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Description of document: Closing documents for four (4) Small Business Administration (SBA) Inspector General (OIG) internal affairs investigations, 2011-2014

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Source of document: Freedom of Information Act request  
Chief, Freedom of Information/Privacy Acts Office  
Small Business Administration  
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**U.S. SMALL BUSINESS ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL  
WASHINGTON, D.C. 20416**

NOV 17 2015

*Via Email*

Re: Freedom of Information Act Request  
SBA OIG Case No. FR-7/15-24; Case No. SBA-2015-000821

Enclosed please find the U.S. Small Business Administration Office of Inspector General's (SBA OIG) response to your Freedom of Information Act (FOIA) request dated July 10, 2015. In that request, you asked for copies of closing documents for nine SBA OIG internal affairs investigations. The SBA OIG received your request on July 21, 2015. On August 18, 2015, you agreed to an extension of up to three months. Thank you for agreeing to this extension.

In our search, we located 35 pages of information responsive to your request. We withheld part of the information in 19 pages pursuant to FOIA Exemptions 6 and 7(c). We withheld 15 pages in full pursuant to FOIA Exemption 3 because they were prohibited from disclosure under Rule 6(e) of the Federal Rules of Criminal Procedure, which regulates disclosure of matters occurring before a grand jury. An explanation of the FOIA Exemptions is enclosed.

For your information, Congress excluded three discrete categories of law enforcement and national security records from the requirements of the FOIA. *See* 5 U.S.C. 552(c) (2006 & Supp. IV 2010). This response is limited to those records that are subject to the requirements of the FOIA. This is a standard notification that is given to all our requesters and should not be taken as an indication that excluded records do, or do not, exist.

If you are not satisfied with this reply, you have the right to appeal it, within 60 calendar days from the date of this letter, to the Chief, Freedom of Information/Privacy Act Office, Small Business Administration, 409 Third Street, SW, Washington, DC 20416. Should you choose to do so, please include a copy of this letter in your appeal, as well as any other matters you deem appropriate.

Sincerely,

A handwritten signature in black ink, appearing to read "Travis J. Farris", written over a horizontal line.

Travis J. Farris  
Counsel to the Inspector General

cc: Freedom of Information/Privacy Act Office



**U.S. SMALL BUSINESS ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL  
INVESTIGATIONS DIVISION**

Prepared by:  [Ex. 6,7c]  
Approved by:  [Ex. 6,7c]

**REPORT OF INVESTIGATION**

<b>CASE#:</b> C-IA-14-0217-I	<b>DATE OF REPORT:</b> December 16, 2014
<b>CASE TITLE:</b> <input type="text"/> [Ex. 6,7c]	
<b>PERIOD OF INVESTIGATION:</b> May 8, 2014 TO December 16, 2014	
<b>CASE AGENT:</b> <input type="text"/> [Ex. 6,7c]	
<b>DISTRIBUTION:</b> OCF	

**SUMMARY**

On or about May 2, 2014, the Houston Central Regional Office for the Investigations Division of the U.S. Small Business Administration (SBA), Office of Inspector General (OIG), received a referral from the SBA – OIG Hotline alleging that SBA Administrative Support Specialist  [Ex. 6,7c] may have used  [Ex. 6,7c] government employment at the SBA Disaster Processing and Disbursement Center (PDC) in Fort Worth, Texas, to commit theft of government property. Specifically,  [Ex. 6,7c] was suspected of using a General Services Administration (GSA) fleet card to purchase fuel for a vehicle(s) other than a government owned vehicle (GOV) operated by the SBA. This suspicion stemmed from a GSA inquiry into the use of a GSA fleet card to purchase over thirty-seven gallons of fuel, a quantity clearly exceeding the fuel tank capacity of the assigned GOV.

The investigation identified numerous GSA fleet card fuel purchases made after PDC business hours, on weekends, on federal holidays, and/or outside the local commuting area. Some of the questionable charges were incurred at gas stations / convenience stores as far as 160 miles east of the PDC. Security camera footage acquired from these vendors showed  [Ex. 6,7c] using a GSA fleet card to refuel  personal vehicle.

[Ex. 6,7c]

[Ex. 6,7c] was interviewed regarding the questionable charges discovered on the GSA fleet cards for the PDC's GOVs.  [Ex. 6,7c] confessed to stealing from the federal government by removing GSA fleet cards from the PDC and fraudulently using them to purchase fuel for  personal vehicle. In total,  [Ex. 6,7c] confessed to using GSA fleet cards to fraudulently charge  [Ex. 6,7c] approximately \$6,112.22.

<b>RESTRICTED INFORMATION</b>  <b>SBA FORM 22</b> <b>07/16/2007</b>	This report is confidential and may contain information that is prohibited from disclosure by the Privacy Act, 5 USC 552a. Therefore, this report is furnished solely on an official need-to-know basis and must not be released or disseminated to any other party without prior written consent of the Assistant Inspector General for Investigations of the Small Business Administration or designee. Unauthorized release may result in criminal prosecution and/or other penalties as may be available under law.
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[Ex. 6,7c] resigned from [ ] SBA position and the Tarrant County District Attorney's Office (TCDAO) accepted prosecution of this case. [Ex. 6,7c] pled guilty and was sentenced for Theft of Property \$1,500.00 - \$20,000.00 (TX Penal Code 31.04(e)(4)(A) PC), a state jail felony.

**DETAILS**

Reference is made to an August 28, 2014, Report of Investigation (ROI) containing specific details of this investigation.

On August 12, 2014, [Ex. 6,7c] was interviewed by SBA OIG Special Agent (SA) [Ex. 6,7c] and TCDAO Investigator [Ex. 6,7c]. During the interview, [Ex. 6,7c] confessed to removing GSA fleet cards from the PDC and using them to refuel [ ] personal vehicle. [Ex. 6,7c] confessed to fraudulently making \$6,112.22 in fuel purchases. [Ex. 6,7c]

As a result of the investigation, [Ex. 6,7c] resigned [ ] position with SBA, effective September 10, 2014. [Ex. 6,7c]

On November 10, 2014, [Ex. 6,7c] was charged by information and pled guilty to one count of Theft of Property \$1,500.00 - \$20,000.00 (TX Penal Code 31.04(e)(4)(A) PC), a state jail felony. [Ex. 6,7c] [ ] was subsequently sentenced in Tarrant County District Court to two years imprisonment (suspended), five years probation, and ordered to pay a \$300.00 fine and restitution of \$6,112.22.

**SUBJECTS**

SBA Administrative Support Specialist [Ex. 6,7c]; [Ex. 6,7c]; [Ex. 6,7c]; [Ex. 6,7c]; [Ex. 6,7c]; [Ex. 6,7c]; [Ex. 6,7c]

**JUDICIAL/ADMINISTRATIVE ACTIONS**

As a result of the investigation, [Ex. 6,7c] resigned [ ] position with SBA, effective September 10, 2014. [Ex. 6,7c]

On November 10, 2014, [Ex. 6,7c] was charged by information and pled guilty to one count of Theft of Property \$1,500.00 - \$20,000.00 (TX Penal Code 31.04(e)(4)(A) PC), a state jail felony. Judge Mollee Westfall, 371<sup>st</sup> District Court, Tarrant County, Texas, sentenced [Ex. 6,7c] to two years imprisonment (suspended), five years probation, and ordered [ ] to pay a \$300.00 fine and restitution of \$6,112.22. [Ex. 6,7c]

**DISPOSITION OF EVIDENCE**

Original evidence obtained during the course of this investigation was released to the TCDAO for retention.

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## STATUS

Based on the resignation, conviction, and sentencing of [Ex. 6,7c], this investigation is considered complete. With the concurrence of the TCDAO, it is requested that this case be closed.

## EXHIBITS

Exhibit #	Description
NONE	

<b>RESTRICTED INFORMATION</b>  <b>SBA FORM 22 07/16/2007</b>	This report is confidential and may contain information that is prohibited from disclosure by the Privacy Act, 5 USC 552a. Therefore, this report is furnished solely on an official need-to-know basis and must not be released or disseminated to any other party without prior written consent of the Assistant Inspector General for Investigations of the Small Business Administration or designee. Unauthorized release may result in criminal prosecution and/or other penalties as may be available under law.
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U.S. SMALL BUSINESS ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL  
INVESTIGATIONS DIVISION

Prepared by: [redacted] [Ex. 6,7c]  
Approved by: [redacted]

REPORT OF INVESTIGATION

<b>CASE#:</b> E-IA-10-0372	<b>DATE OF REPORT:</b> October 31, 2011
<b>CASE TITLE:</b> [redacted] [Ex. 6,7c]	
<b>PERIOD OF INVESTIGATION:</b> June 18, 2010 TO October 27, 2011	
<b>CASE AGENT:</b> [redacted] [Ex. 6,7c]	
<b>DISTRIBUTION:</b>	

SUMMARY

[redacted] [Ex. 6,7c], Program Manager, Office of Congressional and Legislative Affairs, U.S. Small Business Administration (SBA), used [redacted] [Ex. 6,7c] SBA travel card to pay for travel and other expenses that were not authorized. [redacted] [Ex. 6,7c] forged [redacted] [Ex. 6,7c] supervisor's signature on travel authorizations and travel vouchers in violation of 18 USC 641. The investigation substantiated the allegations and [redacted] [Ex. 6,7c] was interviewed and confessed.

DETAILS

[redacted] [Ex. 6,7c] was employed at SBA from December 1992 until October 22, 2010. [redacted] [Ex. 6,7c] worked as a Program Manager within SBA's Office of Congressional and Legislative Affairs in Washington, D.C. As part of [redacted] [Ex. 6,7c] job, [redacted] [Ex. 6,7c] received a government-issued J.P. Morgan Chase credit card which was to be used exclusively for authorized purchases associated with government travel.

Between on or about October 27, 2009 and in or about July, 2010, [redacted] [Ex. 6,7c] used [redacted] [Ex. 6,7c] government-issued credit card on numerous occasions to make personal purchases for [redacted] [Ex. 6,7c] own use and benefit, including car rental, gasoline, meals, and hotels (**Exhibit #1**). The total amount of [redacted] [Ex. 6,7c] personal, unauthorized purchases was \$14,114.74.

Between on or about October 27, 2009 and on or about April 10, 2010, [redacted] [Ex. 6,7c] submitted twelve fraudulent SBA travel authorization forms/vouchers purporting to seek reimbursement for travel expenses (**Exhibit #2**). On each of the twelve travel authorization forms/vouchers, [redacted] [Ex. 6,7c] forged the signature of [redacted] [Ex. 6,7c] supervisor. In actuality, the expenses on [redacted] [Ex. 6,7c] credit card reflected personal expenses. The result was that the vouchers caused SBA to pay a total of \$7,919.68 to J.P. Morgan Chase.

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When initially confronted by financial specialists and later by the reporting agent, [Ex. 6,7c] was not truthful. Ultimately, however, [Ex. 6,7c] admitted that [Ex. 6,7c] had misused [Ex. 6,7c] travel card to make personal charges, that none of the twelve SBA travel authorization forms/vouchers reflected legitimate travel, and that [Ex. 6,7c] had signed [Ex. 6,7c] supervisor's name on the SBA travel authorization forms/vouchers (**Exhibit #3**). By letter dated October 20, 2010, the SBA terminated [Ex. 6,7c] (**Exhibit #4**). To satisfy [Ex. 6,7c] \$7,919.68 liability to SBA, the SBA retained a matching amount of unpaid leave at the time of [Ex. 6,7c] termination (**Exhibit #5**).

As of December 4, 2010, [Ex. 6,7c] owed an unpaid balance of \$6,195.06 to J.P. Morgan Chase, stemming from [Ex. 6,7c] misuse of the credit card for personal purposes.

On July 20, 2011, [Ex. 6,7c] pleaded guilty to one count of theft of government property, 18 USC 641, and one criminal forfeiture count, 18 USC 981 (**Exhibit #6**).

On October 27, 2011, [Ex. 6,7c] was sentenced in the U.S. District Court for the District of Columbia to 30 months probation, restitution of \$11,735.79, and a special assessment of \$25 (**Exhibit #7**). A consent order of forfeiture in the amount of \$6,195.06 was also entered. The government agreed to reduce the restitution based on [Ex. 6,7c] claim that some of the later charges were incurred by [Ex. 6,7c] Ex. [Ex. 6,7c]. The reduction in the restitution sum does not affect [Ex. 6,7c] obligation to pay the outstanding balance to J.P. Morgan Chase, nor does it prevent J.P. Morgan Chase from pursuing any civil claim against [Ex. 6,7c].

## SUBJECTS

[Ex. 6,7c]

## JUDICIAL/ADMINISTRATIVE ACTIONS

[Ex. 6,7c] has been terminated from government service and convicted of theft in U.S. District Court

## DISPOSITION OF EVIDENCE

Official File

## STATUS

Closed



## EXHIBITS

Exhibit #	Description
1	[Ex. 6,7c] Government Travel Card Statements
2	Fraudulent Travel Authorizations and Vouchers
3	MOI of [Ex. 6,7c] dated August 5, 2010
4	SBA Termination Letter dated October 20, 2010
5	SBA letter re Annual Leave Withholding dated January 10, 2011
6	Superseding Information dated July 20, 2011
7	Criminal Judgment dated October 27, 2011

**RESTRICTED  
INFORMATION**

**SBA FORM 22  
07/16/2007**

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**U.S. SMALL BUSINESS ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL  
INVESTIGATIONS DIVISION**

Prepared by:	<input type="text"/>	[Ex. 6,7c]
Approved by:	<input type="text"/>	[Ex. 6,7c]

**REPORT OF INVESTIGATION**

<b>CASE#:</b> C-IA-08-0318-I	<b>DATE OF REPORT:</b> August 31, 2012
<b>CASE TITLE:</b> <input type="text"/>	[Ex. 6,7c]
<b>PERIOD OF INVESTIGATION:</b> August 27, 2008 TO August 31, 2012	
<b>CASE AGENT:</b> SSA <input type="text"/>	[Ex. 6,7c]
<b>DISTRIBUTION:</b> SBA DISTRICT DIRECTOR <input type="text"/>	[Ex. 6,7c]

**SUMMARY**

The U.S. Small Business Administration (SBA) Office of Inspector General (OIG), pursuant to an official investigation into suspected 8a contractor fraud, became aware of administrative violations and ethical misconduct by Business Development Specialist (BDS)  [Ex. 6,7c] of the SBA San Antonio District Office. During the course of the investigation, some of  [Ex. 6,7c] activities appeared to violate federal criminal law, such as  [Ex. 6,7c] making of false statements to federal law enforcement officers which was a violation of Title 18, United States Code (USC), Section 1001 which prohibits the knowing and willful making of any materially false, fictitious, or fraudulent statement or representation in a matter within the jurisdiction of the U.S. Government. Though some of  [Ex. 6,7c] actions were subject to prosecution, said actions failed to meet monetary thresholds established by the U.S. Attorney's Office. However, since  [Ex. 6,7c] was an employee of the SBA, the agency had a vested interest in  [Ex. 6,7c] actions due to their potential effect on the efficiency, effectiveness, and reputation of the SBA.

This investigation revealed that  [Ex. 6,7c] was involved in areas in which there were ethical concerns, including:

- Conflicts of Interest.  [Ex. 6,7c]
  - Operating a private consulting firm and billing individuals for services  [Ex. 6,7c] was obligated to provide at no cost through  [Ex. 6,7c] SBA employment.  [Ex. 6,7c]
  - Attempting to influence the awarding of 8a government contracts to  [Ex. 6,7c] outside employer in expectation of personal gain.
  - Representing a specific company during participation in a small business exposition in New Orleans, Louisiana.
- Lying to SBA management about verifying the existence of an 8a company during a GAO test and poor performance.

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<b>SBA FORM 22 07/16/2007</b>	

- Using [Ex. 6,7c] government travel card to make unauthorized charges and being late in the payment of the related bills. [Ex. 6,7c]
- Not disclosing outside employment in [Ex. 6,7c] background questionnaire.
- Lying to federal law enforcement officers when questioned about some of the above referenced items in violation of Title 18 United States Code (USC) 1001.

This case is being referred to the SBA for whatever action is deemed appropriate.

## DETAILS

On October 7, 2010, BDS [Ex. 6,7c] was interviewed by special agents of the Federal Bureau of Investigation (FBI) and the U.S. Army, Criminal Investigation Division (Army CID) (**Exhibit 1**). On June 7, 2012, [Ex. 6,7c] was re-interviewed by the SBA OIG (**Exhibit 2**).

### Operation of a Private Consulting Firm

When interviewed by the SBA OIG, [Ex. 6,7c] admitted to owning and operating a business consulting company called [Ex. 6,7c]. [Ex. 6,7c] furnished no evidence that [Ex. 6,7c] had made SBA aware of the existence of [Ex. 6,7c] or that [Ex. 6,7c] was in any way affiliated with a business that performed some of the same services as the SBA. Regarding [Ex. 6,7c], [Ex. 6,7c] provided the example of [Ex. 6,7c], owner of [Ex. 6,7c] [Ex. 6,7c] that [Ex. 6,7c] years ago through [Ex. 6,7c] dealings within the small business community. In both the interviews referenced above, BDS [Ex. 6,7c] admitted to charging [Ex. 6,7c] \$3,000 (\$1,000 per person) for assisting [Ex. 6,7c] with the preparation and submission of an 8a application for [Ex. 6,7c] son and HUBZone applications for [Ex. 6,7c] daughter, and [Ex. 6,7c] son. [Ex. 6,7c] collected the funds and ultimately referred the [Ex. 6,7c] to another consultant for assistance. Of the \$1,000 per person that [Ex. 6,7c] received from [Ex. 6,7c], [Ex. 6,7c] paid \$800 to the other consultant and kept \$200 as [Ex. 6,7c] referral fee. Through [Ex. 6,7c], [Ex. 6,7c] charged fees for services that [Ex. 6,7c] performed free of charge as part of [Ex. 6,7c] duties as a SBA BDS.

In addition, [Ex. 6,7c] admitted to the SBA OIG that [Ex. 6,7c] was hired by [Ex. 6,7c], a graduate of the 8a program. [Ex. 6,7c] job was to find federal contract opportunities for [Ex. 6,7c] [Ex. 6,7c], which [Ex. 6,7c] accomplished through use of the FedBizOps website.

[Ex. 6,7c] admitted to the SBA OIG that [Ex. 6,7c] owned [Ex. 6,7c], which was not in [Ex. 6,7c] 8a portfolio, nor was it an 8a company. [Ex. 6,7c] said [Ex. 6,7c] helped [Ex. 6,7c] with the application process to obtain RCA certification through the state, a service performed at [Ex. 6,7c] office after [Ex. 6,7c] regularly scheduled SBA work hours. By [Ex. 6,7c] own admission, [Ex. 6,7c] charged [Ex. 6,7c] for [Ex. 6,7c] services and sent [Ex. 6,7c] invoices from [Ex. 6,7c] SBA computer, via [Ex. 6,7c] SBA email (**Exhibit 3**). (**Agent's Note:** Though [Ex. 6,7c] did not mention it during [Ex. 6,7c] interview with the SBA OIG, [Ex. 6,7c] was HUBZone certified (**Exhibit 4**.) In addition to a business relationship, BDS [Ex. 6,7c] advised the SBA OIG that [Ex. 6,7c] had been romantically involved with [Ex. 6,7c].

[Ex. 6,7c]

[Ex. 6,7c] owned [Ex. 6,7c] and [Ex. 6,7c] which was the abbreviation for [Ex. 6,7c]. [Ex. 6,7c] told the SBA OIG that [Ex. 6,7c] was introduced to [Ex. 6,7c] by [Ex. 6,7c] approximately twenty years ago; however, when interviewed by the FBI and Army CID, [Ex. 6,7c] claimed that [Ex. 6,7c] came to know [Ex. 6,7c] because [Ex. 6,7c] was in [Ex. 6,7c] SBA portfolio prior to graduating from the 8a program. [Ex. 6,7c] described [Ex. 6,7c] relationship with [Ex. 6,7c] as that of good friends, but said they were not romantically involved with one another. [Ex. 6,7c] informed the SBA OIG that [Ex. 6,7c] was an 8a contractor that had completed the program; however, in contrast to what [Ex. 6,7c] told the FBI and Army CID, [Ex. 6,7c] stated that [Ex. 6,7c] was never in [Ex. 6,7c] 8a portfolio. [Ex. 6,7c] statement to the SBA OIG was that [Ex. 6,7c] did not have any business dealings with [Ex. 6,7c] outside [Ex. 6,7c] duties as a SBA employee and never received anything of value from [Ex. 6,7c] for the performance of [Ex. 6,7c] SBA duties. This appeared to contradict [Ex. 6,7c] interview with the FBI and Army CID in which [Ex. 6,7c] admitted to helping [Ex. 6,7c] get [Ex. 6,7c] HUBZone certification. Although [Ex. 6,7c] asserted to the SBA OIG that [Ex. 6,7c] did not receive direct payments for assisting [Ex. 6,7c], [Ex. 6,7c] did confess during both [Ex. 6,7c] interviews with law enforcement to acquiring a travel trailer from [Ex. 6,7c] for \$100 and selling it about two years later for \$5,000. When asked by the interviewing SBA OIG special agents, [Ex. 6,7c] confirmed that the aforementioned trailer was the same one pictured in an advertisement found in [Ex. 6,7c] SBA email account. In addition to the travel trailer, [Ex. 6,7c] admitted to residing for about seven months in a condominium owned by [Ex. 6,7c] where [Ex. 6,7c] was charged rent at a reduced rate. [Ex. 6,7c] attributed the reduced rental rate to [Ex. 6,7c] friendship with [Ex. 6,7c] and not directly to any services [Ex. 6,7c] performed on behalf of [Ex. 6,7c] or [Ex. 6,7c] companies.

[Ex. 6,7c]

[Ex. 6,7c]

### **Attempting to Influence the Awarding of Government Contracts for Personal Gain**

[Ex. 6,7c] was a San Antonio based realty firm owned by [Ex. 6,7c] and was in [Ex. 6,7c] SBA 8a portfolio. [Ex. 6,7c] notified SBA of [Ex. 6,7c] outside employment as a real estate agent with [Ex. 6,7c] (Exhibit 5). To avoid a conflict of interest, [Ex. 6,7c] 8a file was transferred to a BDS in the SBA's Harlingen, Texas District Office.

[Ex. 6,7c] admitted to the FBI, Army CID, and the SBA OIG (reference Exhibit 2) that, in or about 2010, [Ex. 6,7c] was contacted by the Fort Sam Houston (FSH) contracting office seeking San Antonio area [Ex. 6,7c] realty companies capable of providing temporary lodging for a possible competitive FSH contract. According to [Ex. 6,7c], [Ex. 6,7c] recommended the contracting officer consider inclusion of the Harlingen, Texas area in order to have a variety of firms bidding on the contract. [Ex. 6,7c] was dealing with the FSH contracting officer in [Ex. 6,7c] official capacities as a SBA employee and did not disclose to [Ex. 6,7c] the nature of [Ex. 6,7c] relationship with [Ex. 6,7c], claiming to the SBA OIG that [Ex. 6,7c] did not make the disclosure, because it was not relevant to the contract. [Ex. 6,7c] told [Ex. 6,7c] to watch for the announcement of the aforementioned contract. [Ex. 6,7c] told the FBI and Army CID that [Ex. 6,7c] expected a commission if [Ex. 6,7c] got the contract, but, when speaking with the SBA OIG, [Ex. 6,7c] originally denied making such a statement and claimed not to have expected any compensation. During the course of being interviewed by the SBA OIG, [Ex. 6,7c] continually revised [Ex. 6,7c] assertion about what [Ex. 6,7c] told the FBI; however, stated multiple times to the SBA OIG that [Ex. 6,7c] did not expect to be compensated by [Ex. 6,7c] if the company was awarded the FSH contract. Finally, [Ex. 6,7c] altered [Ex. 6,7c] statement and confirmed that, as an employee of the real estate company, [Ex. 6,7c] expected to be compensated for [Ex. 6,7c] efforts if

[Ex. 6,7c]

[Ex. 6,7c]

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**RESTRICTED  
INFORMATION**

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07/16/2007**

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[Ex. 6,7c] was awarded the contract. According to [Ex. 6,7c], [Ex. 6,7c] anticipated that a contract the size of the FSH contract would generate a large amount of work and [Ex. 6,7c] would need more full-time employees. [Ex. 6,7c] anticipated being employed on a full-time basis by [Ex. 6,7c] in return for assistance in steering the contract toward the company. BDS [Ex. 6,7c] expected the full-time employment to be immediate, in spite of understanding that federal rules prohibited [Ex. 6,7c] from working full-time for [Ex. 6,7c] for two years after [Ex. 6,7c] departure from the SBA. [Ex. 6,7c]

### **Participating in a Small Business Exposition without SBA Authorization**

When confronted by the SBA OIG (reference Exhibit 2), [Ex. 6,7c] advised that [Ex. 6,7c] once attended a small business exposition in New Orleans, Louisiana. [Ex. 6,7c] asserted that this was not a SBA sanctioned event and [Ex. 6,7c] attended on [Ex. 6,7c] personal time. [Ex. 6,7c] admitted that, while at the expo, [Ex. 6,7c] manned an exhibit booth for [Ex. 6,7c] where [Ex. 6,7c] disseminated brochures on behalf of the company. [Ex. 6,7c] indicated that [Ex. 6,7c] was not in [Ex. 6,7c] 8a portfolio. SBA found out about this activity and, according to [Ex. 6,7c], [Ex. 6,7c] was admonished due to it constituting a conflict of interest. [Ex. 6,7c]

### **Lying to SBA Management, Poor Performance, and Causing Disruptions in the Workplace**

On June 7, 2012, special agents of the SBA OIG spoke with Deputy District Director (DDD) [Ex. 6,7c] (**Exhibit 6**) and District Director (DD) [Ex. 6,7c] of the SBA San Antonio District Office (**Exhibit 7**). According to DDD [Ex. 6,7c], [Ex. 6,7c] was assigned the task of performing a site visit to verify that a company that had applied to be 8a certified was located at the address provided to SBA. DDD [Ex. 6,7c] could not recall the company's full name, but it began with [Ex. 6,7c]. When [Ex. 6,7c] returned to the SBA San Antonio District Office after having allegedly verified the address, [Ex. 6,7c] reported that the company existed and was located at the address that had been furnished to SBA. DD [Ex. 6,7c] later learned that this was a General Accounting Office (GAO) test and that the aforementioned company was fictitious and the address provided for the company's facility would have placed it on or near the grounds of the historic Alamo. [Ex. 6,7c] lied to SBA management about having performed the verification.

According to DDD [Ex. 6,7c], [Ex. 6,7c] often submitted a subpar work product. In [Ex. 6,7c] position as a BDS, [Ex. 6,7c] was responsible for reviewing financial reports submitted by 8a firms in [Ex. 6,7c] portfolio as part of the annual 8a certification process. The quality of these reviews was so poor that DDD [Ex. 6,7c] had to carefully check all of [Ex. 6,7c] work and often have it redone. In the most recent employee evaluations, DDD [Ex. 6,7c] rated [Ex. 6,7c] performance at Level 2 or Below Expectations. This made [Ex. 6,7c] ineligible for any monetary bonus for fiscal year 2011.

Both DD [Ex. 6,7c] and DDD [Ex. 6,7c] were familiar with a number of disruptions taking place within the SBA San Antonio District Office as a result of [Ex. 6,7c] volatile relationship with [Ex. 6,7c]. Among these instances, in or about April 2012, [Ex. 6,7c] disrupted the work of others within the SBA San Antonio District Office when [Ex. 6,7c] engaged in a shouting match via telephone with [Ex. 6,7c]. DDD [Ex. 6,7c] verbally admonished [Ex. 6,7c] for the behavior and a memo (**Exhibit 8**) was placed in [Ex. 6,7c] official personnel file. [Ex. 6,7c]

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## Unauthorized Use of the Government Travel Card

On two occasions, a special agent of the SBA OIG spoke telephonically with former SBA San Antonio District Director (DD) [Ex. 6,7c] regarding [Ex. 6,7c] (**Exhibit 9**). [Ex. 6,7c] was an employee in the SBA San Antonio District Office while DD [Ex. 6,7c] served as DD. There was an incident where [Ex. 6,7c] was notified by SBA Headquarters that there were two employees who were not paying their government credit card bills promptly and that one of the employees had a large number of unauthorized, non-SBA related charges on [Ex. 6,7c] government travel card. It was [Ex. 6,7c] recollection that [Ex. 6,7c] was the employee who had made unauthorized purchases using [Ex. 6,7c] government travel card, but the incident was years earlier and DD [Ex. 6,7c] was uncertain. DD [Ex. 6,7c] remembered that the unauthorized charges amounted to several thousand dollars and could not have been accidental on the part of the employee.

On August 14, 2012, a special agent of the SBA OIG spoke telephonically with former SBA Administrative Officer (AO) [Ex. 6,7c] (**Exhibit 10**). AO [Ex. 6,7c] recalled that of the two employees with travel card issues, it was [Ex. 6,7c] who was responsible for using [Ex. 6,7c] government travel card to make unauthorized charges. According to AO [Ex. 6,7c], after being confronted with the matter, [Ex. 6,7c] did become current on the payments related to the card.

During an interview with the SBA OIG (previously identified as Exhibit 2), [Ex. 6,7c] confirmed that [Ex. 6,7c] government travel card was confiscated and that it had never been reissued. [Ex. 6,7c] said that [Ex. 6,7c] card was taken away for not promptly paying the bill, but denied using the government travel card to make unauthorized, non-SBA related charges.

## Nondisclosure of Outside Employment on Background Questionnaire

SBA OIG special agents asked [Ex. 6,7c] (reference Exhibit 2) why, in [Ex. 6,7c] most recent [Ex. 6,7c] background questionnaire (**Exhibit 11**) [Ex. 6,7c] had identified SBA as the only employer [Ex. 6,7c] had during the last five years when [Ex. 6,7c] had clearly worked for [Ex. 6,7c] and operated [Ex. 6,7c] own company called [Ex. 6,7c]. The interviewing agents directed [Ex. 6,7c] attention to Section 10 of the questionnaire which stated:

*“Provide a detailed entry for each of your employment activities for the last 5 years. You should list all full-time work, part-time work, military service, temporary military duty locations over 90 days, self-employment, other paid work, and all periods of unemployment. The entire 5-year period must be accounted for without breaks, but you need not list employments before your 16<sup>th</sup> birthday.”*

[Ex. 6,7c] claimed that [Ex. 6,7c] had filled out the questionnaire once before and misplaced it, so [Ex. 6,7c] had to repeat the process. According to [Ex. 6,7c], [Ex. 6,7c] was in a hurry to complete the document so [Ex. 6,7c] could obtain a PIV access card and did not pay enough attention to detail. The interviewing agents directed [Ex. 6,7c] attention to the signature page of the background questionnaire, specifically the paragraph directly above where [Ex. 6,7c] had signed and dated the form, as of March 8, 2011. The paragraph read as follows: [Ex. 6,7c]

"My statements on this form, and any attachments to it, are true, complete, and correct to the best of my knowledge and belief and are made in good faith. I understand that a knowing and willful false statement on this form can be punished by fine or imprisonment or both. (See Section 1001 of title 18, United States Code)."

[Ex. 6,7c]

[Ex. 6,7c] offered no explanation other than being inattentive to detail for why [Ex. 6,7c] failed to disclose all of [Ex. 6,7c] employment history for the past five years in the employment history section of [Ex. 6,7c] background questionnaire. [Ex. 6,7c] remembered being contacted after submitting the questionnaire and asked by someone to explain why [Ex. 6,7c] did not disclose a DWI charge that was listed in a previous submission. [Ex. 6,7c] explained that this most recent questionnaire was completed slightly more than five years after the DWI and [Ex. 6,7c] believed that [Ex. 6,7c] was no longer required to list the incident. (**Agent's Note:** [Ex. 6,7c] read the instructions for completion of the background questionnaire carefully enough that [Ex. 6,7c] made a conscious decision not to include a DWI conviction when [Ex. 6,7c] concluded that the instructions allowed for nondisclosure.)

[Ex. 6,7c] [Ex. 6,7c] Though it was not included in [Ex. 6,7c] background questionnaire, [Ex. 6,7c] had previously notified SBA of [Ex. 6,7c] outside employment with [Ex. 6,7c] as evidenced in email communications with SBA District Counsel (DC) [Ex. 6,7c] (previously identified as Exhibit 3). DC [Ex. 6,7c] appeared to specifically address [Ex. 6,7c] engaging in the activity of locating properties for and selling same to 8a companies in [Ex. 6,7c] capacity as a part-time realtor. However, there was no reference in the aforementioned emails to [Ex. 6,7c] using [Ex. 6,7c] SBA position to influence government contract officers in favor of [Ex. 6,7c] outside employer. Further, based on the email communications comprising Exhibit 3, there appears to have been no disclosure made to SBA by BDS [Ex. 6,7c] concerning [Ex. 6,7c] creation, ownership and operation of [Ex. 6,7c], a company that charged for providing small businesses with some of the same assistance they could obtain for free from the SBA.

### **Lying to Federal Law Enforcement Officers in Violation of Title 18 USC 1001**

According to Title 18 USC 1001(a)(2), whoever, in any matter within the jurisdiction of the executive, legislative, or judicial branch of the Government of the United States, knowingly and willfully makes any materially false, fictitious, or fraudulent statement or representation can be subject to a fine and/or imprisonment of not more than five years. Noted in the above paragraphs of this report (specifically under the sections titled *Operation of a Private Consulting Firm* and *Attempting to Influence the Awarding of Government Contracts for Personal Gain*) are numerous contradictions between statements made by [Ex. 6,7c] to the SBA OIG and those [Ex. 6,7c] made to the FBI and Army CID. Each such contradiction is representative of potential violations of the aforementioned federal criminal statute. Further, [Ex. 6,7c] completed a background questionnaire in which [Ex. 6,7c] failed to answer all questions fully and honestly. As previously noted within this report, said background questionnaire bore a printed warning that to provide knowingly false information was a violation of Title 18 USC 1001.

### **SUBJECTS**

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[Ex. 6,7c]

### **JUDICIAL/ADMINISTRATIVE ACTIONS**

On August 31, 2012, this matter was referred to SBA management for whatever action was deemed appropriate, with the instruction to respond within 30 days to the SBA OIG to advise what, if any, course of action was being taken.

### **DISPOSITION OF EVIDENCE**

NA

### **STATUS**

This case is being closed based on the administrative referral for action to the SBA.



## EXHIBITS

Exhibit #	Description
1	Army CID Investigation Report documenting interview of BDS [Ex. 6,7c].
2	MOI of BDS [Ex. 6,7c]. [Ex. 6,7c]
3	Invoices sent by BDS [Ex. 6,7c] to [Ex. 6,7c] via [ ] SBA email.
4	Page from [ ] [Ex. 6,7c] website showing the company was HUBZone certified.
5	[Ex. 6,7c] communications with SBA District Counsel regarding outside employment as a realtor.
6	MOI of DDD [ ], [Ex. 6,7c]
7	MOI of DD [ ], [Ex. 6,7c]
8	Admonishment Memo to BDS [Ex. 6,7c].
9	MOIs of former DD [Ex. 6,7c]
10	MOI of former AO [Ex. 6,7c].
11	Background Questionnaire completed by BDS [Ex. 6,7c].



**U.S. SMALL BUSINESS ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL  
INVESTIGATIONS DIVISION**

Prepared by:	[Ex. 6,7c]
	[Ex. 6,7c]
Approved by:	[Ex. 6,7c]

**REPORT OF INVESTIGATION**

<b>CASE#:</b> E-IA-11-0152-I	<b>DATE OF REPORT:</b>
<b>CASE TITLE:</b> [Ex. 6,7c]	
<b>PERIOD OF INVESTIGATION:</b> March 23, 2011 TO February 10, 2012	
<b>CASE AGENT:</b> [Ex. 6,7c]	
<b>DISTRIBUTION:</b>	

**SUMMARY**

The reporting agent (RA), SA [Ex. 6,7c], initiated this investigation based upon a referral dated March 23, 2011, from [Ex. 6,7c], Chief Information Security Officer, Office of the Chief Information Officer (OCIO), Small Business Administration (SBA). (**Exhibit 1**). The referral alleged [Ex. 6,7c], Information Technology Specialist, Office of Entrepreneurial Development, SBA, improperly used [Ex. 6,7c] government computer to view illicit content while at work, including images that met the legal definition of child pornography.

In summary, the RA determined that [Ex. 6,7c] brought a computer hard drive from [Ex. 6,7c] residence and used [Ex. 6,7c] administrator's rights maintained as an SBA Information Technology Specialist to place the hard drive into [Ex. 6,7c] government computer. The "lost files" section of the hard drive contained images that met the legal definition of child pornography. Specifically, the images depicted primarily pre-pubescent and pubescent girls in a variety of poses wearing clothing that exposes the genital and breast area to the camera. Additionally, we determined that [Ex. 6,7c] viewed pornography at work, during regular work hours and lunch breaks. [Ex. 6,7c] also used software programs to access [Ex. 6,7c] home computer from work. On April 7, 2011, [Ex. 6,7c] was placed on administrative leave with pay.

On March 28, 2011, the RA verbally discussed the facts of the case with the Department of Justice's (DOJ) Child Exploitation and Obscenities Unit and the Criminal Division of the U.S. Attorney's Office for the District of Columbia. The case was declined for prosecution.

The RA investigated this case for possible violation of Title 18 of the United States Code (USC), Section 2252 (a), Activities Relating to or Constituting Child Pornography.

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**DETAILS**

[Ex. 6,7c]

**Allegation 1**— [Ex. 6,7c] used [ ] government computer to view illicit content that met the legal definition of child pornography.

On March 28, 2011 the RA received and reviewed SBA Security Operations Center Report #SBA20110303-01. The report stated that on March 3, 2011, representatives from the OCIO acquired two hard drives (80 GB Hitachi Deskstar and 300 GB Maxtor MaxLine II) from the government computer assigned to [Ex. 6,7c]. The report stated a review of those hard drives found that the 300 GB hard drive contained “thousands of deleted files of images of young girls in scant amount of clothing (or see through clothing) posing in suggestive positions. A portion of the images were nude photos” and the 80 GB hard drive contained “a history burning DVDs from pirated sources and viewing pornographic videos and images. There was also pirated software present on the drive.” (Exhibit 2)

On March 28, 2011 the RA coordinated the investigation with the U.S. Department of Justice’s Child Exploitation and Obscenities (CEOS) unit. On April 20, 2011, CEOS conducted a forensics review of a “Maxtor” 300 GB hard drive. The SBA’s Office of the Chief Information Officer removed the hard drive from the government computer assigned to [Ex. 6,7c] prior to the CEOS review. The CEOS forensics review revealed that the hard drive contained more than 70,000 images and videos of suspected child pornography and child erotica. Specifically, the images depicted primarily pre-pubescent and pubescent girls in a variety of poses wearing clothing that exposes the genital and breast area to the camera. The images were identified as “lost files” on the hard drive that could not be attributed to a specific parent directory or folder because the folder had been deleted. (Exhibit 3).

[Ex. 6,7c]

On April 7, 2011, the RA interviewed [Ex. 6,7c] who stated [ ] brought a 500 GB hard drive from home to “serve as a swap drive” because “most of the hard drives at work don’t have lots of memory.” [Ex. 6,7c] stated that [ ] maintains “administrative rights” which allowed [ ] to install the hard drive from home on [ ] work computer. [Ex. 6,7c]

[Ex. 6,7c]

[Ex. 6,7c] stated that the 500 GB hard drive contained “personal music and movies” in addition to “Recuba” a program that “restores and recovers deleted files” and “Gimp” a program that is “like photo shop.” [Ex. 6,7c] stated the 500 GB also contained a directory with [Ex. 6,7c] personal photos.” [Ex. 6,7c] stated that [ ] also had things on the hard drive that [ ] had downloaded from “torrent sites” which are “peer to peer sites.” [ ] explained that the downloads consisted of episodes of television shows and movies. [Ex. 6,7c]

[Ex. 6,7c]

[Ex. 6,7c] stated that [ ] was unaware that the hard drive contained pornographic images. [Ex. 6,7c] stated that [ ] does not know how the pornographic images got on [ ] hard drives. According to [Ex. 6,7c], [ ] has viewed pornography at work on a personal “netbook” but never on [ ] work computer. [Ex. 6,7c]

[Ex. 6,7c]

[Ex. 6,7c]

[Ex. 6,7c] stated that it is possible that the 500 GB [ ] brought from home and put on [ ] work computer “may have had some deleted files of that stuff on it.” [ ] explained that it is possible

[Ex. 6,7c]

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that while searching for “free pornography” some of the pornographic images may have gotten on the hard drive, but that [ ] “would have deleted them.”

[Ex. 6,7c] [Ex. 6,7c] [Ex. 6,7c] [Ex. 6,7c]  
[Ex. 6,7c] stated that [ ] does not view pornography involving “children or young kids.” [ ] stated [Ex. 6,7c] that [ ] was not aware the hard drive [Ex. 6,7c] brought from home contained pornographic images of children. [Ex. 6,7c] stated that [Ex. 6,7c] “doesn’t know” how images of children would have gotten on [Ex. 6,7c] [ ] hard drive. [ ] stated that [Ex. 6,7c] [ ] does not recall viewing pornographic images of children. [ ] [Ex. 6,7c] stated that “it is possible” when [ ] downloads “regular adult porn, sometimes child porn downloads” without [Ex. 6,7c] [ ] knowledge. [Ex. 6,7c] stated “pictures of kids downloaded in the past [Ex. 6,7c] when I’ve downloaded adult porn, but when I see it, I would go in right away and delete it.”

[Ex. 6,7c] [Ex. 6,7c] [Ex. 6,7c]  
[Ex. 6,7c] stated [ ] has a “problem with pornography.” [ ] stated that [ ] views pornography “all day long, even at work...in between work and [Ex. 6,7c] lunch hour.” [Ex. 6,7c] stated that [ ] [Ex. 6,7c] “usually brings” the pornography into the office on hard drives or CDs or [ ] views it on [ ] [Ex. 6,7c] personal “Acer netbook. [Ex. 6,7c] [ ] stated [Ex. 6,7c] [ ] has never tried to access pornography websites directly from his government computer. [Ex. 6,7c] stated that [Ex. 6,7c] [ ] uses a software program call “NX Client” to “tap into [ ] computer at home from [ ] work computer.” (Exhibit 4)

[Ex. 6,7c] [Ex. 6,7c]  
**SUBJECTS**

[Ex. 6,7c]

**JUDICIAL/ADMINISTRATIVE ACTIONS**

On April 28, 2011, DOJ Trial Attorney [Ex. 6,7c] declined to prosecute this case due to lack of prosecutive merit. (Exhibit 5).

On December 13, 2011, the Small Business Administration’s Office of Human Capital Management and [Ex. 6,7c], Deputy Associate Administrator, Office of Entrepreneurial Development, terminated the employment of [Ex. 6,7c], Information Technology Specialist, Office of Entrepreneurial Development, SBA. [Ex. 6,7c] was terminated based on substantiation of the charges of:

- 1) Unauthorized installation of hardware on an SBA computer.
- 2) Possession of video duplicating software on a government computer.
- 3) Possession of unauthorized and inappropriate video viewing software on a government computer.
- 4) Possession of additional unauthorized software on a government computer, the use of which would be detrimental to the agency.
- 5) Use of a government computer for inappropriate material including photos portraying apparently sexually immature females in poses and attire designed to appeal to prurient interests.
- 6) Viewing inappropriate sexually explicit material in the workplace during official duty hours.

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- 7) Use of government owned IT equipment for duplication, viewing or storing of videos including copyrighted materials and inappropriate sexually-oriented materials.
- 8) Inappropriate use of internet access from the government owned computer.
- 9) Inappropriate use of position. (**Exhibit 6**)

#### **DISPOSITION OF EVIDENCE**

On June 28, 2011, the RA met with [Ex. 6,7c], Senior Advisor, Office of Entrepreneurial Development to return evidence items that the RA had previously removed from [Ex. 6,7c] office during a consensual search. (**Exhibit 7**).

On July 26, 2011, the RA met with [Ex. 6,7c] to return two computer hard drives that had been removed from [Ex. 6,7c] government computer by the OCIO. (**Exhibit 8**)

Copies of pertinent records will be retained in the case file to be destroyed at a later date in adherence with SBA policy.

#### **STATUS**

Case Closed.

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## EXHIBITS

Exhibit #	Description
1	Case Initiation dated March 23, 2011
2	SBA Security Operations Center Investigation Report dated 3/16/2011
3	United States Department of Justice Child Exploitation and Obscenities Report dated May 18, 2011
4	MOI: Interview of [Ex 6,7c] dated April 8, 2011
5	Declination Letter dated April 28, 2011
6	Termination Letter dated December 13, 2011
7	MOA: Return of Evidence to Office of Entrepreneurial Development
8	MOA: Return of Evidence to OCIO