



Office of Inspector General

U.S. Small Business Administration

April 30, 2020

The Honorable Nydia Velázquez
Chairwoman, Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

The Honorable Elizabeth Warren
United States Senate
Washington, D.C. 20510

Dear Chairwoman Velázquez and Senator Warren:

Thank you for your April 23, 2020 letter regarding the implementation of the Paycheck Protection Program (PPP) created by the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act. The CARES Act and subsequent Paycheck Protection and Health Care Enhancement Act provide unprecedented lending authority to SBA to mitigate the economic impact of the COVID-19 outbreak. The Office of Inspector General (OIG) in conjunction with the Pandemic Response and Accountability Committee (PRAC), created within the Council of the Inspectors General on Integrity and Efficiency (CIGIE), is poised to provide oversight and transparency to SBA's implementation of this lending authority and the loans made pursuant to the same. My office also will coordinate and deconflict with the Government Accountability Office to provide oversight of SBA and its programs and operations.

OIG has closely reviewed the provisions of the CARES Act and recognizes significant deviations from SBA's flagship lending program, the 7(a) Loan Program. In short, SBA's lending partners are the vehicle for delivery of a unique lending program intended to make loans available, with potential forgiveness, to the nation's small businesses and other businesses made eligible through provisions of the CARES Act. My office has a robust body of oversight work involving SBA's lending programs, and we will bring our expertise and resources to bear in overseeing SBA's implementation of the PPP. There is no higher priority.

OIG has been actively preparing for and performing oversight relative to the CARES Act. Our office was the first in government to issue reports aimed at combating fraud, waste, and abuse related to the COVID-19 stimulus funding. We leveraged our past oversight of SBA's programs to publish three reports. These reports provided SBA stakeholders information on the risk and lessons learned from our prior audits and inspections related to economic stimulus loans, economic injury disaster loans (EIDL), and most recently, entrepreneurial development programs. The reports were intended for policy makers to consider in managing and mitigating the risk of loss for the COVID-19 stimulus programs being implemented by SBA.

OIG also proactively sought to prevent the public from being a victim of fraud schemes or scams. Prior to the first PPP loan being made by SBA, OIG published a list of fraud schemes and scams to alert the public and SBA stakeholders. This information was made available on OIG's website and distributed broadly through established communication channels to include social media. OIG also sought assistance from organizations involved with SBA lending to distribute the information and raise awareness. In the ensuing weeks, our criminal investigators partnered with other law enforcement organizations, conducted outreach to U.S. Attorney's Offices, and evaluated allegations of wrongdoing received through our Hotline. We also partnered with SBA's Office of the Chief Information Officer to investigate and remove websites suspected of being fraudulent. Dozens of investigations involving complaints of fraud have been initiated by my office and are ongoing.

OIG sincerely appreciates the concerns addressed in your letter and the request for a review of SBA's implementation of the PPP. OIG published a Supplemental Oversight Plan (the Plan) on April 15, 2020. The Plan includes reviews in the areas of Small Business Access to Capital, the Disaster Loan Program, and Business Development and Procurement Assistance. Our office started reviews of SBA's implementation of the PPP and EIDL programs on April 24, 2020, which were included on the Plan. Additionally, in response to a congressional inquiry from Senators Schumer, Cardin, and Brown, our office is planning to publish a flash report that will compare and contrast the provisions of the CARES Act to SBA's interim final rules and guidance to further inform stakeholders of SBA's implementation of the PPP. This flash report is anticipated to be published by May 8, whereas the reviews initiated on April 24 are expected to take at least 90 days. Our office also is preparing another flash report that will address and inform SBA's preparation for the loan forgiveness aspect of the PPP.

We note the three specific areas that you suggest should be included in our review of SBA's implementation of the PPP. I have coordinated with the Department of Treasury, and I believe the best approach is for respective OIGs to conduct separate reviews of the distinct agency processes to implement the PPP. It is unlikely that a single review will cover all three aspects sought in your request; however, we believe our planned work, to include the

flash reports will provide the transparency necessary to inform the concerns noted relative to lending practices of the banks in implementing the PPP, as well as available demographics of the individuals and companies that are included in the loan portfolio.

The CARES Act established the PRAC and mandated my role on the same. The PRAC is composed of federal OIGs to "promote transparency and conduct and support oversight of covered funds and the Coronavirus response to (1) prevent and detect fraud, waste, abuse, and mismanagement; and (2) mitigate major risks that cut across program and agency boundaries." In addition to my office's individual oversight efforts, we will join the PRAC in efforts of CIGIE and its Inspectors General to promote transparency, and support and conduct oversight of the CARES Act funds. The PRAC is tasked with supporting efforts to "prevent and detect fraud, waste, abuse, and mismanagement [and] mitigate major risks that cut across program and agency boundaries," which is consistent with your request of my office.

I want to assure you my office will perform our work to the highest standards to promote transparency of this vital stimulus program and make recommendations for corrective action to ensure the funds are used efficiently, effectively, and in accordance with the law. OIG will always aggressively pursue allegations of wrongdoing and bring those responsible to justice. I welcome the opportunity to meet directly with you or your staff to answer any further questions you may have or to provide you additional information that may inform the Congress' work to mitigate the damages ravaging the nation as a result of this deadly virus.

Please do not hesitate to contact me should you have any questions or wish to meet.

Sincerely,

A handwritten signature in black ink, appearing to read 'H. Ware', with a stylized flourish at the end.

Hannibal "Mike" Ware
Inspector General

Cc: Michael Horowitz, Chair, Council of the Inspectors General on Integrity and Efficiency
Richard K. Delmar, Acting Inspector General, Office of the Inspector General,
U.S. Department of the Treasury