

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: March 1, 2024

RE: Full Committee Hearing Titled: “Reducing Mismanagement: GAO Recommendations for Improving the SBA”

On **Wednesday, March 6, 2024, at 10:00 AM ET**, the Committee on Small Business will hold a hearing titled “**Reducing Mismanagement: GAO Recommendations for Improving the SBA.**” The meeting will convene in room 2360 of the Rayburn House Office Building. The purpose of this hearing is to examine the Government Accountability Office’s (GAO) recommendations to improve the management and procedures of the Small Business Administration (SBA).

I. Witnesses

- **Dr. Courtney LaFountain**, Acting Director, GAO
- **Ms. Johana Ayers**, Managing Director, GAO

II. Background

GAO reviews government agencies’ effectiveness of implementing programs and operations and makes improvement recommendations. The SBA has 41 open recommendations that it needs to address to ensure programs are risk-adverse and properly administered.

Ten of these are priority recommendations which GAO believes would have the largest impact. The SBA has open priority recommendations related to COVID-19 pandemic lending as well as its core programs.¹ One of the top open priority recommendations is for the SBA to implement communication strategies for large-scale disasters and develop strategies to address fraud risks in programs to better safeguard billions of taxpayer dollars.

¹ GOV’T ACCOUNTABILITY OFF., GAO-23-106377, SBA OPEN RECOMMENDATIONS (May 15, 2023).

GAO also releases a High Risk List report of programs with significant deficiencies, representing greater vulnerability to waste, fraud, abuse, and mismanagement.² The SBA's emergency loan programs for small businesses have been on the GAO's High Risk List since 2021. GAO has made several recommendations to the SBA regarding these high risk areas. Implementing adequate support for its fraud risk management and addressing all the material weaknesses in internal controls are still outstanding.

There is limited long-term follow-up on the effectiveness of implemented GAO recommendations. Typically, once a recommendation is closed, the processes implemented will only be reviewed again when another GAO audit occurs. Ultimately, it is the responsibility of the SBA to ensure that adequate processes are implemented to satisfy these recommendations and protect taxpayer dollars. However, when inadequate processes and controls are developed, the risk for fraud remains and leaves the SBA vulnerable.

GAO has also found that the SBA is behind in reporting to Congress on the Small Business Innovation Research (SBIR) program. This lack of reporting limits the information available to Congress at a critical time as the SBIR program will expire on September 30, 2025. When the SBA is delayed in submitting congressionally mandated reports Main Street America suffers.

III. Conclusion

GAO is just one of the government watchdogs reviewing the SBA's operations. Their recommendations, alongside other watchdogs such as the Inspector General, serve as a benchmark for the SBA's ability to effectively serve entrepreneurs. Failure to proactively address deficiencies, or inadequately developing solutions to these recommendations, harms America's small businesses. Taxpayer dollars provide the backing for the SBA programs, and the SBA is charged with proper stewardship of these dollars. The SBA's failure to properly implement these recommendations directly hinders their ability to support Main Street America.

² GAO, GAO-01-159SP, Determining Performance and Accountability Challenges and High Risks, 3 (Nov. 2000).