



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

June 5, 2023

The Honorable Beth Van Duyne
Chairman
House Small Business Committee
Washington, DC 20515

Dear Representative Van Duyne:

Thank you for your April 19, 2023, letter related to potential fraud in the pandemic relief programs administered by the Small Business Administration (SBA) including the Paycheck Protection Program (PPP) and the COVID Economic Injury Disaster Loan (COVID EIDL) program. Administrator Guzman has asked me to respond on her behalf.

The SBA responded to the unprecedented challenges brought by the COVID-19 pandemic, effectively delivering economic assistance to tens of millions of small business owners who collectively serve as the bedrock of our community's economy. PPP loans and their subsequent forgiveness have been important to borrowers and businesses. In addition, COVID EIDL loans provided a critical lifeline of support for small businesses that were impacted by the pandemic.

Prior to the pandemic relief programs, fraud in SBA's programs was minimal, and since the beginning in 2021, the Agency has received positive marks on our performance by both the Inspector General as well as the General Accountability Office (GAO). When setting up new, temporary relief programs such as PPP and EIDL, the previous Congress and Administration made decisions that relaxed commonly used safeguards such as income tax verification and checking the Treasury's Do Not Pay List. These decisions helped expedite relief to struggling American business owners, but it opened the door for fraudsters to take advantage of relaxed controls on loans. Administrator Guzman has made addressing these concerns a top priority.

The pandemic programs ended more than a year ago, and SBA continues to be vigilant in responding to reports of fraud and taking lessons learned to safeguard our programs. Under Administrator Guzman's leadership, the SBA moved aggressively to institute up-front controls to validate and verify applicants with government databases including the IRS. We utilize technology to scrutinize loan applications and flag suspicious applications prior to disbursement. We also used automated tools to review pandemic loans that were approved in the prior Administration without tax verification to ensure that potentially fraudulent applications were turned over to authorities.

Both the GAO and Inspector General have recognized Administrator Guzman's reforms to implement strong management structures that control for fraud risk. As you noted in

your letter, the Administrator established a Fraud Risk Management Board to provide anti-fraud oversight and intra-agency coordination among program offices using the lessons learned from the pandemic to strengthen fraud prevention and detection measures across the agency. Responsive materials related to the Fraud Risk Management Board are attached to this letter. Additionally, the Administrator established a new Special Counsel for Enterprise Risk charged with leading fraud and risk mitigation efforts across the agency.

When it comes to investigating fraud and recovering taxpayer dollars, it is important to note that SBA is not an enforcement agency. The SBA reports suspected fraud and identity theft to the Inspector General and we collaborate with law enforcement authorities on their investigations. As the Administrator mentioned in her testimony, law enforcement has recovered \$29 billion which is based upon the most recent estimates from the Inspector General's office. Deputy Inspector General Sheldon Shoemaker testified on March 9, 2023 before the House Oversight Subcommittee that SBA has recovered \$20 billion in returned EIDL funds, \$8 billion in returned EIDL funds from financial institutions and \$1.1 billion seized in partnership with the United States Secret Service.¹

Should you have further questions about investigations related to fraudulent pandemic loans, I would encourage you to reach out to law enforcement and the Inspector General rather than SBA. Loans flagged for fraud – along with potential fraud indicators - are part of active law enforcement investigations and SBA is unable to share information that could potentially interfere with active investigations.

Sincerely,

John A. Miller

John A. Miller
Deputy Associate Administrator
Office of Capital Access

¹ https://oversight.house.gov/wp-content/uploads/2023/03/Statement-for-the-Record-03-09-2023_Final-Shoemaker.pdf