

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

MEMORANDUM

TO: Members of the Committee on Small Business

FROM: Committee Majority Staff

DATE: July 7, 2023

RE: Full Committee Hearing Titled: “Stolen Taxpayer Funds: Reviewing the SBA and OIG Reports of Fraud in Pandemic Lending Programs.”

On **July 13, 2023, at 2:00PM** the Committee on Small Business will hold a hearing titled **“Stolen Taxpayer Funds: Reviewing the SBA and OIG Reports of Fraud in Pandemic Lending Programs.”** The meeting will convene in room 2360 of the Rayburn House Office Building. The purpose of this hearing is to examine the Small Business Administration’s (SBA) Office of Inspector General’s (OIG) pandemic lending fraud report, released on June 27, 2023.

I. Witness

- **Mr. Hannibal “Mike” Ware**, Inspector General, U.S. Small Business Administration, Office of Inspector General

II. Background

The OIG seeks to “improve SBA programs by identifying key issues facing the agency, recommending corrective actions, and promoting a high level of integrity.”¹ The Inspector General (IG), a senate-confirmed Presidential appointee, keeps the SBA Administrator and Congress fully unformed of any problems, recommends corrective actions, and monitors progress in the implementation of such actions.²

The Inspector General Act, which dictates the responsibilities of the OIG, states that among other things, the OIG: promotes economy, efficiency, and effectiveness in the management programs and supports operations; conducts and supervises audits, investigations, and reviews relating to the agency’s programs and support operations; and detects and prevents fraud and abuse. It is

¹ *About SBA, About the Office of Inspector General*, U.S. SMALL BUS. ADMIN. (last visited Mar. 28, 2023).

² *Id.*

thus the responsibility of OIG to investigate the fraud stemming from the SBA's pandemic lending programs.

On June 27, 2023, the OIG and the SBA released investigative reports about pandemic lending fraud within hours of one other.³ The figures presented within these reports are drastically different, as are the perspectives on whether sufficient measures have been taken to recoup fraudulently disbursed pandemic relief funds. According to the OIG, over \$200 billion, or nearly 17 percent of pandemic lending, was distributed to potentially fraudulent actors.⁴ Approximately \$30 billion of that has been recovered.⁵ Conversely, the SBA's report claims that just \$36 billion of its pandemic relief programs were obtained fraudulently.⁶

The IG testified to this Committee in January 2022 and on April 14, 2023, expressing his concern about the SBA's ability to perform the duties it is already responsible for, and that the SBA's efforts to recoup taxpayer funds from fraudulent lending have been insufficient. Unfortunately, little has changed over that time.

III. Conclusion

The mission of the SBA's OIG is to "provide independent, objective oversight to improve the integrity, accountability, and performance of SBA and its programs for the benefit of the American people."⁷ The OIG remains an independent voice within the SBA, responsible for objectively assessing issues within the agency, investigating fraud, and proposing solutions. The OIG has proposed several procedural changes regarding recovering taxpayer money, fraudulently dispersed in the pandemic lending program and otherwise, that the SBA must consider in order to ensure proper use of taxpayer funds.

³ U.S. SMALL BUS. ADMIN., OFFICE OF INSPECTOR GEN., REP. 23-09, COVID-19 PANDEMIC EIDL AND PPP LOAN FRAUD LANDSCAPE (Jun. 27, 2023); U.S. SMALL BUS. ADMIN., PROTECTING THE INTEGRITY OF THE PANDEMIC RELIEF PROGRAMS: SBA'S ACTIONS TO PREVENT, DETECT, AND TACKLE FRAUD (Jun. 27, 2023).

⁴ U.S. SMALL BUS. ADMIN., OFFICE OF INSPECTOR GEN., REP. 23-09, COVID-19 PANDEMIC EIDL AND PPP LOAN FRAUD LANDSCAPE (Jun. 27, 2023).

⁵ *Id* at 11.

⁶ U.S. SMALL BUS. ADMIN., PROTECTING THE INTEGRITY OF THE PANDEMIC RELIEF PROGRAMS: SBA'S ACTIONS TO PREVENT, DETECT, AND TACKLE FRAUD (Jun. 27, 2023).

⁷ *About SBA, About the Office of Inspector General*, U.S. SMALL BUS. ADMIN. (last visited Mar. 28, 2023).