

## **H.R. 5426, Require SBA to Provide an Online Method for Submitting Report on Suspected Fraud Relating to Certain COVID-19 Loans**

Over the course of the COVID-19 pandemic, the Small Business Administration (SBA) disbursed approximately \$1.2 trillion of economic aid through the Paycheck Protection Program (PPP) (\$792 billion), Economic Injury Disaster Loan Program (EIDL) (\$405.2 billion), Restaurant Revitalization Fund (RRF) (\$28.6 billion), and the Shuttered Venue Operators Grant Program, (SVOG) (\$14.6 billion) to help small businesses adversely impacted by the crisis.

In an effort to disburse PPP and COVID-19 funds swiftly, the SBA weakened and removed internal controls. The Office of the Inspector General (OIG) issued a number of reports early on warning of the importance of strong internal controls to mitigate risk, and a total of 22 reports to identify weaknesses in SBA's control environment throughout the pandemic. Beginning in early 2021, long-standing anti-fraud controls were reinstated, and new safeguards were put into place by the Biden-Harris Administration to reduce the potential for fraud.

On June 27, 2023, the OIG issued a white paper to provide a comprehensive review reporting that SBA disbursed more than \$200 billion in *potentially* fraudulent COVID-19 EIDLs, EIDL Targeted Advances, Supplemental Targeted Advances, and PPP loans. SBA also issued a report, entitled "Protecting the Integrity of the Pandemic Relief Programs," which estimates that \$36 billion of the \$1.2 trillion in pandemic relief emergency funds was obtained fraudulently. Moreover, the agency asserts that 86% of the *likely* fraud originated in the first nine months of the pandemic, under the Trump Administration.

Currently, whistleblowers can report potential fraud to the [SBA Office of Inspector General Hotline \(OIG hotline\)](#) or the [Pandemic Response Accountability Committee \(PRAC\)](#). SBA also has a [link](#) on their main page that will lead to a page entitled, "[Preventing Fraud and Identity Theft](#)." This page has a direct link to the OIG hotline for reporting fraud, waste, abuse, or mismanagement of federal funds involving SBA programs.

SBA websites – like those of other federal agencies – must conform to U.S. Web Design System standards as required by the 21<sup>st</sup> Century Integrated Digital Experience Act (P.L. 115-336). Among other provisions, those standards require a consistent appearance across all sites, which is the reason SBA houses its fraud resources under the Oversight header. Moreover, all government websites must be accessible to individuals with disabilities in accordance with [Section 508](#). Having additional banners or pop-up ads could negatively impact the usability of the website for individuals with disabilities.

The OIG white paper reported that the office has received more than 250,000 hotline complaints since the beginning of the pandemic. Of those complaints, more than 90,000 have been identified as actionable leads, which amount to more than 100 years of investigative case work.

Given that SBA already has a link to the OIG website on its website, Committee Democrats believe the single most important action Congress can take to support the OIG in their efforts to combat fraud is to advocate for their Fiscal Year 2024 budget (FY 2024) request. The Administration's FY 2024 budget plan proposed \$47.704 million of discretionary funding, plus a \$1.6 million

transfer from SBA's Disaster Loans Program, and an additional \$14 million transfer to OIG from a mandatory funding source. The proposed mandatory funding source for the \$14 million transfer is no longer available following enactment of the Fiscal Responsibility Act of 2023 (P.L. 118-5), which rescinded the unobligated balances in the SBA Disaster Loan Program account.

The OIG budget request would enable OIG to build on its existing oversight capacity as COVID EIDL loans enter into repayment with additional criminal investigators, data scientists, auditors, and professional staff. These investments in data analytics capabilities, auditors, and investigative coverage will enable OIG to analyze more data, conduct more audits and reviews, and investigate more cases, promoting public trust and integrity within SBA's programs and operations.

Unfortunately, the House FSGG appropriations bill provides \$32.02 million, which would cripple the OIG, providing budget authority for approximately 130 positions, and bringing operations back to pre-pandemic levels. The Administration's FY 2024 budget provides the necessary funding to enable the OIG to sustain existing oversight capacity and invest in additional necessary staffing. Absent the total budgetary resources requested in the 2024 budget, the OIG will not have sufficient funding to combat fraud within SBA programs or to provide effective oversight over the agency's programs. Critically, OIG will not have a sufficient operating budget to capitalize on the new laws (P.L. 117-165 and P.L. 117-166), which extended the statute of limitations for fraud in the PPP and EIDL programs to 10 years.