



UNITED STATES GENERAL ACCOUNTING OFFICE  
REGIONAL OFFICE  
SUITE 300-D, 2420 W. 25TH AVENUE  
DENVER, COLORADO 80211

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AUG 18 1975

Mr. Leonard S. Cole  
Acting Regional Director  
Small Business Administration  
492 New Custom House Building  
721 - 19th Street  
Denver, Colorado 80202

Dear Mr. Cole:

This is to notify you that we have completed our work on the Review of the Small Business Administration's management, organization, and review functions, code 07765. I wish to take this opportunity to express my appreciation for the assistance and cooperation extended Messrs. Goetz, Neely, and Buschy of my staff.

During our exit conference we discussed items concerning the Standards of Conduct Program and SBA review functions that require attention by Region VIII.

SBA standards of conduct:

1. SBA standards of conduct rules and regulations require certain employees to file statements of employment and financial interest within 30 days of becoming incumbents of their position. We found that this regulation is not being enforced in Region VIII. Of the employees hired at a GS-13 or above or promoted to a GS-13 between July 1, 1972, and December 31, 1974, none filed a statement within 30 days.
2. Regulations require GS-13's or above to file statements if they make decisions or take final action regarding the granting of financial assistance. We noted that attorneys in grade GS-13 or above do not file these statements, even though their duties include closing and disbursing loans and serving on Claims Review Committees.
3. The Standards of Conduct Counselor has not been provided with guidelines or resources necessary to perform an adequate review of the statements of employment and financial interest. We

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found two cases where employees listed stock ownership in SBA assisted businesses on their statements but they were undetected by the Counselor. We suggest that the Counselor, with the assistance of SBA's Central Office, develop a method to perform an adequate review of the statements.

SBA review functions:

1. While ARD quarterly reviews are useful to both regional and district management staff, we found that written reports and exit conferences are not always being provided to the district management.
2. Region and district officials were generally not aware of internal audit reports that had been received. This was caused by inadequate control over receipt and disposition of these documents and resulted in losing the favorable impact of recommendations and inadequate use of a management tool.
3. We noted that circumstances similar to those identified in two SBA internal audit reports existed in the Fargo and Helena District Offices.

Fargo District Office

Audit report 5-74, dated August 1, 1973, concerns supervisory controls to assure that prescribed procedures for liquidation actions are followed in a timely manner:

- A current inventory had not been accomplished on a loan in liquidation since August 1974, even though the borrower was selling equipment.
- A compromise offer was anticipated based on the 1974 crop year for a loan in liquidation since June 1973. Current data indicates a compromise offer on the 1975 crop year may be made.
- A loan in liquidation since October 1969 is awaiting current financial information prior to further action.
- Two loans in liquidation over 1 year have not been charged off for the reason that other cases have higher priority.

Fargo and Helena District Offices

Audit report 8-74, dated May 3, 1974:

- Post purchase examination forms were available but were not being used to assure coverage of all required elements of the examination.

--The district counsels are often unable to express an opinion on the legal aspects of the loan specialists' reports because some required data is not included in their reports.

We would appreciate your comments on corrective action taken or planned concerning these matters. Other items, not within your level of responsibility, are included in our report draft to be reported at the appropriate level.

If we can be of any further assistance, please call either John Murphy or Charles Goetz at 837-4621. I wish to again thank you for the cooperation extended by Region VIII during this audit.

Sincerely,

IRWIN M. D'ADDARIO  
Irwin M. D'Addario  
Regional Manager