



Audit Report



Report Number: OIG-SBLF-14-006

STATE SMALL BUSINESS CREDIT INITIATIVE:
South Carolina's Use of Federal Funds for Capital Access and
Other Credit Support Programs

March 26, 2014

Office of
Inspector General

Department of the Treasury

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Abbreviations

The Act	The Small Business Jobs Act of 2010
BDC	Business Development Corporation of South Carolina
CAP	Capital Access Program
OCSP	Other Credit Support Programs
OIG	Office of Inspector General
OMB	Office of Management and Budget
SSBCI	State Small Business Credit Initiative

*The Department of the Treasury
Office of Inspector General*

March 26, 2014

Don Graves, Jr.
Deputy Assistant Secretary for Small Business, Housing, and
Community Development

This report presents the results of our audit of the state of South Carolina's use of funds awarded under the State Small Business Credit Initiative (SSBCI), which was established by the Small Business Jobs Act of 2010 (the Act). Treasury awarded South Carolina approximately \$18.0 million¹ in June 2011, and as of June 30, 2013, the State had received all of the awarded funds. As of June 30, 2013, South Carolina had obligated or spent approximately \$16.4 million² of the funds disbursed, including \$78,331 for the South Carolina Capital Access Program, and approximately \$16.2³ million for the South Carolina Loan Participation Program. The State also incurred \$136,449 in administrative costs.

The Act requires the U.S. Treasury Office of Inspector General (OIG) to conduct audits of the use of funds made available under SSBCI and to identify any instances of reckless or intentional misuse. Treasury has defined reckless misuse as a use of allocated funds that the participating state or administering entity should have known was unauthorized or prohibited, and which is a highly unreasonable departure or willful disregard from the standards of ordinary care. Intentional misuse is defined as a use of allocated funds that the participating state or its administering entity knew was unauthorized or prohibited.

¹ Rounded up from \$17,990,415.

² Rounded down from \$16,444,874.

³ Rounded down from \$16,230,093.

Our audit objective was to test participant compliance with program requirements and prohibitions to identify any reckless or intentional misuse of funds. To accomplish our objective, we reviewed a judgmental sample of 38 loans made as of June 30, 2013, totaling approximately \$11.4 million⁴ in SSBCI funds, which were made under the two approved State programs between the signing of the Allocation Agreement on July 6, 2011, and June 30, 2013. Of the 38 loans reviewed, 10 were from the South Carolina Capital Access Program and 28 were from the South Carolina Loan Participation Program.

We reviewed the loans to determine whether they complied with program requirements for use of proceeds, capital-at-risk, and other restrictions in the Act or in *SSBCI Policy Guidelines*. We also reviewed the State's administrative costs charged against SSBCI funds to ensure they were allowable, reasonable, and allocable in accordance with *SSBCI Policy Guidelines*, and the Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Government*.⁵

We performed our audit from October 2013 to January 2014 in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained to address our audit objective provides a reasonable basis for our findings and conclusions. A more detailed description of our audit objective, scope, and methodology is contained in Appendix 1 to this report.

Results in Brief

South Carolina appropriately used most of the \$16.4 million in SSBCI funds it had expended as of June 30, 2013, but misused \$427,500 to participate in a loan that was used to finance the building of a new

⁴ Rounded up from \$11,389,922.

⁵ Office of Management and Budget Circular Number A-87, revised May 10, 2004.

church sanctuary and make renovations to the existing sanctuary, which is prohibited by the *SSBCI Policy Guidelines*. While we conclude that South Carolina misused the SSBCI funds, the misuse is not reckless or intentional because *SSBCI Policy Guidelines* do not explicitly prohibit the use of SSBCI funds for non-secular purposes. Based on the *SSBCI Policy Guidelines*, the State relied on a reasonable interpretation of Treasury's guidance, thereby mitigating the fact that they misused SSBCI funds. Furthermore, when South Carolina learned the use was prohibited, it self-reported the transaction to Treasury and un-enrolled the loan from the SSBCI program, which also served as a mitigating factor.

The audit also identified eight other transactions that did not comply with the *National Standards* because the State did not verify that the borrower and lender assurances were complete and duly executed prior to the transfer of SSBCI funds. Despite the inadequate assurances, South Carolina certified for June 2012, September 2012, December 2012, March 2013, and June 2013, that it was in compliance with all SSCBI requirements, which was inaccurate.

We recommend that Treasury revise the *SSBCI Policy Guidelines* to clearly state that a business purpose excludes transactions with a non-secular identity. Also, Treasury should determine whether South Carolina is in general default of its *SSBCI Allocation Agreement* due to its failure to fully comply with borrower and lender assurance certification requirements.

Treasury officials accepted both audit recommendations, stating that it will publish guidance to clarify that using SSBCI funds to support transactions with a non-secular identity is not a permitted business purpose, and determine whether a general event of default has occurred as a result of the State not fully complying with borrower and lender assurance requirements. Formal written responses from Treasury and the state of South Carolina are included in their entirety in Appendix 2.

Background

SSBCI is a \$1.5 billion Treasury program that provides participating states, territories, and eligible municipalities with funds to strengthen Capital Access Programs (CAPs) and other credit support programs (OCSPs) that provide financial assistance to small businesses and manufacturers. CAPs provide portfolio insurance for business loans based on a separate loan loss reserve fund for each participating financial institution. OCSPs include collateral support, loan participation, loan guarantee, direct lending, and venture capital programs.

Each participating state is required to designate specific departments, agencies, or political subdivisions to administer the funding. The designated state entity distributes SSBCI funds to various public and private institutions, which may include a subdivision of another state, a for-profit entity supervised by the state, or a non-profit entity supervised by the state. These entities use funds to make loans or provide credit access to small businesses.

Primary oversight of the use of SSBCI funds is the responsibility of each participating state. To ensure that funds are properly controlled and expended, the Act requires that Treasury execute an Allocation Agreement with each participating state, setting forth internal controls and compliance and reporting requirements before allocating SSBCI funds. SSBCI disbursements to participating states are made in three allocations: the first when the Secretary approves the state for participation, and the second and third after the state certifies that it has obligated, transferred, or spent at least 80 percent of the previous allocation. In addition, the participating state is required to certify that it has complied with all applicable program requirements.

South Carolina's Participation in SSBCI

On June 21, 2011, Treasury approved the state of South Carolina's application for participation in SSBCI, awarding it approximately \$18.0 million. The Allocation Agreement between South Carolina and Treasury was signed on July 6, 2011, and authorized use of the

SSBCI funds to support the South Carolina Capital Access Program.

Subsequently, Treasury amended the State's Allocation Agreement to add one new approved OCSP—the South Carolina Loan Participation Program—effective May 23, 2012. In July 2011, Treasury disbursed the State's first allocation of approximately \$5.9 million, and in October 2012, disbursed a second allocation of approximately \$5.9⁶ million, after the State certified it had obligated over 80 percent of its first disbursement. In March 2013, Treasury disbursed a third allocation of approximately \$6.1 million⁷ after the State certified it had obligated over 80 percent of its second disbursement. As of June 30, 2013, South Carolina had obligated or expended approximately \$16.4 million of the three allocations. The State designated the Business Development Corporation of South Carolina (BDC) to administer the approved state programs on behalf of, and in conjunction with, the South Carolina Jobs-Economic Development Authority.

South Carolina's Capital Access Program

The South Carolina Capital Access Program was established in 2007, and is designed to help provide lending institutions the opportunity to make business loans that are generally considered more risky than conventional loans. The South Carolina CAP utilizes a reserve fund to cover losses from a portfolio of loans that a financial institution originates under the program. A reserve deposit ranging between 1.5 percent and 3.5 percent of the loan principal is contributed to the fund by the borrower, and the financial institution matches the borrower's contribution. The South Carolina CAP then deposits a matching reserve of SSBCI funds equaling the amount of both the borrower's and lender's contributions. As of June 30, 2013, the State had obligated or expended \$78,331 in SSBCI funds on 24 loans enrolled in the South Carolina Capital Access Program.

⁶ The actual first and second disbursements were each \$5,936,837.

⁷ Rounded down from \$6,116,741.

South Carolina's Loan Participation Program

As previously mentioned, South Carolina modified its Allocation Agreement with Treasury to include the South Carolina Loan Participation Program. The program is managed by the BDC, with assistance from the South Carolina Jobs-Economic Development Authority. The South Carolina Loan Participation Program allows BDC to use allocated funds to purchase a participation interest in qualifying loans initiated by a financial institution, including term loans and lines of credit. Typically, BDC will purchase a 25 percent interest in a loan. As of June 30, 2013, the State had obligated or expended approximately \$16.2 million in SSBCI funds on 78 loans enrolled in the South Carolina Loan Participation Program.

South Carolina Generally Used SSBCI Funds Appropriately, but Misused \$427,500 in SSBCI Funds by Reasonably Misinterpreting Treasury Guidance

We determined that the state of South Carolina properly used the majority (97 percent) of the SSBCI funds it expended. Also, 37 of the 38 transactions we sampled were compliant with program guidelines related to prohibited relationships, maximum transaction amounts, use-of-proceeds, capital-at-risk, and other restrictions noted in the Act and *SSBCI Policy Guidelines*. However, the State misused \$427,500 in SSBCI funds to participate in a \$1.7 million⁸ construction loan to finance a new church sanctuary and make renovations to the existing sanctuary. Using SSBCI funds to support the construction and renovation of a church sanctuary, the very purpose of which is in execution of religion and worship, is not a permitted "business purpose" under Treasury's guidance.

As established by Executive Order, which is a source of support for Treasury's prohibition, Federal assistance programs are prohibited from using Federal financial assistance for organizations that engage in explicitly religious activities. Specifically, section 2(f) of Amended

⁸ Rounded down from \$1,710,000.

Executive Order 13279 provides that “Organizations that engage in explicitly religious activities (including activities that involve overt religious content such as worship, religious instruction, or proselytization) must perform such activities and offer such services outside of programs that are supported with direct Federal financial assistance (including through prime awards or sub-awards), separately in time or location from any such programs or services supported with direct financial assistance.”

While we conclude that South Carolina misused SSBCI funds, we believe that mitigating factors were present to absolve the State of any reckless or intentional conduct. Specifically, the *SSBCI Policy Guidelines* do not explicitly state that SSBCI funds cannot be used for non-secular purposes. As a result, there is ambiguity in this area of Treasury’s guidance as evidenced by the enrollment of the aforementioned loan.

South Carolina did not ask Treasury, before enrolling the loan, about potential compliance issues involving the transaction; however, we believe that it was reasonable for the State to enroll the loan, without additional clarification from Treasury, based on the published guidance. The *SSBCI Policy Guidelines* define permissible borrowers as “**state-designated charitable, religious**, or other non-profit or eleemosynary institutions, government-owned corporations, consumer and marketing cooperatives, and **faith-based organizations** provided the loan is for a business purpose.” The same document defines a business purpose as including “start-up costs, working capital, business procurement, franchise fees, equipment, inventory, as well as the purchase, **construction, renovation** or tenant improvements of an eligible place of business that is not for passive real estate investment purposes.” Based on a reading of the aforementioned guidelines, the State relied on a reasonable, although inaccurate, interpretation of Treasury’s guidance, thereby mitigating the fact that they misused SSBCI funds.

Subsequent to the loan transaction, at a SSBCI National Conference in June of 2013, Treasury communicated that “loans for church sanctuaries are not considered an eligible business purpose.” As a

result, later that month the president of BDC self-reported the transaction to Treasury, seeking a determination as to whether the transaction should be un-enrolled from the program. Citing the previously mentioned Executive Order as a source of support for the prohibition, the SSBCI program office suggested “that it would be wise for South Carolina to un-enroll this loan from the program.” Subsequently, South Carolina un-enrolled the transaction and replenished the SSBCI program account in the amount of \$427,500. The proactive measures South Carolina took to identify and self-report the transaction once it became aware that it was ineligible, along with the un-enrollment of the loan, serve as additional mitigating factors excusing the State of any reckless or intentional conduct.

Because a substantial factor leading to the enrollment of the non-compliant transaction was the ambiguity in Treasury’s guidance, Treasury should revise the *SSBCI Policy Guidelines* to clearly state using SSBCI funds to support transactions with a non-secular identity does not qualify as a “business purpose.”

South Carolina Did Not Fully Comply with Borrower and Lender Assurance Requirements

Of the 38 CAP and loan participation transactions reviewed, 8 (or 21 percent) were not compliant with the *National Standards* because the State did not verify that the borrower and lender assurances were complete and duly executed prior to the transfer of SSBCI funds. The *National Standards* state that the Participating State is responsible for obtaining and verifying that both borrower and lender assurances have been completed and executed prior to transferring SSBCI funds. In one of the eight transactions, the lender assurance certification was signed and dated after the transfer of SSBCI funds. Additionally in the remaining seven transactions, borrower and lender assurance certifications were signed but were not dated; therefore, we were unable to determine whether they were obtained in a timely manner.

Although South Carolina did not fully comply with the borrower and lender assurance requirements, for June 2012, September 2012, December 2012, March 2013, and June 2013, the State certified it

was fully compliant with all program requirements. As a result, these certifications, which are required by Treasury's Allocation Agreement with South Carolina, were inaccurate. Under the Allocation Agreement signed by South Carolina, Treasury, in its sole discretion, may find the State to be in general default of its Allocation Agreement if the State materially fails to comply with, meet, or perform any term, covenant, agreement, or other provision contained in the agreement. Further, Treasury may also find the State to be in default under the Allocation Agreement if any representation or certification made to Treasury is found to be inaccurate, false, incomplete, or misleading in any material respect.

The State's failure to fully comply with the assurance requirements and inaccurate certifications may constitute a general event of default under the Allocation Agreement. Therefore, Treasury will need to consider whether South Carolina has satisfactorily cured its non-compliance issues.

Administrative Costs Charged to SSBCI Were Reasonable, Allowable, and Allocable

All costs comprising the \$136,449 of SSBCI funds expended by South Carolina for administration of its SSBCI programs as of June 30, 2013, were reasonable, allowable, and allocable in accordance with *SSBCI Policy Guidelines* and the Office of Management and Budget (OMB) Circular A-87⁹, *Cost Principles for State, Local, and Indian Tribal Governments*. Section 4.2 of the South Carolina Allocation Agreement states that the participating state shall only use the allocated funds for the purposes and activities specified in the agreement and for paying allowable costs of those purposes and activities in accordance with cost principles set forth in OMB Circular A-87 and codified in 2 C.F.R. Part 225.

South Carolina provided supporting documentation for all administrative expenses charged to the SSBCI program, which showed that all expenses were allowable, reasonable, and allocable to the

⁹ OMB Circular A-87 is codified in 2 C.F.R. Part 225.

program.

Recommendations

We recommend that the Deputy Assistant Secretary for Small Business, Housing, and Community Development:

1. Revise the *SSBCI Policy Guidelines* to clearly state that a business purpose excludes using SSBCI funds to support transactions with a non-secular identity.
2. Determine whether there has been a general event of default under South Carolina's Allocation Agreement resulting from the State's failure to fully comply with the borrower and lender assurance requirements. If such an event has occurred and has not been adequately cured, determine whether it warrants a reduction, suspension, or termination of future funding to the State.

Management Comments and OIG Response

We provided a draft of the report to Treasury on March 11, 2014, and received formal written comments on March 17, 2014 from South Carolina and March 25, 2014 from Treasury. Treasury accepted both audit recommendations, stating that it will publish guidance to clarify that using SSBCI funds to support transactions with a non-secular identity is not a permitted business purpose, and determine whether a general event of default has occurred as a result of the State not fully complying with borrower and lender assurance requirements.

South Carolina agreed with the first audit recommendation, stating that in order to clarify this issue Treasury should consider revising the *SSBCI Policy Guidelines* to clearly state that a business purpose excludes using SSBCI funds to support transactions with a non-secular identity. In regards to the second audit recommendation, South Carolina acknowledged that they did not fully comply with the assurance requirements, although all required certifications were obtained after the deficiencies were noted. Additionally, in order to

prevent future recurrences, South Carolina stated it has added an additional line item to its internal control compliance checklist to ensure that all borrower and lender assurance requirements are signed and dated prior to the transfer of SSBCI funds.

We believe that Treasury's planned actions are fully responsive to all of the audit recommendations. Formal written responses from Treasury and the state of South Carolina are included in their entirety in Appendix 2.

* * * * *

We appreciate the courtesies and cooperation provided to our staff during the evaluation. If you wish to discuss the report, you may contact me at (202) 622-1090, or Lisa DeAngelis, Audit Director, at (202) 927-5621.

/s/

Debra Ritt

Special Deputy Inspector General for

Office of Small Business Lending Fund Program Oversight

Appendix 1: Objective, Scope, and Methodology

The objective of our audit was to test participant compliance with program requirements and prohibitions to identify any reckless or intentional misuse of funds. As of June 30, 2013, the state of South Carolina had received its three disbursements totaling approximately \$18¹ million and had obligated or spent \$16.4² million. Of the \$16.4 million, \$78,331 went to 24 loans enrolled in the South Carolina Capital Access Program, approximately \$16.2³ million went to 78 loans enrolled in the South Carolina Loan Participation Program. Furthermore, approximately \$136,449 was expended for the administration of the program.

To test compliance with SSBCI program requirements, we reviewed a judgmental sample of 38 loans (10 from the South Carolina Capital Access Program, and 28 from the South Carolina Loan Participation Program) that were enrolled as of June 30, 2013, and performed testing to ensure all of the loans complied with the requirements and prohibitions of the Act and *SSBCI Policy Guidelines*. During October 2013, we conducted a review of loan files at our Washington, D.C. office and compared the documentation to specific requirements and prohibitions of the Act and *SSBCI Policy Guidelines*.

We reviewed policies, procedures, and other written guidance provided by South Carolina and the BDC. We also reviewed the State's administrative costs charged against SSBCI funds to ensure they were reasonable, allowable and allocable in accordance with the *SSBCI Policy Guidelines*, and Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Government*.⁴ We conducted our audit between October 2013 and January 2014, in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained to address our audit objectives provides a reasonable basis for our findings and conclusions.

¹ Rounded up from \$17,990,415.

² Rounded down from \$16,444,874.

³ Rounded down from \$16,230,093.

⁴ Office of Management and Budget Circular Number A-87, revised May 10, 2004.

Appendix 2: Management Response



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

March 25, 2014

Debra Ritt
Special Deputy Inspector General for
Office of Small Business Lending Fund Program Oversight
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Ms. Ritt:

Thank you for the opportunity to review the Office of the Inspector General's (OIG) draft report entitled *State Small Business Credit Initiative: South Carolina's Use of Funds for Capital Access and Other Credit Support Programs* (the Report). This letter provides the official response of the Department of the Treasury (Treasury).

We appreciate the Report's finding that South Carolina generally used State Small Business Credit Initiative (SSBCI) funds appropriately and that a majority of the sampled transactions complied with SSBCI program requirements. However, the Report also identifies some instances of non-compliance. In response, with your consent, Treasury transmitted a copy of the Report to South Carolina program officials on March 12, 2014. Treasury directed South Carolina to submit a written reply describing the remedial measures South Carolina has taken or plans to take to address the deficiencies noted in the Report.

Regarding recommendation 1, South Carolina's response indicates that the state did not understand that a prohibited "business purpose" includes the construction of a church sanctuary. Treasury agrees to reiterate the oral guidance given to all states at the June 2013 national conference that constructing a building for religious worship space is not a permitted business purpose. Treasury will publish guidance that using SSBCI funds to support transactions with a non-secular identity is not a permitted business purpose.

Regarding recommendation 2, South Carolina indicates that it relied on a Lender's Master Agreement with the necessary assurances. For loans missing the required assurances, South Carolina collected the necessary documentation after the loans closed but prior to the OIG audit. South Carolina has added a line item to its compliance checklist so that it will collect the executed assurances prior to the transfer of SSBCI funds. Treasury accepts recommendation 2 and will determine if a general event of default has occurred.

Thank you once again for the opportunity to review the Report. Treasury appreciates our work together throughout the course of the SSBCI program.

Sincerely,

A handwritten signature in black ink, appearing to read "Cliff Kellogg", enclosed in a thin black rectangular border.

Cliff Kellogg
Director of the State Small Business Credit
Initiative

Enclosure



March 17, 2014

Mr. Don Graves
Deputy Assistant Secretary
Small Business Community Development
And Affordable Housing Policy
U.S. Department of Treasury
Washington, D.C. 20220

Re: Management Response to Audit Report, "State Small Business Credit Initiative: South Carolina's Use of Federal Funds for Capital Access and Other Credit Support Programs"

Dear Mr. Graves:

The state of South Carolina appreciates the opportunity to respond to the draft report issued by the Office of Inspector General ("OIG") entitled *State Small Business Credit Initiative: South Carolina's Use of Federal Funds for Capital Access and Other Credit Support Programs* ("the Report").

Regarding the specific findings of the Report, we submit the following responses:

Financing of a Church Sanctuary

We concur with the Report's response regarding a \$427,500 loan used to finance the construction of a church sanctuary, which was subsequently un-enrolled from the SSBCI program by the State. As stated in the Report, *SSBCI Policy Guidelines* define permissible borrowers as, among other entities, "state-designated charitable, **religious** and other non-profit or eleemosynary institutions....and **faith-based organizations**." Also, as stated in the Report, "the *SSBCI Policy Guidelines* do not explicitly state that SSBCI funds cannot be used for non-secular purposes." Therefore, the Report finds that "[OIG] believe[s] that it was reasonable for the State to enroll the loan, without additional clarification from Treasury, based on the published guidance." Upon learning that financing a church sanctuary is prohibited by Executive Order, we immediately self-reported this transaction to Treasury, and we subsequently un-enrolled the transaction from the SSBCI program. Therefore, federal funds no longer support this transaction.

In order to clarify this issue, we agree with the Report's recommendation that Treasury should consider revising the *SSBCI Policy Guidelines* "to clearly state that a business purpose excludes using SSBCI funds to support transactions with a non-secular identity."

Lender Assurance Certifications

Regarding enrolled transactions that the Report found were not fully compliant with Lender Assurance requirements, the reason that seven certifications were signed, but not dated, is because we began

enrolling loans into the SSBCI CAP program in August 2011. At the time, no *SSBCI National Standards* had been published requiring the State to obtain a Lender's Assurance for each individual loan transaction. Therefore, we initially relied on a *Lender's Master Agreement*, which was executed by the lender prior to enrolling any loans into the program and was designed to cover any subsequent loans enrolled into the CAP program. The agreement was similar in scope to the Master Agreement signed by financial institutions who participate in South Carolina's own Capital Access Program, which was established in 2007. Upon a subsequent internal audit conducted by BDC staff, we realized that *SSBCI Policy Guidelines* require that the State obtain a separate Lender's Assurance certification for each individual loan transaction, and that we should have been collecting these Lender Assurances with each loan. While the use of a Master Agreement is indeed permitted by SSBCI policy to cover certain policy requirements, *SSBCI Policy Guidelines* require the Lender to certify three specific conditions are met for each individual loan.

Although we acknowledge that the seven transactions in question were enrolled after publication of the *SSBCI Policy Guidelines* on May 15, 2012, we immediately obtained the certifications for each transaction upon completion of our internal audit and realization that we needed to begin obtaining the certifications for each loan. Further, we would like to emphasize that all required certifications were on hand and had been executed prior to the time of the OIG audit. Additionally, all enrolled transactions did indeed fully conform to the requirements of the Lender's Assurance certification.

In order to prevent recurrence of this issue going forward, we have added a line item to our internal compliance checklist requiring the State to ensure that all Borrower and Lender Assurance requirements are signed *and* dated prior to the transfer of SSBCI funds.

Administrative Costs

Regarding administrative costs charged by the State to the SSBCI program, we concur with the Report's findings that "all costs comprising the \$136,449 of SSBCI funds expended by South Carolina for administration of its SSBCI programs as of June 30, 2013 were reasonable, allowable and allocable in accordance with *SSBCI Policy Guidelines* and the Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*."

In closing, we appreciate the opportunity to respond to the Audit Report of South Carolina's use of SSBCI funds. We look forward to continuing to work collaboratively with the U.S. Department of Treasury, as we continue to promote job creation and expand access to capital for small businesses throughout the state of South Carolina.

Sincerely,



Edwin O. Lesley
President/CEO
Business Development Corporation

Appendix 3: Major Contributors

Debra Ritt, Special Deputy Inspector General

Lisa DeAngelis, Audit Director

Andrew Morgan, Audit Manager

Robby Oliveri, Auditor

Steve Encomienda, Auditor

Diane Baker, Program Analyst

Shola Epemolu, Referencer

Appendix 4: Distribution List

Department of the Treasury

Deputy Secretary
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