Text: Annual Performance Appraisal Criteria (PIIA Section: 3352(d) (5) (A) and (B))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

Based on the final Office of Disaster Assistance (ODA) loan disbursements FY2020 Improper Payment statistician results, the ODA FY 2020 improper payment rate estimate of 11.98 percent is more than twice the target reduction rate of 5.32 percent published in the FY 2019 AFR. Thus, the ODA disbursements is considered to not have met the reduction target as the lower bound for its confidence interval under the sampling methodology which meets the 95 percent confidence level, plus or minus 3 percent margin of error guidance, is 125.19 percent greater than the reduction target of 5.32 percent. Also, the FY2020 improper payment rate is a gross Improper Payment Rate of greater than 10%.

Since 2016, the Performance Plans for the Processing and Disbursement Center's Center Director, Deputy Center Director, Assistant Center Director for Application Processing, and Assistant Center Director for Accounts, include a specific results-driven performance critical element tied solely to bringing the improper payment rate on disbursements for the disaster loan program into compliance. Also, all employees who fall under the aforementioned managers, and if they are involved in the loan making or disbursement process, have performance plans that including reducing and eliminating improper payments as a critic element.

Question 2: Detecting and Recovering Improper Payments (PIIA Section: 3352(e), 3352(e) (1))

Please describe the steps the agency has taken to detect and recover improper payments.

Indicate root cause	Indicate mitigation strategy/corrective action(s) taken	Provide any additional detail (optional free text)	Select the actual completion date for action(s) taken
5. Failure to Verify: Financial Data	3-Training (how to complete contracts)		Other
5. Failure to Verify: Financial Data	4-Change Process (instructions, checklist, policy)		Other
9. Administrative or Process Errors Made by: Federal Agency	3-Training (how to complete contracts)		Other
9. Administrative or Process Errors Made by: Federal Agency	4-Change Process (instructions, checklist, policy)		Other
9. Administrative or Process Errors Made by: Federal Agency	Other (free text)	Modify/enhance loan processing system	Other

Question 2 Free Text: Detecting and Recovering Improper Payments (PIIA Section: 3352(e), 3352(e) (1))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

Of the 127 improper payments, 38 were for “paperwork” issues. An example of a paperwork improper payment would be “a lack of insurance documentation,” representing approximately 30% of the improper payments. Those and similar paperwork issues do not result in a disaster

loan borrower's receiving any loan funds that they were not eligible to receive. The remaining improper payments represent the following detailed reasons:

Only one improper payment was identified as a monetary loss requiring recovery. That loan will result in a request for the borrower to return the loan funds. The remaining monetary losses will be recovered via the monthly loan payments. Corrective actions will be completed within FY2021 Q1 and are initiated within 30 days from the start of the fiscal year.

Question 3: Recovery Audits (PIIA Section: 3352)

Please describe the steps the agency has taken to recover improper payments identified in recovery audits. Please note there is a 3000 character limit.

Overpayments recaptured outside of payment recapture audits are the normal recovery method used by ODA. In that regard, we concentrated in the following areas:

Addressing number "1" above, all disaster borrowers are recovering from a severe unexpected financial hardship and simply would not have the resources to repay the overpayment in one lump sum. As these overpayments are in the form of loans are being repaid as agreed, the true lost is the cost of funds and risk of loss via default. As of September 30, 2020, all loans were paying as agreed.

Question 5: Financial and Administrative Controls (PIIA Section: 3357(d))

Please describe your agency's progress:

- Implementing the financial and administrative controls established by OMB in OMB Circular A-123 to identify and assess fraud risks and design and implement control activities in order to prevent, detect, and respond to fraud, including improper payments; the fraud risk principle in the Standards for Internal Control in the Federal Government published by the Government Accountability Office (commonly known as the "Green Book"); and Office of Management and Budget Circular A-123, with respect to the leading practices for managing fraud risk;*
- Identifying risk and vulnerabilities to fraud, and*
- Establishing strategies, procedures, and other steps to curb fraud.*

Implementation of OMB Circular A-123	Implementation of GAO Green Book	Identifying Risk and Vulnerabilities	Establishing Strategies, Procedures and Other steps
1 – In Beginning Stages	0 – Have not Started	2 – Established	1 – In Beginning Stages

Question 5 Free Text: Financial and Administrative Controls (PIIA Section: 3357(d))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

The COVID-19 EIDL high dollar disbursements (> \$150B) has required the development and implementation of a fraud referral program to address the high volume of potentially fraudulent submitted applications as well as a strategy and approach for mitigating and resolving the referrals to closure, including identifying disbursements for potential recovery. This process is ongoing and includes a methodology for sorting and prioritizing deceptive referral applications/loans by materiality and likelihood.

Question 7: Improper Payment Rate Reduction (PIIA Section: 3352(d) (2))

Please indicate whether lowering the improper payment rate beyond the current level would be cost prohibitive because applying additional mitigation strategies or corrective actions for improper payment prevention would cost more to implement than the amount that would be saved.

Cost Prohibitive (Yes/No)	Indicate Root Cause if known	Indicate which corrective action
NO	5. Failure to Verify: Financial Data	3-Training (how to complete contracts)
NO	5. Failure to Verify: Financial Data	4-Change Process (instructions, checklist, policy)
NO	9. Administrative or Process Errors Made by: Federal Agency	3-Training (how to complete contracts)
NO	9. Administrative or Process Errors Made by: Federal Agency	4-Change Process (instructions, checklist, policy)
NO	9. Administrative or Process Errors Made by: Federal Agency	Other (free text)

Question 7 Free Text: Improper Payment Rate Reduction (PIIA Section: 3352(d) (2))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

For the free text above, the corrective action is to modify/enhance loan processing system.

Question 8: Tolerable Rate

Do you believe the program has reached a tolerable rate of improper payments?

Indicate Yes or No
NO

Question 8 Free Text: Tolerable Rate

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

Reduction Targets had been met for the previous two consecutive years. This increase was an anomaly. And, the corrective actions stated should reduce the rate to an acceptable level.

Question 9: Internal Controls, Human Capital, Information Systems and other Infrastructure and Program Needs (PIIA Section: 3352(d) (2) (A) through (C)3352(d) (3))

Does the program have the internal controls, human capital, and information systems and other infrastructure it needs to reduce IPs to the levels the agency has targeted? Please indicate additional program needs to reduce IPs to the levels the program has targeted.

Indicate 'yes' or 'no'	Indicate program needs
YES	1. Internal Controls
YES	2. Human Capital
YES	3. Information Systems
NO	4. Resources

Question 10: Corrective Actions Taken (PIIA Section: 3352(d) (1))

Please indicate which corrective action(s) the program HAS TAKEN to prevent improper payments.

Indicate identified root cause	Indicate corrective action(s) taken	Select the actual completion date for action(s) taken	If other completion date, please indicate
5. Failure to Verify: Financial Data	1-Automation	FY2020 Q3	

Question 10 Free Text: Corrective Actions Taken (PIIA Section: 3352(d) (1))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

The actual completion date for above is FY 2020 Q3, Q4.

Question 11: Corrective Actions to be Taken (PIIA Section: 3352(d) (1))

Please indicate which corrective action(s) the program WILL TAKE to prevent improper payments.

Indicate identified root cause	Indicate planned corrective action(s)	Select the planned completion date for action(s) program will take	Other planned completion date
5. Failure to Verify: Financial Data	1-Automation	FY2021	
5. Failure to Verify: Financial Data	3-Training (how to complete contracts)	FY2021	
9. Administrative or Process Errors Made by: Federal Agency	1-Automation	FY2021	
9. Administrative or Process Errors Made by: Federal Agency	3-Training (how to complete contracts)	FY2021	
9. Administrative or Process Errors Made by: Federal Agency	4-Change Process (instructions, checklist, policy)	FY2021	
9. Administrative or Process Errors Made by: Federal Agency	Other (free text)	FY2021	

Question 11 Free Text: Corrective Actions to be Taken (PIIA Section: 3352(d) (1))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

For the above other correction action plan, the free text should state "Modify/enhance loan processing system".

Corrective actions for specific loans are tracked at the loan level through the Quality Assurance auditing database. The Quality Control Supervisor approvals and monitors the completion of the corrective actions. All improper payment identified as a result of the FY 2020 IPERA reviews will have the corrective actions completed by end of FY2021 Quarter 1. Corrective Actions are initiated within 30 days of the completion of the quarterly audit.

To reduce and/or eliminate the occurrence of future improper payments, a Corrective Action Plan will be formulated. To prevent these errors noted in the improper payment review, ODA plans to perform the following corrective actions:

Question 12: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))

Please indicate which of the six (6) criteria (if any) were determined to be non-compliant in the most recent IG compliance review.

Indicate compliant or non-compliant	Compliance criteria
Compliant	5. Publish and Meet Annual Reduction Targets
Compliant	6. Report a gross Improper Payment Rate of Less than 10%

Question 15: Creating accountability to achieve compliance (PIIA Section: 3353(b) (1) (B))

For any program or activity deemed to be non-compliant in the most recent fiscal year please briefly describe and identify the following:

- The measurable milestones to be accomplished*
- The senior executive agency official responsible*
- Establishment of an accountability mechanism*
- Incentives*
- Consequences*

Measurable milestones	Target Date	If other date, please specify	Senior Executive Agency Official	Accountability Mechanism	Incentives	Consequences
Obtain an improper payment rate below the 10% threshold	FY2021		Deputy Associate Administrator for Disaster Assistance	Monthly meetings will occur between the IP team and Production teams to discuss issues and monitor	Addressed in performance plan	Addressed in performance plan

Measurable milestones	Target Date	If other date, please specify	Senior Executive Agency Official	Accountability Mechanism	Incentives	Consequences
				quarterly IP rate		

Question 16: Do Not Pay Initiative (PIIA Section: 3354(b) (5))

Please indicate whether the program uses the DNP (yes/no) and whether the Do Not Pay Initiative has reduced/prevented improper payments (yes/no). Additionally, please provide the frequency of corrections (week/month range) or identification of incorrect information (range of false hits?).

Does the program use the Do Not Pay Initiative (DNP) (yes/no)	Has the DNP reduced/prevented improper payments (yes/no)	How frequently are corrections made?	How frequently is incorrect information identified?
NO	N/A	Annually	Annually

Question 16 Free Text: Do Not Pay Initiative (PIIA Section: 3354(b) (5))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

The responses for "How frequently are corrections made?" and "How frequently is incorrect information identified?" should be N/A for both.

ODA has not implemented the Do Not Pay (DNP) Initiative and has not incorporated the use of the DNP post payment services using the data source Death Master File. However, the Agency's loan disbursement does catch names that are on the Death Master list and block those disbursements.

504 CDC Guaranty Approvals

Question 1 Free Text: Annual Performance Appraisal Criteria (PIIA Section: 3352(d) (5) (A) and (B))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

For the 504 CDC approval reviews, the FY 2020 improper payment rate estimate of 3.81 percent is greater than the target reduction of 2.04 percent published in the FY 2019 AFR. However, in

accordance with OMB-18-20, the 504 CDC approval program is considered to have met the reduction target as the lower bound for its confidence interval under the sampling methodology which meets the 95 percent confidence level, plus or minus 3 percent margin of error guidance, is 1.14 percent and is lower than the reduction target of 2.04 percent.

The 504 CDC approval reviews were conducted to determine whether CDCs complied materially with the program's origination requirements, including statutory provisions, SBA regulations, any agreement the CDC executed with the SBA, standard operating procedures, loan authorizations, and official SBA notices and forms applicable to the 504 loan program. The reviews were to determine whether CDCs (1) originated the loan in a prudent and commercially reasonable manner, (2) misrepresented or failed to disclose a material fact to the SBA, and/or put the SBA's financial interest at risk.

As a means to reduce and/or eliminate the occurrence of future improper payments, a Corrective Action Plan has been formalized for the 504 approval center. Specific corrective actions are determined based upon the primary reason for the error with the purpose of both remedying the error and ensuring the error does not occur in the future. Plans for improvement include:

Question 2: Detecting and Recovering Improper Payments (PIIA Section: 3352(e), 3352(e) (1))

Please describe the steps the agency has taken to detect and recover improper payments.

Indicate root cause	Indicate mitigation strategy/corrective action(s) taken	Provide any additional detail (optional free text)	Select the actual completion date for action(s) taken
2. Inability to Authenticate Eligibility: Inability to Access Data	3-Training (how to complete contracts)		FY2020 Q2

Question 2 Free Text: Detecting and Recovering Improper Payments (PIIA Section: 3352(e), 3352(e) (1))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

The most prevalent root cause stemmed from the CDC's failure to authenticate borrower's eligibility at origination in compliance with loan program requirements. The primary reasons for 504 approval errors in FY 2020 included:

All improper payments identified as a result of the FY 2021 IPERIA reviews have been resolved through obtaining additional documentation, loan modification, and reduction and cancellation of the loan guaranty. Corrective actions were generally completed at the loan level within 180 days with all actions taken by the end of the fiscal year.

Question 3: Recovery Audits (PIIA Section: 3352)

Please describe the steps the agency has taken to recover improper payments identified in recovery audits. Please note there is a 3000 character limit.

Overpayments recaptured outside of payment recapture audits are not applicable to 7(a) loan guaranty approval and 504 loan approval as no payment is made at the time of approval. Improper payments identified through both the annual improper payment and continuous quality control reviews are remediated through the cancellation of the SBA guaranty, or loan modification, as appropriate. This determination is made on a case-by-case basis, which varies substantially depending on the circumstances of the loan approval and lender authority.

Question 4: Excluded Programs (PIIA Section: 3352(e) (7))

Please list any programs the agency excluded from review under its payment recapture audit program because a payment recovery audit program was determined to not be cost-effective and provide a summary of the justification used to make that determination. Please note there is a 3000 character limit.

N/A

Question 7: Improper Payment Rate Reduction (PIIA Section: 3352(d) (2))

Please indicate whether lowering the improper payment rate beyond the current level would be cost prohibitive because applying additional mitigation strategies or corrective actions for improper payment prevention would cost more to implement than the amount that would be saved.

Cost Prohibitive (Yes/No)	Indicate Root Cause if known	Indicate which corrective action
NO	2. Inability to Authenticate Eligibility: Inability to Access Data	3-Training (how to complete contracts)

Question 8: Tolerable Rate

Do you believe the program has reached a tolerable rate of improper payments?

Indicate Yes or No

YES

Question 8 Free Text: Tolerable Rate

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

Reduction Target has been met for the past two consecutive years

Question 10: Corrective Actions Taken (PIIA Section: 3352(d) (1))

Please indicate which corrective action(s) the program HAS TAKEN to prevent improper payments.

Indicate identified root cause	Indicate corrective action(s) taken	Select the actual completion date for action(s) taken	If other completion date, please indicate
2. Inability to Authenticate Eligibility: Inability to Access Data	3-Training (how to complete contracts)	FY2020 Q2	

Question 10 Free Text: Corrective Actions Taken (PIIA Section: 3352(d) (1))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

The improper payment rate of 0.56 percent does not exceed the 1.5 percent threshold for reporting a corrective action plan.

Question 11: Corrective Actions to be Taken (PIIA Section: 3352(d) (1))

Please indicate which corrective action(s) the program WILL TAKE to prevent improper payments.

Indicate identified root cause	Indicate planned corrective action(s)	Select the planned completion date for action(s) program will take	Other planned completion date
2. Inability to Authenticate Eligibility: Inability to Access Data	3-Training (how to complete contracts)	FY2021	

Question 11 Free Text: Corrective Actions to be Taken (PIIA Section: 3352(d) (1))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

Collaborating with the Office of Credit Risk Management to ensure specific lender deficiencies are monitored and incorporated into Risk Based Reviews; and External training for lenders to ensure appropriate documentation is obtained and analyzed prior to loan approval and to ensure that Eligible Passive Company policy requirements are met.

Question 12: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))

Please indicate which of the six (6) criteria (if any) were determined to be non-compliant in the most recent IG compliance review.

Indicate compliant or non-compliant	Compliance criteria
Compliant	1. Publish an AFR or PAR
Compliant	2. Conduct Program-Specific Risk Assessment
Compliant	3. Publish Improper Payment Estimates
Compliant	4. Publish Programmatic Corrective Action Plans
Compliant	5. Publish and Meet Annual Reduction Targets
Compliant	6. Report a gross Improper Payment Rate of Less than 10%

Question 12 Free Text: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

Office of Inspector General's (OIG) report number 20-15, Independent Auditors' Report on the U.S. Small Business Administration's (SBA's) Compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA). We contracted with the independent certified public accounting firm KPMG LLP (KPMG) to perform this engagement in accordance with consulting services standards established by the American Institute of Certified Public Accountants and the standards applicable to performance audits contained in the U.S. Government Accountability Office's (GAO) Government Auditing Standards. The objectives of the engagement were to review the payment integrity section of SBA's Fiscal Year (FY) 2019 Agency Financial Report to determine whether the Agency is in compliance with the Improper Payments Information Act of 2002 (IPIA) as amended. KPMG also evaluated the Agency's (1)

accuracy and completeness of reporting and (2) performance in reducing and recapturing improper payments.

Question 13: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))

Please indicate how many consecutive years this program was deemed non-compliant as of the most recent IG compliance review (regardless of which of the six (6) criteria were determined non-compliant).

Indicate consecutive years
2

Question 13 Free Text: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

OIG reported that:

Question 16 Free Text: Do Not Pay Initiative (PIIA Section: 3354(b) (5))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

The SBA has implemented the Do Not Pay (DNP) Initiative and incorporated the use of the DNP post payment services using the data source Death Master File. The agency has also implemented limited use of the online portal for processing of manual 7(a) loan applications as part of pre-award eligibility and will be implementing pre-award eligibility for the Surety Bond Guarantee program. The SBA is working to enhance its use of the DNP data sources by exploring an interface with SBA systems to identify ineligible recipients at the time of pre-award in lieu of manually entering requests for information as is done currently.

7(a) Guaranty Approvals

Question 1 Free Text: Annual Performance Appraisal Criteria (PIIA Section: 3352(d) (5) (A) and (B))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

For 7(a) loan guaranty approval reviews, the FY 2020 improper payment rate estimate of 2.06 percent is greater than the target reduction rate of 2.05 percent published in the FY 2019

AFR. However, in accordance with OMB-18-20, the 7(a) loan guaranty approval program is considered to have met the reduction target as the lower bound for its confidence interval under the sampling methodology which meets the 95 percent confidence level, plus or minus 3 percent margin of error guidance, is 0.12 percent and is lower than the reduction target of 2.05 percent.

The 7(a) loan guaranty approval reviews were conducted to determine whether lenders complied materially with the 7(a) loan program origination requirements including statutory provisions, SBA regulations, any agreement the lender executed with SBA, standard operating procedures, loan authorizations, and official SBA notices and form applicable to the 7(a) loan program. The reviews were conducted in order to determine if lenders (1) originated the loan in a prudent and commercially reasonable manner, (2) misrepresented or failed to disclose a material fact to the SBA, and/or (3) put the SBA's financial interest at risk.

As a means to reduce and/or eliminate the occurrence of future improper payments, a Corrective Action Plan has been formalized for the 7(a) loan guaranty approval centers. Specific corrective actions are determined based upon the primary reason for the error with the purposed of both remedying the error and ensuring the error does not occur in the future. Plans for improvement include:

Question 2: Detecting and Recovering Improper Payments (PIIA Section: 3352(e), 3352(e) (1))

Please describe the steps the agency has taken to detect and recover improper payments.

Indicate root cause	Indicate mitigation strategy/corrective action(s) taken	Provide any additional detail (optional free text)	Select the actual completion date for action(s) taken
2. Inability to Authenticate Eligibility: Inability to Access Data	3-Training (how to complete contracts)		FY2020 Q2

Question 2 Free Text: Detecting and Recovering Improper Payments (PIIA Section: 3352(e), 3352(e) (1))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

Approximately 80 percent of all 7(a) loan guarantee approvals are performed by lenders with delegated authority to evaluate, process, close, and disburse 7(a) loans; these lenders were responsible for all identified improper payment approvals in FY 2020. The most prevalent root cause stemmed from the delegated lenders' failure to authenticate borrowers' eligibility in compliance with loan program requirements. The primary reasons for 7(a) approval errors in FY 2020 included:

All improper payment identified as a result of the FY 2020 IPERA reviews have been resolved through a reduction or cancellation of the loan guaranty. In general, corrective actions were generally completed without having to refer the loan for further review. Corrective Actions are initiated within 120 days and all corrective actions taken in this fiscal year.

Question 3: Recovery Audits (PIIA Section: 3352)

Please describe the steps the agency has taken to recover improper payments identified in recovery audits. Please note there is a 3000 character limit.

Overpayments recaptured outside of payment recapture audits are not applicable to 7(a) loan guaranty approval and 504 loan approval as no payment is made at the time of approval. Improper payments identified through both the annual improper payment and continuous quality control reviews are remediated through the cancellation of the SBA guaranty, or loan modification, as appropriate. This determination is made on a case-by-case basis, which varies substantially depending on the circumstances of the loan approval and lender authority.

Question 4: Excluded Programs (PIIA Section: 3352(e) (7))

Please list any programs the agency excluded from review under its payment recapture audit program because a payment recovery audit program was determined to not be cost-effective and provide a summary of the justification used to make that determination. Please note there is a 3000 character limit.

N/A

Question 7: Improper Payment Rate Reduction (PIIA Section: 3352(d) (2))

Please indicate whether lowering the improper payment rate beyond the current level would be cost prohibitive because applying additional mitigation strategies or corrective actions for improper payment prevention would cost more to implement than the amount that would be saved.

Cost Prohibitive (Yes/No)	Indicate Root Cause if known	Indicate which corrective action
NO	2. Inability to Authenticate Eligibility: Inability to Access Data	3-Training (how to complete contracts)

Question 8: Tolerable Rate

Do you believe the program has reached a tolerable rate of improper payments?

Indicate Yes or No
YES

Question 8 Free Text: Tolerable Rate

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

Reduction Target has been met for the past two consecutive years

Question 10: Corrective Actions Taken (PIIA Section: 3352(d) (1))

Please indicate which corrective action(s) the program HAS TAKEN to prevent improper payments.

Indicate identified root cause	Indicate corrective action(s) taken	Select the actual completion date for action(s) taken	If other completion date, please indicate
2. Inability to Authenticate Eligibility: Inability to Access Data	3-Training (how to complete contracts)	FY2020 Q2	

Question 10 Free Text: Corrective Actions Taken (PIIA Section: 3352(d) (1))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

Collaborating with the Office of Credit Risk Management (OCRM) to ensure specific lender deficiencies are monitored and incorporated into Risk Based Reviews;
Collaborating with the Office of Financial Assistance (OFA) to ensure that any associated deficiencies are incorporated into any policy, regulatory, or standard operating procedure rewrite or update; External training for lenders on policy requirements governing change of ownership, requirements governing cash injection, application of collateral, policy requirements governing loan structure, and appropriate documentation to determine loan program eligibility.

Question 11: Corrective Actions to be Taken (PIIA Section: 3352(d) (1))

Please indicate which corrective action(s) the program WILL TAKE to prevent improper payments.

Indicate identified root cause	Indicate planned corrective action(s)	Select the planned completion date for action(s) program will take	Other planned completion date
2. Inability to Authenticate Eligibility: Inability to Access Data	3-Training (how to complete contracts)	FY2021	

Question 11 Free Text: Corrective Actions to be Taken (PIIA Section: 3352(d) (1))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

Corrective actions for specific loans are tracked at the loan level through a centralized database. The Quality Control Specialist for 7(a) loan guaranty approvals monitors errors from identification through completion of the corrective actions. OFPO management Headquarters provides oversight to ensure milestones are met. All improper payment identified as a result of the FY 2020 IPERA reviews have been resolved through a reduction or cancellation of the loan guaranty. In general, corrective actions were generally completed without having to refer the loan for further review. Corrective Actions are initiated within 120 days and all corrective actions taken in this fiscal year.

Question 12: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))

Please indicate which of the six (6) criteria (if any) were determined to be non-compliant in the most recent IG compliance review.

Indicate compliant or non-compliant	Compliance criteria
Compliant	1. Publish an AFR or PAR
Compliant	2. Conduct Program-Specific Risk Assessment
Compliant	3. Publish Improper Payment Estimates
Compliant	4. Publish Programmatic Corrective Action Plans
Compliant	5. Publish and Meet Annual Reduction Targets
Compliant	6. Report a gross Improper Payment Rate of Less than 10%

Question 12 Free Text: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

Office of Inspector General's (OIG) report number 20-15, Independent Auditors' Report on the U.S. Small Business Administration's (SBA's) Compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA). We contracted with the independent certified public accounting firm KPMG LLP (KPMG) to perform this engagement in accordance with consulting services standards established by the American Institute of Certified Public Accountants and the standards applicable to performance audits contained in the U.S. Government Accountability Office's (GAO) Government Auditing Standards. The objectives of the engagement were to review the payment integrity section of SBA's Fiscal Year (FY) 2019 Agency Financial Report to determine whether the Agency is in compliance with the Improper Payments Information Act of 2002 (IPIA) as amended. KPMG also evaluated the Agency's (1) accuracy and completeness of reporting and (2) performance in reducing and recapturing improper payments.

Question 13: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))

Please indicate how many consecutive years this program was deemed non-compliant as of the most recent IG compliance review (regardless of which of the six (6) criteria were determined non-compliant).

Indicate consecutive years
2

Question 13 Free Text: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

OIG reported that:

Question 16 Free Text: Do Not Pay Initiative (PIIA Section: 3354(b) (5))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

The SBA has implemented the Do Not Pay (DNP) Initiative and incorporated the use of the DNP post payment services using the data source Death Master File. The agency has also implemented limited use of the online portal for processing of manual 7(a) loan applications as part of pre-award eligibility and will be implementing pre-award eligibility for the Surety Bond Guarantee program. The SBA is working to enhance its use of the DNP data sources by

exploring an interface with SBA systems to identify ineligible recipients at the time of pre-award in lieu of manually entering requests for information as is done currently.

Hurricane Sandy Disaster Relief Administrative Funds - Payroll

Hurricane Sandy Disaster Relief Administrative Funds - Travel

Hurricane Sandy Disaster Relief Administrative Funds - Purchase Cards

Hurricane Sandy Disaster Relief Grants

Supplemental Disaster Relief Administrative Funds - Travel

Question 14: Bringing the program into compliance (PIIA Section: 3353(b) (5))

If deemed to be non-compliant in the most recent fiscal year, please briefly describe the plan the executive agency will take to bring the program into compliance.

Indicate root cause	Indicate planned corrective actions
9. Administrative or Process Errors Made by: Federal Agency	1-Automation
9. Administrative or Process Errors Made by: Federal Agency	3-Training (how to complete contracts)
9. Administrative or Process Errors Made by: Federal Agency	4-Change Process (instructions, checklist, policy)
9. Administrative or Process Errors Made by: Federal Agency	6-Audit (improve IC)

Question 14 Free Text: Bringing the program into compliance (PIIA Section: 3353(b) (5))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

Although the travel program is compliant for the most recent fiscal year, ODA plans to incorporate automation, where appropriate, to streamline processes, and will ensure training materials and other instructional documents and internal policy are updated to reflect quality control procedures for travel. In addition, for travel payments, the quality assurance review will incorporate additional focus on improper payments, where possible.

Supplemental Disaster Relief Administrative Funds - Payroll

Question 14: Bringing the program into compliance (PIIA Section: 3353(b) (5))

If deemed to be non-compliant in the most recent fiscal year, please briefly describe the plan the executive agency will take to bring the program into compliance.

Indicate root cause	Indicate planned corrective actions
9. Administrative or Process Errors Made by: Federal Agency	1-Automation
9. Administrative or Process Errors Made by: Federal Agency	3-Training (how to complete contracts)
9. Administrative or Process Errors Made by: Federal Agency	4-Change Process (instructions, checklist, policy)
9. Administrative or Process Errors Made by: Federal Agency	6-Audit (improve IC)

Question 14 Free Text: Bringing the program into compliance (PIIA Section: 3353(b) (5))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

Although the payroll program is compliant for the most recent fiscal year, ODA plans to incorporate automation, where appropriate, to streamline processes, and will ensure training materials and other instructional documents and internal policy are updated to reflect quality control procedures for payroll.