



**U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20416**

April 15, 2013

**The Honorable Jeanne Shaheen
United States Senate
Washington, DC 20510**

Dear Senator Shaheen:

Thank you for your letter, dated April 5, 2013, regarding the impact of sequestration on the mission and functions of the Small Business Administration's Office of Inspector General (OIG). The sequestration cuts have negatively impacted the capacity of my office to conduct effective oversight of SBA's programs and operations, though we have deemed furloughs unnecessary at this point in time.

Approximately 84 percent of the OIG's budget is expended to pay salary and benefits for about 100 OIG employees. The 5 percent reduction in the OIG's direct appropriation resulted in the loss of approximately \$868,000—equivalent to the cost of about 10 positions for 7 months. The lack of necessary funds to cover personnel costs will significantly impact the OIG's auditing and investigative efforts, which accounted for over \$90 million in savings, cost avoidances, and potential recoveries and fines for SBA during FY 2012. As a result of sequestration, we have implemented a temporary hiring freeze and are limiting operational expenses (e.g., mission-related travel), which results in reduced oversight of SBA programs and operations with a high risk of fraud, waste and abuse. We also continue to closely monitor attrition and payroll costs to assess the need for additional cost-cutting measures.

Unfortunately, there are no metrics available to assess "how much money will *not* be recovered as a result of the sequester." Notwithstanding the over five-fold return on investment to the taxpayer that the aforementioned \$90 million office-wide dollar accomplishments represents, the value of each OIG employee cannot be overemphasized. For example, a single criminal investigator working jointly with our law enforcement partners recently uncovered a scheme whereby the conspirators fraudulently obtained SBA-backed loans valued at over \$100 million.

If you have any questions, please feel free to contact me at (202) 205-6586.

Sincerely,

A handwritten signature in black ink, appearing to read "Peggy E. Gustafson". The signature is written in a cursive, flowing style.

**Peggy E. Gustafson
Inspector General**