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United States Senate

COMMITTEE ON SMALL BUSINESS

WASHINGTON, DC 20510-6350

EMILIA DISANTO, STAFF DIRECTOR
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July 28, 2000

The Honorable Phyllis Fong
Inspector General
Small Business Administration
409 Third Street, S.W.
Washington, D.C. 20416

Dear Ms. Fong:

On July 20, 2000, the Committee on Small Business (Committee) held a hearing on the Performance and Accountability Review of operations and programs at the Small Business Administration (SBA/Agency), which is being conducted by the General Accounting Office (GAO). During the hearing, I raised some questions about the reallocation of certain SBA-program funds to an off-line reserve account that was described in an "advisory memorandum" prepared by the Audit Division of the SBA Office of Inspector General (OIG) in April 1999. By unanimous consent, the Committee included both the ledger of expenditures from the Fiscal Year 1999 reserve account and the advisory memorandum into the Committee's public hearing record.

During the hearing, I asked Deputy Inspector General Peter McClintock to have your office investigate and report promptly to me on the SBA's reserve accounts for Fiscal Years 1999 and 2000. Unfortunately, the hearing was concluded before I had the opportunity to pose a series of questions to the SBA witness(es) about, among other things, the Agency's use of these reserve accounts. Accordingly, I would appreciate your responses to the following requests for information no later than August 7, 2000:

1. For Fiscal Year 1999, please describe each discretionary or reserve account(s) that have been maintained at the SBA.
2. For Fiscal Year 1999, please provide me with copies of ledgers describing in sequence every expenditure, allocation, or obligation from each reserve or discretionary account.
3. For each reserve or discretionary account maintained in Fiscal Year 1999, please describe in detail the following information:
 - (a) the sources of funds by line-item and program account that were used to fund the accounts;
 - (b) the manner in which each expenditure, allocation, or obligation from the reserve or discretionary accounts were attributed to a specific line in the Federal Financing System (FFS); and
 - (c) for any funds allocated from the accounts that were not spent on or obligated to the earmarked purpose recorded in the ledger, the manner in which the excess funds were spent or obligated and attributed to a specific line in the FFS.
4. For each reserve or discretionary account maintained during Fiscal Year 2000, please describe the following information:

- (a) the sources of funds by line item and program account that were used to fund the account;
 - (b) a detailed ledger describing in sequence every expenditure or obligation from the reserve or discretionary account to date; and
 - (c) a description of how each expenditure or obligation of funds allocated from the reserve or discretionary account was attributed to a specific line in the FFS.
5. For Fiscal Years 1999 and 2000, please describe the approval process at the SBA to allocate or transfer funds from the reserve accounts. Please also determine whether SBA:
- (a) obtained the necessary approvals for each expenditure; and
 - (b) maintained any reserve or discretionary account in which Federal funds are expended, allocated, or obligated only at the discretion of the Administrator, the Deputy Administration, or the Chief Financial Officer.
6. For Fiscal Year 1999 and 2000, please sample twenty percent of the expenditures to, among other things, determine the exact amount of Federal funds expended.

On July 21, 2000, during discussions with, among others, SBA's Chief Financial Officer, Joseph Loddo, it was requested that copies of approvals be compiled immediately for your review. These approvals shall be readily available to the OIG, immediately.

In addition, I am confident that SBA management will comply fully and expeditiously with your requests for documents. Should this not be the case, please advise me as soon as possible.

Thank you for your prompt attention to this request. I look forward to sharing your findings with other members of the Committee and the public as we examine the expenditure of taxpayer dollars by the SBA. If you have any questions, please feel free to contact me or my staffer Randi Reid at (202) 224-

Sincerely,



Michael B. Enzi
United States Senate

cc: The Honorable Christopher S. Bond
Chairman, Committee on Small Business

Aida Alvarez
Administrator, Small Business Administration