

March 14, 2013

The Honorable Tom A. Coburn
United States Senate
Washington, DC 20510

Dear Senator Coburn:

Thank you for your inquiry about the ongoing efforts of the U.S. Small Business Administration (SBA) to successfully implement the Improper Payments Elimination and Recovery Act (IPERA). As stewards of the public trust, we share your concern regarding effective and efficient spending, especially in this fiscal environment.

The SBA is committed not just to compliance but reducing risk in all areas of the Agency by strengthening our controls and improving our business processes.

We have made great strides in this effort, and we continue to work closely with our partners in the Office of the Inspector General (OIG), as well as the Office of Management and Budget (OMB), to prevent, reduce, and recapture improper payments in our programs. We can report the following progress in these areas:

- A recent OIG evaluation recognized that the SBA made substantial progress in meeting IPERA and Improper Payments Information Act (IPIA) requirements. Specifically, OIG determined that the SBA developed appropriate test procedures to assess 7(a) guaranty loan approvals and 504 guaranty loan approvals for improper payments.
- Test methods and the analysis for a potential Payment Recapture Plan for contracting were enhanced in 2012 to provide a better measurement of improper payments related to disbursements for goods and services.
- Existing contract files were reviewed for completeness which resulted in fewer documentation errors in 2012.

As we discussed in our June 14, 2012, letter to the Committee regarding our efforts in reducing and eliminating improper payments, we realize that the foundation of a successful improper payments program requires a comprehensive approach to risk reduction via strengthened controls and recapture activities. This includes the awareness of what makes a payment "improper," the level of risk posed to the agency, and the program's significance at the government-wide level (as indicated in Executive Order 13520).

As well, we have been working closely with OMB and the Department of the Treasury to develop a comprehensive, meaningful approach to implementing the Do Not Pay solution, which will help in creating a sound improper payments program at the SBA.

However, the SBA must and will continue to make improvements to its improper payments program, specifically concerning the OIG Report 12-10, "SBA Generally Meets IPERA Reporting Guidance but Immediate Attention Is Needed to Prevent and Reduce Improper Payments," which assessed our efforts in improper payment reporting for FY 2011. That report, coupled with a separate Advisory Memorandum regarding our disbursements and contracting (Report 12-07), comprises the OIG recommendations in the four of six programs cited in your letter. At your request, we are submitting a table describing our specific plans and timelines for addressing the concerns raised by the OIG and copies of our corrective action plans. We appreciate this opportunity to demonstrate our commitment to reducing risk and errors within our programs.

A similar response is being sent to Senators Carper, Collins, and McCaskill. If you and your staff have questions, please contact Nicholas Coutsos, Assistant Administrator for Congressional and Legislative Affairs at (202) 205-6335.

Sincerely,

Jonathan I. Carver
Chief Financial Officer and Associate Administrator for
Performance Management and Chief Acquisition Officer

Attachments