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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

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November 12, 2020

The Honorable Jovita Carranza
Administrator
U.S. Small Business Administration
409 3rd Street, SW
Washington, D.C. 20416

Dear Administrator Carranza:

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, and subsequent COVID-19 relief legislation, provided supplementary funding for the U.S. Small Business Administration's (SBA) Economic Injury Disaster Loan (EIDL) program, and established the EIDL Emergency Advance grant program. As of October 18, 2020, the SBA has approved more than 3.6 million EIDLs and 5.7 million EIDL Advance grants. I appreciate the efforts the SBA took to process and disperse the unprecedented volume of disaster loans during the COVID-19 pandemic. However, I am concerned about the agency's ability to detect and prevent fraud in the program. Recent reports have indicated that law enforcement agencies have seized \$450 million in EIDLs, and financial institutions have seen significant fraud schemes and suspicious activity.

On October 28, 2020, the SBA Inspector General (IG) released a report (21-01) on the agency's initial disaster assistance response to the Coronavirus pandemic. This SBA IG report found billions of dollars of potentially fraudulent EIDL loans and grants including, improper payments made to ineligible businesses.

Of particular concern, the report detailed that, "SBA has fired employees and contractors who were involved in approving loans to themselves or who inappropriately influenced loan approval."

The expanded EIDL program and newly created EIDL Emergency Advances are intended to provide necessary economic assistance to small businesses during this time of enormous need. Allegations that SBA employees and contractors have exploited the EIDL program for their own gain is unacceptable and must be investigated fully.

For this reason, I request that you provide the following information to my office no later than November 20, 2020:

- 1) Detailed information regarding each employee and contractor that was terminated by SBA for involvement in approving loans to themselves;
- 2) Detailed information regarding each employee and contractor that was terminated by SBA for inappropriately influencing loan approval;
- 3) Detailed information regarding the actions SBA has taken to mitigate potential fraud or misuse of EIDL by employees and contractors;
- 4) Detailed information regarding SBA's vetting and hiring process for disaster employees hired with emergency hiring authority.
- 5) Documentation detailing the SBA's EIDL loan review procedures;
- 6) Documentation detailing the SBA's EIDL advance grant review procedures;
- 7) Copies of all SBA contracts with third parties to process and/or review EIDL loans;
- 8) Copies of all SBA contracts with third parties to identify waste, fraud, and abuse within the EIDL program.

As Congress continues to work towards additional small business relief in the future, it is critical that the agency has the necessary controls in place to protect taxpayer dollars. I will continue to partner with you to make sure SBA has the tools they need to combat fraud, waste, and abuse. Thank you for your attention to this important matter and I look forward to your timely response.

Sincerely,

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

Marco Rubio
Chairman