

United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

GABRIELLE D'ADAMO SINGER, STAFF DIRECTOR
DAVID M. WEINBERG, MINORITY STAFF DIRECTOR

April 21, 2020

The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Dodaro:

The Coronavirus Aid, Relief and Economic Security (CARES) Act provided \$349 billion to the U.S. Small Business Administration (SBA) to establish the Paycheck Protection Program (PPP), a loan program intended to help small and medium-sized businesses cover costs and keep employees on the payroll during the novel coronavirus (COVID-19) pandemic. To date, lenders have processed over 1 million loans under the PPP, and Congress is moving quickly to provide additional funding for this critical program.

As small businesses in Michigan and across the country continue to face dire financial challenges, I am concerned that PPP loans may not have gone to those who need them most. Michigan has been particularly hard-hit by COVID-19, with the fifth most COVID-19 cases and third most deaths from COVID-19 in the country.¹ Over 1 million Michigan residents, many of whom worked for small businesses, have filed for unemployment in the past month alone—the fourth highest in the nation.² However, Michigan currently ranks 35th out of 50 states for processed PPP loans.³ There is also evidence that a substantial amount of PPP loans have gone to large hotel and restaurant chains, rather than the struggling small and minority-owned businesses who may be forced to permanently close their doors without urgent assistance.⁴

The CARES Act directs the Government Accountability Office to conduct oversight of COVID-19 funds and response efforts, including bimonthly reports and monthly briefings to Congress. GAO's first such report is due within 90 days of CARES Act enactment. As part of this ongoing oversight, I ask that you review the PPP, including funds provided under the CARES Act and any subsequent legislation, and specifically focus on the following:

¹ U.S. Centers for Disease Control and Prevention, CDC Coronavirus Interactive (<https://www.cdc.gov/coronavirus-interactive/index.html>) (accessed April 21, 2020).

² The coronavirus has destroyed the job market in every state, *NBC News* (April 14, 2020) (<https://www.nbcnews.com/business/economy/unemployment-claims-state-see-how-covid-19-has-destroyed-job-n1183686>).

³ Small-Business Rescue Shows Not All States Are Created Equal, *Bloomberg* (April 20, 2020) (<https://www.bloomberg.com/graphics/2020-sba-paycheck-protection-program/>).

⁴ White House, GOP face heat after hotel and restaurant chains helped run small business program dry, *Washington Post* (April 20, 2020) (<https://www.washingtonpost.com/business/2020/04/20/white-house-gop-face-heat-after-hotel-restaurant-chains-helped-run-small-business-program-dry/>).

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1. What policies, procedures, and criteria did SBA and lenders use when determining how, and to whom, to issue PPP loans?
2. How are PPP recipients distributed geographically, including by state? Please include an analysis of the number of loans, the number of lenders, the number of applications, the number of recipients, and loan amounts for each geographic location.
3. How have PPP loans been distributed to companies of different sizes? Please include an analysis of the number and percentage of PPP recipients who were deemed eligible through waivers of SBA's affiliation rules.
4. What internal controls does SBA have in place to ensure that lenders administer the PPP in compliance with all relevant laws, regulations, and guidance?
5. What internal controls does SBA have in place to ensure that PPP loan recipients meet eligibility requirements for PPP loans and, where applicable, loan forgiveness?
6. To what extent do PPP recipients meet eligibility criteria established under the CARES Act, including that the loan request was "necessary ... to support the ongoing operations of the Applicant"?

Thank you for your attention to this request. I would appreciate if my staff could receive monthly updates on your progress for this engagement.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary C. Peters". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

Gary C. Peters
Ranking Member
Committee on Homeland Security and
Governmental Affairs