

FINAL REPORT



Office of the Special Inspector General for
Pandemic Recovery
Office of Audits

**Audit of National Security Loan Program
Recipient – MapLarge, Inc.**

Report Number SIGPR-A-23-003

May 14, 2024



Executive Summary

Audit of National Security Loan Program Recipient – MapLarge, Inc.

Report Number SIGPR-A-23-003

May 14, 2024

Why We Performed This Audit

We performed this audit as part of our ongoing audit work relating to section 4003 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). MapLarge, Inc. (MapLarge) received a loan under the CARES Act section 4003(b)(3) and entered into a loan agreement with the U.S. Department of the Treasury (Treasury). The audit intends to determine if MapLarge is following the terms and conditions in its loan agreement with Treasury.

What We Found

We did not identify any instances of noncompliance by MapLarge with the terms and conditions of its loan agreement with Treasury. We found that MapLarge, Inc. was not provided sufficient guidance on how to account for loan proceeds.

What We Recommended

We recommend that Treasury officials:

- a. Provide sufficient guidance to participants in future loan programs to ensure that compliance with associated program restrictions can be monitored and independently verified.

Table of Contents

Introduction 1

Results

Finding 1 – Treasury did not provide sufficient guidance to MapLarge, Inc. related to accounting for loan proceeds. 3

Conclusion..... 5

Recommendation 5

Appendixes

Appendix A – Scope and Methodology A-1

Appendix B – Agency Comments B-1

Appendix C – MapLarge, Inc. Comments C-1

Appendix D – Report Distribution..... D-1

Introduction

The Special Inspector General for Pandemic Recovery (SIGPR) was established by section 4018 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the CARES Act, SIGPR has the duty to conduct, supervise, and coordinate audits and investigations of the making, purchase, management, and sale of loans, loan guarantees, and other investments made by the Secretary of the Treasury under any program established by the Secretary, as well as the management by the Secretary of any program established under subtitle A of title IV of division A of the CARES Act. SIGPR also has the duties, responsibilities, powers, and authorities granted inspectors general under the Inspector General Act of 1978. We performed an audit of MapLarge, Inc. (MapLarge) to determine if MapLarge complied with the provisions in the CARES Act, and if it followed the terms and conditions of its loan and guarantee agreement.

Purpose

The SIGPR Office of Audits has the mission to conduct audits of loans, loan guarantees, and other investments made by the U.S. Department of the Treasury (Treasury) under programs within SIGPR's jurisdiction. Section 4003(b)(3) of the CARES Act authorized loans of up to \$17 billion to help stabilize businesses critical to maintaining national security. In November 2020, Treasury agreed to make a loan totaling \$10 million to MapLarge. The purpose of this audit is to determine if MapLarge is following the terms and conditions in its loan agreement with Treasury.

Objective

The objective of SIGPR's *Audit of National Security Loan Program Recipient – MapLarge, Inc.* is to determine if MapLarge is following the terms and conditions of its loan agreement with Treasury.

See **Appendix A** – Scope and Methodology for additional details.

Background

Section 4003 of the CARES Act authorized Treasury to make loans, loan guarantees, and other investments to provide liquidity to eligible businesses related to losses incurred because of the coronavirus pandemic. Under this program, Treasury provided approximately \$2.7 billion in loans to 35 eligible businesses, including passenger air carriers, repair station operators, ticket agents, cargo air carriers, and businesses critical to maintaining national security.

FINAL REPORT

As of November 1, 2023,

- Treasury made loans to 35 borrowers;
- 14 borrowers have fully repaid their loans;
- 21 borrowers have a combined outstanding loan amount of nearly \$954 million;
- Nearly \$1.8 billion in principal has been repaid; and
- More than \$160 million cash interest has been collected.¹

MapLarge is a software product company in the geospatial mapping industry that delivers location intelligence solutions to Fortune 1000 enterprise and government customers. It is a privately held S corporation with two primary shareholders headquartered in Atlanta, Georgia. MapLarge's designation as a business critical to maintaining national security was partly based on National Industrial Security Program regulations (32 C.F.R. Part 2004).

On November 2, 2020, Treasury made a \$10 million loan to MapLarge pursuant to section 4003(b)(3) of the CARES Act. The loan proceeds were to be used to provide liquidity to continue the company's operations. The loan is unsecured, has an interest rate equal to LIBOR (London Interbank Offered Rate) plus 5.5 percent, and matures on October 31, 2025. The loan agreement includes covenants by MapLarge to comply with certain restrictions including its use of loan proceeds, employee compensation, stock repurchases, dividends, and reductions in employment levels, as required by the CARES Act. The loan is a senior debt instrument with 3 percent annual payment-in-kind interest due to Treasury according to section 4003(d) of the CARES Act.

Status of Treasury Loan to MapLarge as of 11/1/2023

Loan Amount	Date of Loan Agreement	Maturity Date	Total Outstanding Loan Amount	Total Repaid Principal	Cash Interest Receipts
\$10,000,000	11/2/2020	10/31/2025	\$12,466,393	\$0	\$987,600

Source: U.S. Department of the Treasury. *Report Under Section 4026(b)(1)(C) of the CARES Act on Loans to Air Carriers, Eligible Businesses, and National Security Businesses* (November 1, 2023). <https://home.treasury.gov/system/files/136/4026b1CLoanReport11012023.pdf>

¹ U.S. Department of the Treasury. *Report Under Section 4026(b)(1)(C) of the CARES Act on Loans to Air Carriers, Eligible Businesses, and National Security Businesses* (November 1, 2023). <https://home.treasury.gov/system/files/136/4026b1CLoanReport11012023.pdf>

Results

We did not identify any instances of noncompliance by MapLarge with the terms and conditions of its loan agreement with Treasury. We found that Treasury did not provide sufficient guidance to MapLarge, Inc. to account for expenditures of loan proceeds. This may have led to co-mingled loan proceeds with normal operating funds. It therefore cannot be determined if MapLarge used loan proceeds for non-operating expenses.

Finding 1 – Treasury did not provide sufficient guidance to MapLarge, Inc. related to accounting for loan proceeds.

Treasury did not provide sufficient guidance to MapLarge relating to accounting for loan proceeds, which made it difficult to independently verify whether MapLarge’s use of loan proceeds was restricted to expenses stipulated in its loan agreement. When MapLarge received its loan proceeds, the entire amount was deposited into an existing bank account, which contained other cash balances of the company. Once the funds were comingled, the fungibility of cash made it difficult – if not impossible – for Treasury, or an independent third-party such as SIGPR, to determine whether loan proceeds were used for purposes allowed under the terms of the loan agreement.

According to internal documents obtained from MapLarge executives, MapLarge began using the proceeds of its loan during the second quarter of 2021. At the end of the fourth quarter of 2022, roughly \$1.5 million of proceeds remained and were being held in reserve. MapLarge executives stated that they did not receive any formal guidance from Treasury on how to account for National Security Loan expenditures. MapLarge developed its own system to track loan expenditures and ensure compliance with the terms of its loan and guarantee agreement.

The loan agreement between MapLarge and Treasury places restrictions on the use of loan proceeds. For example, borrowers may not use loan proceeds “for any purpose other than for general corporate purposes and operating expenses...provided, however, that the proceeds...shall not be used for any non-operating expenses....” However, Treasury did not provide sufficient guidance regarding the accounting for loan proceeds to recipients. Therefore, Treasury must rely on borrower self-reporting and cannot independently verify that loan proceeds are being used according to the terms of its loan agreement.

Standards for Internal Control in the Federal Government (the Green Book) sets internal control standards for Federal entities. The internal control standards consist of five components and each component has a number of principles which outline the requirements of each component. Among the principles related to the Information and Communication component, the Green Book states “management should externally communicate the necessary quality information to achieve the entity’s objectives.”² By not providing guidance to MapLarge on how to account for its use of the loan proceeds, Treasury did not adhere to this principle. Treasury should have communicated necessary information to MapLarge to ensure that one of the loan program’s objectives

² Principle 15, *Standards for Internal Control in the Federal Government* (GAO-14-704G), 62.

FINAL REPORT

– a restriction on the use of loan proceeds – would be met and could be monitored for compliance.

When asked why Treasury restricted the use of proceeds but did not provide guidance on how to account for loan proceeds separately from other funds, Treasury officials replied,

Treasury believed that the loan agreements adequately explained the restrictions on use of proceeds to the borrowers. Under the Loan Agreement, the permissible uses of 4003 loan proceeds were broad: “general corporate purposes and operating expenses (including payroll, rent, utilities, materials and supplies, repair and maintenance, and scheduled interest payments on other Indebtedness incurred before February 15, 2020.” 4003 Loans were generally made to more sophisticated recipients than [sic] some of our other programs, and Treasury considered that these entities would likely be able to comply with restrictions without further guidance. Treasury did not believe it necessary to prescribe to borrowers how such funds should be maintained.

Our review of MapLarge records showed that MapLarge employees tracked the amounts of loan proceeds used to pay for (1) payroll, (2) salaries and wages, and (3) rent, which are all allowable expenses under the terms of its agreement, by quarter. MapLarge executives contend that loan proceeds were not used for any other expenses. However, because MapLarge comingled loan proceeds with funds from other sources, it is impossible to independently validate this claim.

To help ensure borrower compliance with the terms of its loan agreements, Treasury has a quarterly “Review Card” process. As part of this process, borrowers must enter responses to Treasury’s monitoring questions through a Salesforce portal. Treasury developed the Review Card questions to monitor compliance in a variety of areas, including the use of the loan proceeds. However, the Review Card process relies primarily on borrower certifications. If a borrower’s self-reporting is incomplete or indicates non-compliance, Treasury may initiate a more detailed review.

As part of the quarterly Review Card process, Treasury requests information from the borrower on its use of the loan proceeds. However, unless the borrower self-reports that it used direct loan proceeds for expenses other than operating expenses or general corporate purposes, the borrower will get a pass for the Direct Loan Spending portion of the Review Card. MapLarge has received a pass on all Review Cards relating to proper use of loan proceeds.

When asked why Treasury relied on self-certification from loan recipients when completing the Review Card process, Treasury officials replied,

Treasury monitors its borrowers’ compliance through a multipronged approach. Each quarter, Treasury requires borrowers to respond to a compliance questionnaire that is administered through Treasury’s award management system. Borrowers are also required to submit certain documents, including collateral coverage ratio certificates, to Treasury’s financial agent serving as the administrative and collateral agent under the loan agreements. Treasury’s financial agent collects principal and interest payments on loans that are

FINAL REPORT

reconciled by Treasury. In addition, Treasury communicates regularly with borrowers and reviews financial statements and borrowers' reports filed with the Securities and Exchange Commission for publicly traded companies.

Only one of those prongs relies on self-certification from loan recipients. Treasury allocated its scarce resources using a risk-based approach, and determined that requiring borrowers to self-certify, under penalty of perjury, for certain requirements would adequately protect taxpayer interests.

Conclusion

We did not identify any instances of noncompliance by MapLarge with the terms and conditions of its loan agreement with Treasury. However, Treasury did not provide MapLarge sufficient guidance on how to account for loan proceeds which made Treasury noncompliant with internal control standards. This lack of guidance led MapLarge to co-mingle its loan proceeds with existing funds which made it difficult to independently verify whether MapLarge used loan proceeds according to the terms of its loan and guarantee agreement.

Recommendation

We recommend that Treasury officials:

1. Provide sufficient guidance to participants in future loan programs to ensure that compliance with associated program restrictions can be monitored and independently verified.

Agency Comments

Treasury officials did not agree with our finding that Treasury did not provide sufficient guidance to MapLarge related to accounting for loan proceeds. Treasury officials cite the following as reasons for disagreeing with our finding:

- The absence of –
 - a Treasury prohibition on the co-mingling of funds by borrowers or
 - a Treasury requirement for the segregation of loan proceeds;
- Treasury's use of "typical approaches" for federal loan programs and "standard commercial practice;" and
- The terms of Treasury's National Security Loan Program loan agreement with MapLarge.

Treasury officials did however agree, in general, with our recommendation to provide sufficient guidance to participants in future loan programs to ensure that compliance with associated program restrictions can be monitored and independently verified. Additionally, Treasury officials stated that "Treasury will give serious consideration to providing additional guidance, which in appropriate circumstances could include requiring borrowers to establish segregated accounts for loan proceeds. However, depending on the circumstances, certain factors may weigh against imposing such a

FINAL REPORT

requirement.” Treasury’s management response is included, in its entirety, in **Appendix B**.

SIGPR Response

Although we do not agree with Treasury that the guidance to MapLarge was sufficient, we commend Treasury for its consideration to provide additional guidance to borrowers participating in future loan programs. This could include requiring borrowers to establish a separate account for loan proceeds, among other things. It is important that loan programs such as the National Security Loan Program operate with transparency into the use of taxpayer funds and that federal agencies maintain internal control to meet that objective.

Audit Team

This audit was managed and conducted by the individuals listed below:

Michael Sinclair	Audit Manager
Reynaldo Gonzales	Auditor-In-Charge

Appendix A – Scope and Methodology

Scope and Methodology

Our objective was to determine if MapLarge is in compliance with the terms of its loan agreement with Treasury.

To accomplish our objective, we:

- Interviewed Treasury’s program officials charged to handle MapLarge’s loan;
- Reviewed CARES Act section 4003 requirements;
- Reviewed the Loan and Guarantee Agreement and Pledge and Security Agreement between MapLarge, Treasury, and the Bank of New York Mellon;
- Reviewed Treasury’s process for monitoring the loan through Salesforce Review Cards; and
- Conducted a site visit to MapLarge to interview MapLarge officials and review financial information related to the loan. Specifically, we reviewed payroll records, general ledger detail for certain accounts, and MapLarge’s loan tracker worksheet.

We conducted this performance audit between March 2023 and January 2024 in accordance with generally accepted 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 provides a reasonable basis for our findings and conclusions based on our audit objectives.

Internal Control

We assessed internal control and compliance relating to the context of our audit against *Standards for Internal Control in the Federal Government* (GAO-14-704G) and with laws and regulations necessary to satisfy the audit objective. The methodology above describes the scope of our assessment, and the report findings include any internal control deficiencies we identified. Our assessment is not intended to provide assurance on Treasury’s internal control structure as a whole. Treasury management is responsible for establishing and maintaining an effective system of internal control.

Appendix B – Agency Comments



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

March 15, 2024

Theodore R. Stehney
Assistant Inspector General for Auditing
Special Inspector General for Pandemic Recovery
2051 Jamieson Avenue
Alexandria, VA 22314

Dear Mr. Stehney:

I write regarding the Special Inspector General for Pandemic Recovery’s (SIGPR) Draft Report: *Audit of National Security Loan Program Recipient – MapLarge, Inc.* (Draft Report). The U.S. Department of the Treasury (Treasury) appreciates SIGPR’s efforts.

Background on Treasury’s National Security Loan Programs

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted on March 27, 2020, to provide emergency assistance in response to the unprecedented challenges presented by the COVID-19 public health emergency. The CARES Act appropriated \$17 billion to Treasury to make loans and loan guarantees for businesses critical to maintaining national security. During the course of the program, Treasury lent \$736 million to 11 such businesses. These borrowers have paid Treasury approximately \$856 million in principal and interest so far. As of March 1, 2024, eight borrowers have a combined outstanding loan amount of approximately \$33.5 million.

The Draft Report

We are pleased that, after 10 months of fieldwork—including a site visit to MapLarge, interviews with MapLarge executives, and the review of internal MapLarge financial records—SIGPR did not identify any instances of noncompliance by MapLarge with the terms and conditions of its loan agreement with Treasury. As the Draft Report notes, Treasury placed restrictions on the use of its loan proceeds and included in the loan agreement the restriction that loan proceeds “shall not be used for any non-operating expenses.” To that end, SIGPR found that MapLarge “developed its own system to track loan expenditures and ensure compliance with the terms of its loan and guarantee agreement,” Draft Report at 3, and SIGPR’s review confirmed that MapLarge “tracked the amounts of loan proceeds used to pay for ... allowable expenses under the terms of its agreement, by quarter.” *Id.* at 4.

The Draft Report discusses the fact that MapLarge “co-mingled loan proceeds with normal operating funds.” *Id.* at 3. Treasury did not prohibit the co-mingling of funds by borrowers or require loan proceeds to be segregated in a separate account. This was consistent with the typical approach for federal loan programs as well as standard commercial practice. The actions that SIGPR found that MapLarge took – developing and using a system to track loan

FINAL REPORT

expenditures and ensure compliance with the loan terms – satisfied the requirement in the loan agreement. We therefore disagree with the finding in the Draft Report that Treasury did not provide sufficient guidance to MapLarge related to accounting for loan proceeds.

SIGPR's Recommendation

SIGPR's recommendation is forward-looking and would apply to future lending programs. SIGPR recommends that in such circumstances, Treasury should provide sufficient guidance to participants to ensure that compliance with associated program restrictions can be monitored and independently verified. In general, we agree with this recommendation, and we believe that the guidance provided to participants in the National Security Loan Program met that standard. In future loan programs, Treasury will give serious consideration to providing additional guidance, which in appropriate circumstances could include requiring borrowers to establish segregated accounts for loan proceeds. However, depending on the circumstances, certain factors may weigh against imposing such a requirement.

* * *

Treasury appreciates SIGPR's work, and we look forward to working with you as you continue to evaluate the lending programs created by the CARES Act.

Sincerely,



Jessica Milano
Chief Program Officer
Office of Capital Access

FINAL REPORT

Appendix C – MapLarge, Inc. Comments

Lynwood Bishop, CEO
Map Large, Inc.
1201 Peachtree St NE, STE 1750
Atlanta, GA 30361



TO: Office of the Special Inspector General for Pandemic Recovery
Office of Audits
2051 Jamieson Ave, Alexandria, VA 22314

April 24th, 2024

RE: Draft of Audit of National Security Loan Program Recipient MapLarge, Inc. "MapLarge"
Report Number SIGPR-A-23-003 (the "Audit Report") by the Office of the Special Inspector General for
Pandemic Recovery ("SIGPR") Office of Audits (the "Auditor")

Dear Ladies and Gentlemen,

This letter responds to and addresses certain findings and recommendations set forth in the draft Audit Report. We are pleased that the Auditor did not identify any instances of noncompliance by MapLarge with the terms and conditions of the loan agreement with Treasury. We further agree with the Auditor's recommendation that future programs might benefit from additional compliance guidance that could simplify future audit efforts. We would also like to express our appreciation for the National Security Loan Program overall and for its quick deployment in a time of national uncertainty where the rapid response of this program was of great benefit to businesses in need.

Yours Sincerely,



Lynwood Bishop, CEO

Appendix D – Report Distribution

Chief Program Officer – U.S. Department of the Treasury, Office of Capital Access

General Counsel – U.S. Department of the Treasury, Office of General Counsel

Chief Executive Officer – MapLarge, Inc.

Chief Technology Officer – MapLarge, Inc.

Special Inspector General – Special Inspector General for Pandemic Recovery

Deputy Inspector General – Special Inspector General for Pandemic Recovery

Assistant Inspector General for Auditing – Special Inspector General for Pandemic Recovery

General Counsel – Special Inspector General for Pandemic Recovery