

**ROOTING OUT FRAUD IN  
SMALL-BUSINESS RELIEF PROGRAMS**

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**HEARING**

BEFORE THE  
SELECT SUBCOMMITTEE ON THE CORONAVIRUS  
CRISIS  
OF THE  
COMMITTEE ON OVERSIGHT AND  
REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTEENTH CONGRESS

FIRST SESSION

MARCH 25, 2021

**Serial No. 117-12**

Printed for the use of the Committee on Oversight and Reform



Available on: *www.govinfo.gov*,  
*oversight.house.gov* or  
*docs.house.gov*

U.S. GOVERNMENT PUBLISHING OFFICE

43-986 PDF

WASHINGTON : 2021

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## ROOTING OUT FRAUD IN SMALL-BUSINESS RELIEF PROGRAMS

Thursday, March 25, 2021

HOUSE OF REPRESENTATIVES  
SELECT SUBCOMMITTEE ON THE CORONAVIRUS CRISIS  
COMMITTEE ON OVERSIGHT AND REFORM  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 2:05 p.m., via WebEx, Hon. James E. Clyburn (chairman of the subcommittee) presiding.

Present: Representatives Clyburn, Waters, Maloney, Foster, Raskin, Krishnamoorthi, Jordan, Green, and Miller-Meeks.

Chairman CLYBURN. Good morning. The committee will come to order.

Without objection, the chair is authorized to declare a recess of the committee at any time.

I now recognize myself for an opening statement.

The Paycheck Protection Program, or PPP, and the Economic Injury Disaster Loan Program, or EIDL, have been essential lifelines for millions of small businesses harmed by the coronavirus pandemic. More than \$1 trillion has been disbursed by these programs, with good reason given the scale of the crisis. With so many tax dollars expended, it is vital that we ensure that the money is being used for its intended purposes and not diverted to fraud.

Unfortunately, the Trump administration failed to take basic steps to prevent fraud when it implemented these programs last year. Thanks to the work of this committee and our oversight partners, we now know that this failure led to nearly \$84 billion in potential fraud, including \$79 billion in potentially fraudulent EIDL loans and grants and \$4.6 billion in PPP loans. That means billions in taxpayer dollars may not have reached the small businesses that most urgently needed support.

Last October, the SBA Inspector General found that the Trump administration—I'm quoting him here—"lowered the guardrails" by removing or weakening controls in the EIDL Program. Specifically, the administration ignored flags of potential fraud, approved loans in batches with little to no vetting, and abandoned a rule that required two SBA employees to approve each loan application. According to the IG, these actions increased fraud risk significantly.

In a staff report last year, this committee identified more than 22,500 PPP loans worth \$4 billion that may have been subject to fraud. The SBA Inspector General has since found at least \$4.6 billion in potentially fraudulent loans because the Trump administration refused to implement internal controls that—and I quote here

again—“could have reduced the likelihood of an ineligible or fraudulent business obtaining a PPP loan,” end of quote.

As a result of the lack of controls, the Inspector General uncovered tens of thousands of PPP loans that exceeded the maximum loan amount that had been approved to businesses registered under the program cutoff date or were mailed to businesses that exceeded the program’s size standards.

Earlier this year, GAO added PPP and EIDL to its High Risk List, citing the failure to implement adequate controls or make recommended improvements.

Former Treasury Secretary Steven Mnuchin asserted last year that, given the need to get relief money out quickly, it was inevitable that the programs ran into a lot of issues. Let me be clear: That is a false choice. Americans should not have to, and did not have to, choose between quickly getting aid during a crisis and preventing the theft or waste of billions of tax dollars.

While disbursing PPP and EIDL funds quickly was rightly prioritized during the crisis, this committee and the oversight bodies before us today all outline simple steps that the prior administration could’ve taken to prevent oversight—or to provide oversight and prevent fraud without causing harmful delays.

The Trump administration not only ignored these recommendations, but it resisted legitimate oversight by removing and bullying Inspectors General and withholding basic information from Congress. As The Washington Post reported earlier this week, we now know that this was a widespread problem in the prior administration. Today, we face the challenge of fixing the resulting damage.

Our committee released a staff memo this morning showing just how vast a challenge this is. The SBA has referred a staggering 1,340,000 claims of potential fraud concerning EIDL loans and advances to the agency’s Inspector General. The SBA Inspector General has received another 148,000 complaints on its fraud hotline. The Inspector General already has more than 200 open investigations related to PPP and EIDL.

And it is not just a single inspector general playing a role. Given the scope of the problem, 32 Federal and state agencies have been pulled into investigations involving the small-business relief programs.

Fortunately, the Biden-Harris administration is taking the risk of fraud seriously and investing in oversight. President Biden has called for, in his words, fastidious oversight of pandemic relief funds and charged his administration to—and I quote him here—“make sure the relief arrives quickly, equitably, and efficiently, with no waste or fraud,” end of quote.

The American Rescue Plan will further enhance transparency and accountability by investing \$142 million to support critical oversight by the Pandemic Response Accountability Committee, or PRAC, the inspector general community, and the Government Accountability Office.

Today, I am pleased to welcome distinguished representatives of these watchdogs who are appearing before the select subcommittee. With us this afternoon is Hannibal “Mike” Ware, the SBA Inspector General; Michael Horowitz, the Inspector General for the Department of Justice and Chair of the PRAC; and William Shear,

the Director of Financial Markets and Community Investment at GAO.

I'm also pleased to welcome the select subcommittee's newest member, Mrs. Miller-Meeks.

I look forward to hearing how our panelists plan to use the funds provided in the American Rescue Act to combat fraud in small-business relief programs and how we can continue to work together to ensure that our Nation's response to the pandemic is effective, efficient, and equitable.

In the ranking member's absence, I now yield to Mr. Jordan for any public opening statement he may wish to make.

Mr. Jordan.

Mr. JORDAN. Thank you, Mr. Chairman. Thanks to you and to our witnesses for appearing virtually today.

[Inaudible] we continue to hold only virtual hearings in this subcommittee, even though four members of the majority celebrated the \$1.9 trillion spending bill in person at the White House just two weeks ago.

I want to also welcome our new Republican member to the select committee, Representative Mariannette Miller-Meeks from the great state of Iowa. We appreciate Mrs. Meeks' hard work on behalf of her constituents, especially as Speaker Pelosi and the Democrats are currently challenging Dr. Miller-Meeks' election.

Mrs. Miller-Meeks won the general, she won the recount, and the state of Iowa certified her results, but her opponent skipped the courts and ran straight to the Speaker and congressional Democrats to try to overturn the will of the people in the state of Iowa. It's wrong, what they're doing. It's a dangerous game that the Democrats are playing with this election.

Adding Dr. Miller-Meeks, we now have our second medical doctor on the select subcommittee, which I think is a good thing.

Today we're here to talk about fraud. Anyone that commits fraud and steals taxpayer dollars from hardworking Americans should be punished to the fullest extent of the law, and the money should be recouped for the taxpayers.

The Trump administration harnessed the full force of the Federal Government to find and prosecute fraud, particularly in the PPP program. In fact, the Trump Department of Justice stood up a PPP fraud task force, which brought us its first fraud case within one month of the program starting. This enforcement pace is unmatched in the history of the Department's white-collar prosecution efforts.

So far, the FBI has opened 537 fraud cases, arrested 111 people, and began the process of recouping millions of stolen dollars. This is good. This is how the justice system is supposed to work.

The Democrats will claim that the PPP program is rife with fraud, when, in fact, it is just the opposite. Using the Democrats' own statistics, over 99 percent of PPP money got to the correct recipient and has been used appropriately. This is a better rate than the private insurance—or, excuse me, private mortgage market.

The Democrats will also ignore the massive successes of the program. PPP supported 51 million jobs, over 80 percent of America's small businesses, and saved almost 19 million jobs from permanent loss. That is truly unprecedented.

Of course, it can't go on forever. It's time to reopen our states, even the blue states. We must get people back to work and get kids back to school. Just this week, the Federal Reserve Board Governor in charge of community banking said the economy must reopen and lockdowns must be lifted.

Florida reopened and was vilified. New York and Governor Cuomo shut down and were praised. The facts are clear now, though: Florida is successful, and Governor Cuomo is under criminal investigation. Florida protected seniors, while Governor Cuomo sent the virus to seniors. Florida's death rate among seniors is 50 percent lower than that of the state of New York's. Of course, instead of investigating Cuomo's actions, Democrats rewarded him with a \$13 billion bailout.

Contrary to the chairman's own statements, this subcommittee remains focused on politics. It is past time we hold in-person hearings on getting kids back to school, getting vaccines to rural communities, on Cuomo's nursing-home disaster, and the health crisis at our southern border. Instead, this subcommittee is focused on attempting to tear down a bipartisan program that kept the economy afloat during the early and toughest days of the pandemic.

We all agree fraud is bad, but we should all agree that a 99-percent success record is unprecedented, and we have President Trump to thank for that.

Mr. Chairman, thank you, and I yield back and look forward to hearing from our witnesses.

Chairman CLYBURN. Thank you very much, Mr. Jordan.

The witnesses will now be unmuted so we can swear them in.

Please raise your right hands.

Do you swear or affirm that the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. HOROWITZ. I do.

Mr. WARE. I do.

Mr. SHEAR. I do.

Chairman CLYBURN. Let the record show that the witnesses answered in the affirmative.

Thank you. Without objection, your written statements will be made part of the record.

With that, Mr. Ware, you are now recognized to provide your testimony.

**STATEMENT OF THE HON. HANNIBAL "MIKE" WARE,  
INSPECTOR GENERAL, SMALL BUSINESS ADMINISTRATION**

Mr. WARE. Thank you very much.

Chairman Clyburn, Ranking Member Scalise, and distinguished members of the subcommittee, thank you for inviting me to speak with you today and for your continued support of my office.

I come before you today in the midst of a historic challenge to the Nation, a challenge for which the SBA has a pivotal and unprecedented role in stabilizing the U.S. economy. The men and women of my office have been working diligently to provide oversight of SBA's pandemic response. I am always proud to represent them publicly and to speak to you about our important work. We share in the Nation's grief for those lost to the pandemic and are



keenly aware that nothing short of the public's trust is at stake in our oversight efforts.

SBA is managing over a trillion dollars in lending authority through the PPP and the EIDL programs, with the most recent tranche of lending authority being contained within the American Rescue Plan Act. As with my office, the men and women of SBA have been running at a sprinter's pace; however, the race we are running has been more of a marathon. Nonetheless, we have sought to have an aggressive and focused approach to our oversight to ensure our work is properly calibrated and relevant.

The Congress recognized that the oversight required of the pandemic response was outsized for existing oversight resources across government, to include my office, and we have received three supplemental appropriations to increase our oversight capacity.

Initially, we focused on the recruitment of a mix of auditors, analysts, and criminal investigators to provide immediate and timely insight into those programs.

In December, we received funding directed to oversight of the EIDL Program that seeks to address the rampant fraud identified by my office. These funds are being used to increase our investigative staff and enhance our data analytics capacity.

We received our most recent supplemental increase a couple of weeks ago, and those funds will be used to further increase our investigative capacity to combat fraud. Fraud investigations will be a decade-long effort due to the performance of these loans within SBA's portfolios and the statute of limitations for fraud.

Our office will have approximately 40 percent more staff on board after our hiring surges for EIDL and ARPA conclude than we had before March 2020.

Even still, we recognized from the beginning that the level of oversight required will take a whole-of-government approach. We partnered with law enforcement entities across government and joined multiple task forces to multiply our reach. Since the outset of the pandemic response, our strategy has been to prevent and deter fraud, waste, and abuse and to identify and combat instances of the same.

The first step was the issuance of three reports sharing risks and lessons learned from our past oversight work, principally, that most closely related, which is of the American Recovery and Reinvestment Act of 2009. These reports as well as a fraud and scam alert were published before SBA made the first PPP and EIDL loans.

Recognizing the speed at which lending was occurring in both these programs, we developed innovative report products to provide timely insight to our stakeholders. Our first flash report was published just a little over 30 days of PPP's implementation. Our next report would come out in July, which found significant deficiencies in internal controls and rampant fraud within the EIDL Program. We have issued 11 reports on SBA's PPP and EIDL programs to date, with two more near issuance.

While our audit work was ongoing, our criminal investigators were aggressively pursuing fraud. On May 5, just a little over a month after the first PPP loans, the first-in-the-Nation fraud charges were announced against an individual fraudulently seeking

a PPP loan. We have since initiated over 420 investigations, and, together with our law enforcement partners, the Department of Justice has announced over 100 charges against individuals committing fraud against the PPP and EIDL programs.

Now, if I may, I would like to clarify a number I mentioned at a hearing yesterday before the Senate. Together with our law enforcement partners and with SBA and with the financial institutions, we have realized approximately \$2.5 billion in moneys being returned and seized that were associated with fraud and suspicious activities.

We have received nearly 150,000 complaints on our hotline since March of last year. This is over 150 years' worth of complaints when compared to prior years. We have sought and obtained assistance from the PRAC to catalogue complaints being received outside of our online complaint submission system. As we continue to address our processing backlog, we will employ data analytics to further triage and guide these efforts.

I look forward to discussing our most recent published work surrounding implementation of PPP and EIDL, but I must tell you that data analytics has made a difference in our office's ability to keep our stakeholders currently and fully informed in a timely manner.

Thank you for the opportunity to speak to you today, and I am happy to answer any questions you may have of me.

Chairman CLYBURN. Thank you very much, Mr. Ware. That was perfect timing.

The chair now recognizes Mr. Horowitz.

**STATEMENT OF THE HON. MICHAEL E. HOROWITZ, PANDEMIC RESPONSE ACCOUNTABILITY COMMITTEE, INSPECTOR GENERAL, DEPARTMENT OF JUSTICE**

Mr. HOROWITZ. Thank you, Chairman Clyburn, Ranking Member Scalise, members of the subcommittee. Appreciate you inviting me to testify at today's important hearing. And we appreciate the strong, bipartisan support for our work from Congress.

The Pandemic Response Accountability Committee, or PRAC, was created by Congress one year ago and is comprised of 22 Federal inspectors general working collaboratively to oversee the more than \$5 trillion in pandemic relief emergency spending.

The PRAC's mission is to promote transparency and to work with the IGs to ensure that taxpayer money is used effectively and efficiently to address pandemic-related public health and economic needs. Let me briefly highlight some of our independent oversight work to date.

First, we've advanced transparency of the Federal Government's pandemic-related spending through the launch of our robust website, [pandemicoversight.gov](https://pandemicoversight.gov). The website makes publicly available a wide range of spending data and is currently the only place where certain spending data is available to the public. The website also contains accountability information, including information about OIG audits, inspections, and investigations, as well as GAO reports.

Second, we've issued crosscutting reports on issues that transcend Federal agencies. For example, in February 2021, the PRAC

issued a “Top Challenges in Pandemic Relief and Response” report highlighting management challenges facing Federal agencies during the pandemic, and we recently issued a report on COVID–19 testing.

Third, the PRAC has played an important role facilitating coordination and collaboration among IGs and other oversight partners, including GAO and state and local auditors.

Fourth, the PRAC is using the resources and tools Congress gave us to enhance shared services across the IG community. For example, we have, among other things, provided resources to PRAC members to combat fraud in pandemic relief programs, including with regard to the PPP and EIDL programs.

Fifth, the IG community is actively engaged in combating fraud and criminal behavior. To date, the community has led or participated in investigations leading to over 240 indictments or complaints, 190 arrests, and 36 convictions. We’re looking to use all of the tools available to us—criminal prosecution, civil enforcement, and suspension and debarment—to ensure that those who engage in fraud and wrongdoing are held accountable.

Having highlighted some of our work to date, let me briefly discuss some of the initiatives we have ongoing.

First, in order to fulfill the PRAC’s mission, we need better technological tools for IGs and our oversight partners, including the use of advanced data analytics. To that end, the PRAC is developing the Pandemic Analytics Center of Excellence, or PACE, to conduct data analysis, to provide fraud-fighting tools to the IG community, to enable the sharing of data analytics and leading practices across our community, and to broadly assist the IG community’s audit and investigative work.

Second, the PRAC is continuing to develop crosscutting oversight projects. We have three ongoing currently, and we’re developing more, and you will see more from us in the months ahead.

Third, the PRAC has established a fraud task force to serve as a deconfliction and coordination tool to assist IGs in their investigative efforts, to serve as a coordinating body with the Department of Justice and other law enforcement agencies, and to allow IGs to tap into investigative resources from across the IG community.

Fourth, we’re working with OMB and Federal agencies to address data gaps that we have identified and reported on. Having necessary data is critical to advancing transparency and accountability and to be able to assess programmatic impacts.

Fifth and finally, we’re looking to use the Program Fraud Civil Remedies Act, or PFCRA, to fight pandemic-related relief. However, our ability to do so is limited and would be greatly enhanced if certain amendments were made to PFCRA. We look forward to working with Congress to enact those important changes.

Thank you again for the strong, bipartisan support for our work. I would be pleased to answer any questions the committee may have.

Chairman CLYBURN. Thank you very much, Mr. Horowitz. That’s even more perfect with your timing. Thank you very much.

The chair now recognizes Mr. Shear.

And let me see how perfect you can be.

**STATEMENT OF WILLIAM B. SHEAR, DIRECTOR, FINANCIAL  
MARKETS AND COMMUNITY INVESTMENT, GOVERNMENT  
ACCOUNTABILITY OFFICE**

Mr. SHEAR. I'll try my best.

Chairman Clyburn, Ranking Member Scalise, and members of the subcommittee, I am pleased to be here today to discuss our work on SBA's PPP and EIDL programs.

SBA has made or guaranteed more than 17 million loans and grants, providing about \$910 billion to help small businesses adversely affected by COVID-19. Over time, we have found the following:

First, as far as PPP oversight, given the immediate need for PPP loans, SBA implemented limited safeguards for approving those loans. Because of ongoing oversight—because ongoing oversight is crucial, we recommended in June 2020 that SBA develop plans to assess PPP risk. SBA has since developed plans to review PPP loans and has recently provided us detailed information about its oversight process.

Second, analysis of EIDL data. We reported in January 2021 that SBA had provided about 5,000 advances totaling about \$26 billion and approved at least 3,000 loans totaling about \$156 million for potentially ineligible businesses. Therefore, we recommended that SBA conduct portfolio-level analysis to detect potentially ineligible applications.

Third, assessment of fraud risk. Although SBA has taken some steps to mitigate fraud risk to PPP and EIDL, such as conducting PPP loan reviews and implementing new EIDL controls, the agency has not yet conducted a formal fraud risk assessment for either program.

Suspicious activity reports. From April through October 2020, financial institutions filed more than 21,000 suspicious activity reports related to PPP. From May through October 2020, financial institutions filed more than 20,000 such reports related to EIDL.

Department of Justice charges. From May 2020 through February 2021, the Department of Justice publicly announced charges in over 100 fraud-related cases associated with PPP loans and 30 fraud-related cases associated with EIDL loans. I'll refer to, I'm glad to be here with SBA's Inspector General. And I'll just say that, in October 2020, he reported that there were strong indicators of widespread potential fraud in the EIDL Program.

The financial statement audit. In December 2020, SBA's independent financial statement auditor issued a disclaimer of opinion on SBA's Fiscal Year 2020 consolidated financial statements because SBA could not provide adequate documentation to support a significant number of transactions and account balances related to PPP and EIDL.

Since June 2020, we have reported on the potential for fraud in both programs. Further, as we have reported multiple times, SBA's failure to provide us with data and documentation on PPP and EIDL in a timely manner has impeded efforts to ensure transparency and accountability for the programs. This includes delays in our obtaining key information from SBA, such as detailed oversight plans and documentation for estimating improper payments.

Results of SBA's most recent financial statement audit are consistent with our findings. As a result, we included these programs as a new area on our High Risk List in March 2021 because of their potential for fraud, significant program integrity risk, and need for much-improved program management and better oversight.

According to Federal internal control standards and our fraud-risk framework, managers in executive-branch agencies are responsible for managing fraud risk and implementing practices for mitigating those risks. When fraud risk can be identified and mitigated, fraud may be less likely to occur. Risk management is a formal and disciplined practice for addressing risk and reducing it to an acceptable level.

In addition to our previous recommendations, we anticipate making four recommendations on fraud risk in PPP and EIDL and one on EIDL oversight in our March 2021 report, to be issued next week, on the Federal COVID-19 response. SBA agreed with the recommendations, stating it would implement fraud-risk assessments for both programs and an oversight plan for EIDL.

This concludes my statement. I would be glad to answer any questions.

Chairman CLYBURN. Thank you very much, Mr. Shear. You did it. Thank you.

Mr. SHEAR. Thank you.

Chairman CLYBURN. Let me thank all of our witnesses here today.

Now, each member will have five minutes for questions. And, with that, I will now recognize myself for my five minutes.

Now, as I stated earlier, the Trump administration's failure to implement robust fraud controls in the EIDL Program and PPP has led to nearly \$84 billion in potentially fraudulent loans.

We were making all kinds of recommendations as to what steps need to be taken, but, instead of taking these steps, the Trump administration—and I'm quoting the Inspector General here—"lowered the guardrails" on the EIDL Program, leading to \$79 billion in potentially fraudulent loans in the program alone.

Mr. Ware, your report found that SBA removed or weakened existing controls in EIDL last year. Would you please describe how SBA's actions contributed to an increased risk of fraud?

Mr. WARE. Thank you for that question.

Well, initially, we knew—we had a feeling that this would happen. Or, more than a feeling, we knew this would happen based on our prior experience and the prior reports that we had done. And that's why we notified SBA up front that, "Hey, this is the time where we have to strengthen our controls."

What happened was, when they started doing the batch processing, a lot of the controls that should've gone in place up front, especially to address very, very early indicators that fraud was in place—I mean, almost immediately the banks were contacting us. We had over 5,000 contacts from banks almost off the bat. And that's where we sat down with the executives here at SBA to say, "We have a problem." And that's when we started to see what was going on with the reduced controls.

So, definitely, any proper control environment—any type of fraud mitigation has to begin with an internal control environment. And that was reduced up front to expedite the funds going out, which—we understood the need for the funds going out, but we were requiring that SBA strike a balance, a delicate balance, between the two. Plus, we thought the things we were asking to be done, if implemented correctly, would not slow the program down at all.

Chairman CLYBURN. Thank you.

Now, what recommendations did you offer SBA? And please share with us what the administration's response was.

Mr. WARE. So, we made quite a bit of recommendations, and they had to do with—I could probably—some specifics off the top of my head:

We wanted them to assess vulnerabilities—right?—for the purpose of strengthening and implementing internal controls to address the notices of potential fraud that we had.

We wanted them to create a process or a method for lenders to be able to report suspected fraud to ODA and for how to recover the funds. That was not in place.

We wanted them to review all the loans that had—especially the ones that had the bank account number changed from what was shown on the original application to determine if those changes were indeed legitimate or fraudulent.

And then we wanted their assistance in recovering the funds and de-obligating the funds.

We just needed them to completely strengthen the internal control environment. And we offered, I mean, dozens of recommendations for how to do that.

So, initially—well, it depends on what we're talking about. For the Paycheck Protection Program, the Office of Cap Access, they were on top of it, in terms of putting in these controls and getting ahead of things, which is why, to date, we've found less fraud, or less potential for fraud, than we have in the EIDL Program. Because with the EIDL Program, although some of the changes were made up front, many were not, mainly because it wasn't taken as seriously.

Chairman CLYBURN. Well, thank you.

My time has almost expired. I'm going to yield now to Mr. Jordan and let him have 17 seconds of my time.

Mr. Jordan?

Mr. JORDAN. Thank you, Mr. Chairman.

Mr. Horowitz, are Democrats the only people allowed to object to election results?

Mr. HOROWITZ. I'm not sure how to answer that, Congressman.

Mr. JORDAN. Well, I mean, you're a—I've worked with you numerous times. You do great work. You're a lawyer. You're the Inspector General at the Justice Department. You're a guy who I know cares deeply about fairness.

And I'm just wondering—you know, Democrats criticized Republicans for objecting to the Presidential electors being counted on January 6, 2021, but they objected to every Republican Presidential winner this century.

In fact, on January 6, Mr. Horowitz, the Democrat chair of the Rules Committee objected to the counting of Alabama. President

Trump won—January 6, 2017, they objected—a state President Trump won by 30 points. A member of this committee, on January 6, 2017, the lead impeachment manager, in fact, objected to the state of Florida. And on January 6, 2017, the Democrat chair of the Financial Services Committee objected to the state of Wyoming—Wyoming, a state President Trump won by 40 points.

And now they're trying to kick off the newest member of this committee—trying to kick—the newest member of this committee they're trying to kick out of Congress.

And so, I'm just wondering, are they the only ones allowed to object, or can Republicans object as well?

Mr. HOROWITZ. Well, Congressman, I'm sure anybody of whatever political background they want can make an objection.

I'll just say, I have enough oversight issues at the Justice Department. I, fortunately, don't have oversight over the election apparatus. So, I'll stick to what I'm doing there as well as with the PRAC.

Mr. JORDAN. Yes. Well, I appreciate the work you do. And I just find what the Democrats are attempting to do to one of our newest colleagues, who is now a member of this select subcommittee, I just find this unbelievable, particularly in light of the statements they have made over the last several months. And so, we just wanted to raise that point.

I do appreciate the work that you do and you have done for our government over the last several years, and appreciate the work you do for all the Inspector Generals in our government.

With that, Mr. Chairman, I appreciate you yielding me the 17 seconds, but I don't need it. I have to run to another engagement. So, I will yield back the balance of my time.

Chairman CLYBURN. Thank you very much for yielding back the 17 seconds. I'll take that to remind my friend that we might be following suit. If my memory serves, he cast a vote against our new President.

Thank you.

Mr. JORDAN. No. The point is, Mr. Chairman, let's be consistent. If you're going to criticize Republicans for exercising our constitutional duty and doing—and objecting to the unconstitutional way some states change their election law, let's be consistent with what happened on January 6, 2017, and what the Democrats are attempting to do to the newest member, Dr. Miller-Meeks, Lieutenant Colonel Miller-Meeks, the newest member of this committee. That's my point.

Chairman CLYBURN. I understand your point, and I accept service.

With that, the chair now recognizes for five minutes Ms. Waters.

Ms. WATERS. Thank you very much, Mr. Chairman.

And I'm so sorry that Mr. Jordan, you know, takes up time on this committee, where you're dealing with, you know, substantive matters, particularly relating to fraudulency in the PPP program, with election matters that have no business in this committee.

And so—

Mr. JORDAN. Mrs. Miller-Meeks thinks it's substantive, I will tell you that, Madam Chair. Mrs. Miller-Meeks thinks it's substantive.

Ms. WATERS. Reclaiming my time, I'm not talking to you. I'm addressing the chair.

Mr. Chairman, I'm going to go on with my question. And I'm hopeful that we can stay on point on the issues that you have organized thus far today in this hearing.

I believe the tradeoff between speed and program integrity is a false one. Our government should be able to help Americans quickly without losing billions to fraud.

Mr. Horowitz, in what ways could the Trump administration have instituted stronger controls in PPP while still issuing loans quickly and efficiently?

Mr. HOROWITZ. Congresswoman, I think several of those points—several of those items have been identified by IG Ware. I think there could have been efforts beyond, in some of the programs—and I'll let IG Ware speak to the PPP specifically—but, in some of the programs, simply relying, for example, on self-certification. That's an issue that we've identified as IGs—IG Ware has, others have, GAO has.

There were additional steps that could have been undertaken, that recommendations were made to undertake, that would not have significantly slowed down, in our view in the oversight community, the delivery of funds to the public.

Ms. WATERS. I'm also concerned that the sheer number of potentially fraudulent PPP transactions presents an enforcement challenge. As highlighted in today's staff memo, of the 7.9 million PPP loans issued to date, only 242 individuals have been criminally charged. And, of the nearly \$84 billion of potentially fraudulent transactions in PPP and EIDL, only \$626 million, less than one percent, has been recovered.

Mr. Horowitz, as a former fraud prosecutor, can you describe some of the challenges with addressing fraud on this scale through criminal prosecutions?

Mr. HOROWITZ. It's an important question, Congresswoman, and you're exactly right. One of the substantial challenges is, with hundreds of billions and trillions of dollars out there and the scope and level of the fraud, it's going to take us months and years as we pursue it.

What we're trying to do is leverage, for example, data analytics. We very much appreciate the funding that was given to us that the chairman mentioned that will allow us to undertake that effort, because it will help us focus our efforts and find the fraud more specifically. That's what data analytics helps us do.

We've also set up a fraud task force and are working to help IGs like IG Ware and others across the community by leveraging the tools and looking at this, Congresswoman, as a whole-of-government approach by the IGs so that we're leveraging resources.

Ms. WATERS. Thank you very much.

I am interested in learning whether or not there was organized crime involved in this, where operations were set up supposedly to help many of the PPP applicants, who really didn't know government, had not understood government very well, had not been involved in the past, but they went to and were directed to an organized effort that was turning out these applications for unsuspecting individuals.



Have you detected any of that, Mr. Horowitz?

Mr. HOROWITZ. You know what? I'm going to ask on PPP specifically if IG Ware wants to jump in on that, because——

Mr. WARE. Yes.

Mr. HOROWITZ [continuing]. His agents have been on top of that issue.

Mr. WARE. If it's OK.

I am very aware of that. That was something we found very, very early on, that that wasn't the case. In the complaints we were getting, particularly from the banks early on, from the onset, it was that, when they asked a followup question relative to the money, the people had no idea, they never had a business, they had nothing like that. They said that they were contacted by people who they didn't know, said the government was giving out free money.

We also found this on the dark web, in terms of free money, free government money to be had, where they would contact people, tell them the government is giving out this money, and, for a percentage of the money, they could have the money placed in their accounts, the persons who were contacted, and then they'll get the money and then pay the organizers behind the scheme.

So, we found that that was a regular occurrence.

Ms. WATERS. Well, my time really is up, but I just want to say, there are a lot of the small-business people who could end up, you know, being accused of fraud. I want the big boys. I want the organized efforts. I want those who have misused this program and misled these small-business people, rather than going out and locking up and indicting a whole bunch of little, little business people who just didn't know. So, I'm hopeful that that avenue will be, you know, approached and dealt with.

I yield back.

Chairman CLYBURN. Thank you very much, Chair Waters.

The chair now recognizes for five minutes Dr. Green.

Mr. GREEN. Thank you, Chairman Clyburn and Ranking Member Scalise. Can you guys hear my OK?

Chairman CLYBURN. Yes.

Mr. GREEN. I want to thank our witnesses for being here today.

You know, one year ago this week, as the pandemic struck our Nation, Congress passed and President Trump signed into law the CARES Act. At the time, we knew that the economic danger we were facing threatened to overwhelm small businesses across the Nation. Unemployment claims reached record levels——

[Audio interruption.]

Mr. GREEN. Sorry. I'm in three different committee meetings at the same time here.

The centerpiece of the CARES Act was the popular PPP program that gave small businesses access to forgivable loans to cover payroll expenses and saved millions of jobs. The program was a lifeline to small businesses hit hardest by strict lockdown orders in many cities and states.

According to the U.S. Census Bureau, nearly 75 percent of all small businesses received PPP loans. This was not a bailout of special interests; it was a broad based effort that played a critical role in saving tens of millions of American jobs.

The PPP included significant mechanisms to protect against fraud and ensure taxpayer money went to the intended recipients. Leaders had to abide by existing Federal know-your-customer, anti-money-laundering, and bank-secrecy laws.

Now, any program swiftly arranged to spend hundreds of billions of dollars will inevitably incur fraud. That's just a fact. But the Trump administration made serious governmentwide efforts to investigate and prosecute COVID-19-related fraud starting from day one. The DOJ Criminal Division immediately set up a team specifically to root out and prosecute PPP fraud. By September, the DOJ announced that it had initiated multiple separate PPP fraud cases.

And fraud can happen in many ways, such as false information on an application, misuse of funds for personal use. And those who take advantage of a national crisis for their own corrupt ends should be held accountable. However, according to calculations from the majority on this committee, the fraud rate within PPP was lower than the fraud in several other programs, such as the Pandemic Unemployment Assistance Program and the EIDL Program.

By every possible measure, the PPP was a success that saved untold millions of jobs. But these mechanisms were not in place to capture two of the most outrageous frauds from this past year.

What happens when a Governor deliberately misleads the public and covers up the number of COVID-related nursing home deaths? The Attorney General of New York found that Governor Cuomo's administration undercounted nursing home deaths by 50 percent. And for months now, my colleagues and I have been calling for an investigation of Governor Cuomo and his false statements and policies, but silence from the majority.

Or take another example. What of the fraud perpetrated on the American taxpayer under the false pretenses of COVID stimulus? Democrat leadership larded up a bill with handouts for special interests and their political cronies. Blue-state Governors that crushed their economies with lockdowns get rewarded with money to bail out years of mismanagement. This includes over \$100 billion for schools that are closed, most of which doesn't even get paid in the near term.

Ninety percent of the \$1.9 trillion spending spree has nothing to do with public health. Instead, congressional Democrats viewed this as a—and I quote—"tremendous opportunity," end quote, to push their political agenda in the Trojan horse of a misnamed American Rescue Plan. But it's the taxpayers who will be footing the bill for generations to come. That's fraud by any definition.

Thank you, Mr. Chairman, and I yield.

[Audio interruption.]

Chairman CLYBURN [continuing]. Five minutes.

Bill? Bill Foster? You are now recognized for five minutes. You need to unmute, I think.

Mr. FOSTER. Oh, my apologies, Mr. Chairman. I was unaware of the order we're operating under. I'm happy to proceed.

Chairman CLYBURN. Thank you.

Mr. FOSTER. In its January 2021 High Risk List, the GAO made recommendations to the Small Business Administration to provide greater oversight of the PPP and EIDL programs to reduce fraud

in both programs, including using data analytics to identify potentially ineligible businesses.

And I was encouraged to hear Mr. Ware cite the use of data analytics as one of the force multipliers that allowed the SBA and its OIG to more effectively identify fraud.

Mr. Ware, can you go into some more detail about how data analytics have been used to detect fraud in the PPP and EIDL programs and what future plans are?

Mr. WARE. Yes. Thank you very much.

With access to the data warehouse that SBA has, particularly on the PPP side—because we are just working out a more direct relationship within EIDL—we were able to overlay a lot of the data coming in. For example, working with the Do Not Pay list with the Department of Treasury, working with the Department of Treasury on that, we were able to see that quite a bit of money went out to folks who should never have gotten paid.

Using data analytics, we were also able to capture quite a bit of duplicate payments as well.

And the speed by which you see law enforcement moving right now is unprecedented, as was stated earlier by—I can't remember who. But the reason it's allowed to move as quickly as it is because of access to data, transparent data, and the ability of data analysts and data scientists within our office and within the community to be able to quickly overlay information and get it in the hands of criminal investigators.

Mr. FOSTER. Yes.

Well, I'm particularly concerned about identity theft and synthetic identity fraud in the PPP and EIDL programs as well as other areas in our government. You know, fraudsters may improperly use the personal information of hardworking Americans, such as names, addresses, Social Security numbers, to fraudulently apply for pandemic relief loans.

And the situation is compounded by the lack of a coherent approach to identity in this country, so that, for example, the list of bad actors who may be known to Treasury or to financial regulators or to the individual states may not be automatically known to the SBA.

And, last Congress, I sponsored a bill called the Improving Digital Identity Act of 2020, which would modernize systems that provide driver's licenses and other identity credentials in our country and upgrade digital identity verification tools in citizens' interactions with government.

Mr. Ware, has the SBA OIG found identity theft or identity fraud to be a problem in the PPP and EIDL programs? And what are the common forms of that fraud that you see?

Mr. WARE. Right. So, we have found—identity theft is probably the most common underlying cause of the fraud that we're finding, particularly in the EIDL Program. As a matter of fact, it's really showing up itself in PPP now with the inclusion of Schedule C's. This is a major issue for us.

And the way that is happening is, of course they have many of the romance-type schemes, many of the social media schemes by which people gain access to other people's identity. Most of it came to us when people were—victims received letters from SBA saying,

“There’s a deferment on your loan,” when they had never, ever applied for any type of loan. So, we’ve got quite a bit of that.

We’re up to, what, well over a million applications flagged for identity theft right now in these programs.

Mr. FOSTER. Wow.

And what are the better identity verification tools that you think would make a real difference in this?

Mr. WARE. Well, it’s simply verifying that the person that you’re giving the money to actually exists. I honestly don’t believe it’s that much of a lift, but it is. I guess it could be a little bit more time-consuming.

Mr. FOSTER. Yes.

I’m struck by how other countries that have more rational systems to identify their citizens have not had the same kind of problem with, you know, fraudulent—everything from stimulus checks to other payments.

And so, any conclusions that you come up with as to what tools would really make your life easier here would be very appreciated.

Thank you. I’m basically out of time, so I’ll yield back.

Chairman CLYBURN. Thank you very much, Mr. Foster, for yielding back.

The chair now recognizes for five minutes Mrs. Miller-Meeks.

Mrs. MILLER-MEEKS. Thank you very much, Chair Clyburn.

And thank you to our witnesses speaking about the very important programs that were initiated in response to this pandemic.

Mr. Horowitz, your oversight testimony had a link to it regarding COVID-19 testing. And this was COVID-19 testing that was done at Federal agencies, so I realize that it’s limited. And it was from February to August 2020. And it indicates in that link that 10.7 million tests were completed at Federal healthcare agencies at a cost of \$659.5 million. And that was underestimate because it doesn’t include the VA.

Would you have an idea of how much has been—how many tests or how much has been spent now on testing at those agencies or in general for all testing in the U.S.?

Mr. HOROWITZ. Congresswoman, I don’t have that with me. I can certainly followup with my colleague at HHS OIG and see what the latest data is. We cut it off at that time so that we could obviously move forward and start doing analysis.

Mrs. MILLER-MEEKS. The reason for my question is, as a physician and a former director of the Iowa Department of Public Health, I closely monitor what’s happening with the number of cases, the number of hospitalizations, the number of deaths, the number of those who recovered who would have natural immunity, and then the vaccinations, at least here in Iowa. And given everything that I have seen since the vaccination was first approved in November, which is remarkable—and then now we have a total of three vaccinations—I’ve seen this decline very rapidly and exponentially and feel that we’re very close to herd immunity.

In this most recent American Rescue Plan for COVID-19, there is allocated \$47.8 billion in testing and another \$7 billion to go to community health centers for testing. And it seems to me that with the decline that we’re having that that amount of funding may be

excessive. Do you have any, you know, suggestion or comment on that?

Mr. HOROWITZ. So, I wouldn't be in a position, necessarily, to comment on how much money should or shouldn't have gone. I'll leave it to other policymakers to decide that.

I will say that what we've found and I've seen at DOJ, for example—because I have oversight over the Federal prison system. And what we found a year ago, in the first several months of this, was, the absence of testing impaired the ability of the BOP to identify asymptomatic inmates so that they could segregate those individuals rather than simply wait for them to develop symptoms.

And so, we certainly think there will continue to need to be testing available, much like there is for other diseases—

Mrs. MILLER-MEEKS. And I think there's more recent data that shows that there is not the transmission of asymptomatic that we originally thought there was.

I'm hoping that some of this money can be used in accordance with a bill that I introduced, H.R. 1897, that would do COVID-19 testing for those migrants coming across our borders, which is not done now.

So, thank so much.

Mr. WARE, I'm going to direct this to you. The PPP program to the individuals, both when I was a state senator helping small businesses get PPP and then those I've talked to, has been an extremely successful program.

To be eligible, an applicant had to have not more than 500 employees. And because of large chains receiving loans designated for small businesses, the SBA had instituted an affiliation rule. If the parent exerted control or had the power to exert control over the affiliates, the entirety of their employees should be counted toward that limit.

So, is having affiliates using the same bylaws as the parent “exerting control”?

Mr. WARE. We have not taken a look as yet into how that works out and if it's the same or not, but—

Mrs. MILLER-MEEKS. Or—

Mr. WARE [continuing]. We did—sorry. Go ahead.

Mrs. MILLER-MEEKS. Are having affiliates apply for accreditation from the parent company “exerting control,” the parent company imposing performance policies on the affiliate “exerting control,” or the parent mandating certain services be performed at the affiliate, are those things “exerting control”?

Mr. WARE. Without the work to actually dig into it, I'm unable to answer the question at this time.

Mrs. MILLER-MEEKS. Well, Planned Parenthood across the Nation had 16,000 employees nationwide, but they got more than \$80 million in PPP loans. Even their own lobbyist admitted that the rules made their affiliates ineligible when they said the CARES Act money had broad discretion to exclude Planned Parenthood.

Has Planned Parenthood returned any of that money?

Mr. WARE. We have not taken a look at Planned Parenthood specifically. We have a series of reviews in the queue dealing with eligibility across these programs.

Mrs. MILLER-MEEKS. Thank you. That was going to be my next question, if there was a reviewing of the affiliation status. Thank you so much for your testimony.

Thank you, Chair Clyburn. I yield back my time.

Mr. WARE. Thank you.

Chairman CLYBURN. Thank you very much for yielding back.

The chair now recognizes Mr. Raskin for five minutes.

Mr. RASKIN. Mr. Chairman, thank you for calling this very important hearing about more than \$80 billion lost in fraud and rip-offs of the taxpayers within these programs. And some of our colleagues prefer to minimize the damage, saying, oh, well, it's less than one percent or two percent.

Mr. Horowitz, let me start with you. Is that the right way to look at it, to say, well, it's a small percentage of an overall amount of money, or do we look at and say, that's \$80 billion that could've gone to small businesses that deserved it and people who needed the money?

Mr. HOROWITZ. Well, I think the way we look at it from the accountability community is, could there have been steps taken that would have reduced the fraud to a greater degree, or the risks to a greater degree? And, as you've heard, GAO and the IG at SBA made important recommendations to try and do that. So that's really the issue that we look at.

Mr. RASKIN. And those were ignored by the Trump administration. So, I'm glad that we've got a President in who is serious about cracking down on fraud and making the government actually work for the people.

I've had a number of constituents reach out to me for help after their identities were just, out of the blue, fraudulently used to obtain SBA loans for some of these criminals. One of my constituents is currently getting payment notices from the SBA on a \$150,000 EIDL loan that was taken out in his name without his knowledge. He didn't know anything about it. And he got one letter saying that SBA was reviewing the case, but, otherwise, he hasn't gotten any updates or info from SBA at all about how this is going to be remedied.

And so, the SBA I don't think is addressing this with serious enough concern and attention. It's one thing if there are people out there ripping off the government. OK, let's go after them, and if it takes a little time, it takes a little time. But if they're ripping off the government using other people's names, that's an emergency for my constituents whose names are being used, whose credit is being ruined, and who have a shadow cast over their name.

So, Mr. Ware, is there anything that I can tell my constituents about what to expect in this situation? What steps is the SBA's Office of IG taking to respond to and remedy complaints about identity theft? And can you set up a special unit just to respond to these kinds of cases?

Because, believe me, it's a dire thing in the lives of people. Imagine if your name was used by somebody else with your Social Security number to get an SBA loan.

Mr. WARE. Yes—

[Audio interruption.]

Mr. WARE. Thank you. I know that we're having connection problems because—

Chairman CLYBURN. Yes, we are having a bit of a problem. Mr. Ware?

Mr. WARE. Yes? Can you hear me?

Chairman CLYBURN. I hear you now.

Mr. WARE. OK. Sorry. I don't know what's happening. I'll blame it on SBA's technological advances. Just teasing, just teasing.

No, but if you can hear me now, I think I got the gist of the question, although on my screen Representative Raskin is completely frozen. So, I hope I got it, in terms of what is my office doing to assist the victims of identity theft.

Now, clearly, we've heard countless stories and complaints involving identity theft to fraudulently obtain those loans, but it's important to understand a couple of things.

We don't have principal jurisdiction on investigations involving identity theft. That belongs to the Federal Trade Commission. What we've done is work with SBA to set up a system where people could receive assistance and have moved to investigate many of these complaints.

We do have a report that will be coming out very, very shortly on SBA's handling of identity theft. By "very, very shortly," it's next month, by end of next month. And, at that time—

Mr. RASKIN. OK.

Mr. WARE [continuing]. A lot of information—

Mr. RASKIN. OK. Well, I appreciate if you would followup with me on this. And we would like a way that we can get to your office the names of our constituents who are having a serious problem with this. Obviously, we want it prosecuted by the FTC, but we also want it to stop and make sure that the names of our constituents are cleared.

Mr. Clyburn, if I could say one final thing—and I'm sorry about all these technical snafus we're having. Congresswoman Waters correctly pointed out that Mr. Jordan's original provocation in this hearing was an irrelevant distraction from the matter at hand. But she shows a lot more patience than me, and I want to address specifically what he said.

It is true that Republicans and Democrats alike have issued technical challenges under the electoral college over the course of the last century. But only one President has incited a violent insurrection, a mob, to attack Congress and to try to overthrow the election result. And that's what he's excusing with that completely false equation of his.

And, meantime, he also knows that there's a Federal statute, the Federal Contested Elections Act from 1969, by which both Republicans and Democrats have brought challenges to congressional elections. There's an entire procedure in place guaranteeing due process to people on all sides.

And if he's prepared to vote to overturn an election that was decided by 7 million votes, more than 7 million votes, for Joe Biden, certainly he would accept the regularity of hearing an election contest where there was a six-vote difference between the two sides under a Federal statute. That is regular order.

And I yield back to you, Mr. Chairman.

Chairman CLYBURN. I thank the gentleman for yielding back.

The chair now recognizes Mr. Krishnamoorthi for five minutes.

Mr. KRISHNAMOORTHI. Thank you, Mr. Chair. Can you hear me?

Chairman CLYBURN. Yes, I can.

Mr. KRISHNAMOORTHI. Very good.

Well, first of all, I wanted to point out some very interesting aspects of the SBA OIG report.

Mr. Ware, I noticed in the report, my staff and I noticed, that at one point you said almost 320,000 potentially fraudulent COVID-19 EIDL loans totaling almost \$25 billion were disbursed to people with the same email addresses.

You give one example where one applicant with one email address received 10 loans in the name of 10 different bathroom renovation companies in one city, and when you went back and looked, you couldn't find any of those bathroom renovation companies in that city. Instead, you were able to find that the email address was for a burrito restaurant which was located in that city.

Just a basic question: What are we doing to make sure that folks can't apply for multiple loans from the same email address?

Mr. WARE. Well, that's one of the things that we've been working hard with the Office of Disaster Assistance to fight against. And the Office of Disaster Assistance has assured us that they have a secondary review process in place to make that very assurance.

We have not verified or validated that that is in place and working as yet, but—they have not provided that information to us as yet, but—

Mr. KRISHNAMOORTHI. Let me jump in, because I think that's really important. I think the American people don't want multiple loans to be applied for from one email address or from one IP address, meaning probably one computer, or from one physical address. And so, these EIDL loans, I think, deserve a lot more scrutiny, and I hope that you are going back to check that these EIDL loans don't come from the same address, the applications.

Can you rule out, given the staggering potential amount of fraud in the EIDL Program, that there was any coordination between applicants and insiders at the SBA?

Mr. WARE. No, I cannot rule that out, because I know for a fact—

Mr. KRISHNAMOORTHI. OK. I just going to—I'm going to be going through a rapid-fire series of questions here.

Can you rule out that any foreign actors or entities received money through the EIDL Program?

Mr. WARE. No.

Mr. KRISHNAMOORTHI. Can you rule out that—I'm from Illinois, so I have to ask this question. Can you rule out that any deceased people received money through the EIDL Program?

Mr. WARE. No.

Mr. KRISHNAMOORTHI. Can you rule out that people under the age of 18 received money from the EIDL Program?

Mr. WARE. No.

Mr. KRISHNAMOORTHI. What claims are being made that you're aware of under the False Claims Act, also known as qui tam, related to the EIDL Program?



Mr. WARE. Well, I won't be able to speak to any of those that's active. Many of those are sealed.

Mr. KRISHNAMOORTHY. Let me ask Mr. Horowitz, our expert, probably, on this issue of whistleblowing and so forth.

Is there anything that can be done to encourage folks that know about fraud within these programs, maybe even people at the SBA right now, to come forward and make a False Claims Act claim or a qui tam claim related to what I perceive to be just staggering amounts of fraud in the EIDL Program?

Mr. HOROWITZ. Absolutely, Congressman. First, come to our website, pandemicoversight.gov. They'll see a link there to report electronically to us. They can get in contact with us through other means, but electronically is the best way to do it.

We'll get on top of it, and we'll make sure that whatever IG has jurisdiction over the program they care about, we'll get it to them and we'll work together with them.

Mr. KRISHNAMOORTHY. And just let's educate people who might be viewing this. When we refer to False Claims Act or qui tam claims, the claimant, through a confidential process, if the claim is validated, could receive between 15 and 30 percent of the recovered amounts, right?

Mr. HOROWITZ. That's correct.

Mr. KRISHNAMOORTHY. So, Mr. Horowitz, do you know how much has been recovered overall through your investigations, your collective investigations, into fraud in the EIDL Program and then separately into PPP program?

Mr. HOROWITZ. I don't know separately as to those two programs. I know it's tens of millions of dollars overall. I could get back to you on—

Mr. KRISHNAMOORTHY. But that's an incredibly small portion of the sizable potential amount of fraud, right?

Mr. HOROWITZ. At this time, it is. But I would just make sure that the public is aware and assure all of you, obviously, prosecutions take time, and we are using the tools we have, whether it's criminal prosecution, civil, forfeiture, and, by the way, suspension and debarment for entities that are here, that aren't fraudulent entities themselves. They're risking their ability to do business with the government going forward, period.

Mr. KRISHNAMOORTHY. Thank you.

I yield back.

Chairman CLYBURN. I thank the gentleman for yielding back his time.

I notice that all members who are present have been allowed time to ask questions and to make comments. There are several other members who we expected to join us, but the time seems to have run out, and so we aren't going to prolong this.

At this point, we usually give the ranking member an opportunity to make a closing statement, and, in his absence, whoever he may designate. But I think Mr. Jordan, who made the opening statement, indicated that he had to go off to other business, and I don't see that he's here with us. So, I'm going to now proceed to my closing statement, and hopefully we'll be able to conclude this hearing.

I want to thank all of our witnesses who are here today, and we appreciate the invaluable expertise that you've shared this afternoon on how we can better identify and eliminate fraud in the pandemic relief programs.

This select subcommittee is modeled after the Truman Committee during World War II. In a speech to the Senate upon the establishment of that committee, then-Senator Truman said, and I quote, "I consider public funds to be sacred funds, and I think they ought to have every safeguard possible to prevent their being misused and mishandled," end of quote. I wholeheartedly agree with Truman.

Unfortunately, today's hearing has made clear that the Trump administration failed to institute the necessary safeguards to prevent public funds from being misused and mishandled in key small-business relief programs, leading to the loss of billions of dollars through fraud.

I agree very much with Chair Waters, whose interest it is to go after what seems to be some pretty sophisticated fraudulent activity. And hopefully we'll get to the bottom of the source of all of this and not pat ourselves on the back for sending small, unsuspecting businesses out of business or into jail.

Fraud should have real consequences. Diverting funds that were intended to help Americans struggling to save their businesses, feed their families, and stay in their homes is just something that needs to be dealt with.

But it is not too late to act. The Biden administration has already taken significant steps to reduce fraud by instituting stronger controls when using PPP loans. And the administration has encouraged Federal agents to work with, not against, inspectors general and congressional oversight.

The Biden administration and Congress have also worked together to ensure that critical oversight bodies like the PRAC, GAO, and IG community have the resources and tools they need to do their jobs. The \$142 million allocated to the oversight community in the American Rescue Plan will go a long way toward accomplishing that goal.

There is much more to do to prevent fraud and prosecute those who engage in it. I look forward to using what we have learned from our witnesses today to make the small-business relief programs more effective, efficient, and equitable. Those are the standards that must be met when we are spending sacred public funds.

With that, and without objection, all members will have five legislative days within which to submit additional written questions for the witnesses to the chair, which will be forwarded to the witnesses for their response.

Chairman CLYBURN. This hearing is adjourned.

[Whereupon, at 1:20 p.m., the subcommittee was adjourned.]

