J.R.Bruno & ASSOCIATES
Serving The Business Lending Community for 22 years
Consultants to the Business Lending Community
SBA and MBL Specialist
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Business Lending News

OIG AUDITS & FINDINGS: WHAT WE CAN LEARN

Office of the Inspector General
MISSION: To conduct independent audits, inspections, evaluations, and investigations to promote economy and efficiency and to prevent and detect waste, fraud, abuse, and mismanagement in the programs and operations of the Department and the Broadcasting Board of Governors.

Just as your regulator monitors your lending activities, the federal Office of the Inspector General (OIG) regulates the SBA. The OIG's audit findings often result in the SBA making changes with an eye to enhancing and strengthening the program and helping to ensure future funding. Because lenders, the SBA and the OIG are inextricably linked, the way your SBA department conducts business can "trickle up" and affect an OIG audit of the SBA.

We attended the OIG's presentation at the recent NAGGL Lender's Technical Conference in St. Louis, where they covered key audit findings in depth. As a lender, what procedures can you implement in your SBA program to avoid some of the OIG's common SBA audit findings?

Lender Service Providers/Loan Agents. Here are some things you can do to ensure a positive relationship - with your LSP/Loan Agent, the SBA - and ultimately the OIG:

- When retaining an LSP/Loan Agent, perform vendor due diligence just as you do for vendors you use in your regular course of business. And be sure to run prospective LSPs/Agents through the federal government's System for Award Management, sam.gov, to make sure they're not on the excluded list.
- Maintain control of your SBA program's day-to-day operations when entering into an agreement with a Lender Service Provider. Have a procedure to monitor your loan agents after performing your initial due diligence, e.g., Business reports, Google searches. Keep this on a spreadsheet or tracking system because the Office of Credit Risk Management (OCRM) will request it when they conduct your PaRRIS reviews.
- Remember, you bear ultimate responsibility for your SBA department's activities, not your Lender Service Provider. So don't outsource complete operation of your department. Your LSPs are there to assist you with various functions, not perform them for you. Importantly, make sure your SBA lending staff is trained and well versed in SBA requirements. If they're questioned during an SBA review they need to demonstrate their knowledge - and not say they need to check with your LSP.
- Do not share secondary market sales premiums with your LSP/Loan Agent.
- Don't forget those Form 159s for your Loan Agents. It isn't enough to collect them; you must submit them to Colson.

Details, Details, Details. Dot those I's and cross those T's.

- Document, document, document your use of proceeds and injections according to standards required in SOPs and your SBA Authorization. These issues are the cause for many OIG recommendations for recovery after the SBA has honored a guaranty.
- Construction Controls! Adhere to SBA Construction control standards on all loans where loan proceeds are used for construction. Fund control errors are often reasons for OIG recommendations for recovery.
- Change of Ownership loans are at high risk for fraud. The OIG spent some time on this at the NAGGL Conference, because Change of Ownership fraud is so costly to lenders and the SBA. In brief, be sure to obtain seller returns and verify them. Review your business valuations. Verify all injections.

As a Lender Service Provider, our JRB Team can assist your lending team in establishing and maintaining successful SBA programs. We look forward to discussing your organization's business lending needs. Check us out. Contact JRB!

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