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**BEFORE THE
SUBCOMMITTEE ON EMERGING THREATS AND SPENDING OVERSIGHT
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENT AFFAIRS
U.S. SENATE**

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INTRODUCTION

Chairwoman Hassan, Ranking Member Romney, and distinguished members of the Committee, thank you for inviting me to testify before you today and for your continued support of the U.S. Small Business Administration (SBA) Office of Inspector General (OIG). I am proud of the dedication and hard work of the men and women of OIG to detect, deter, and combat fraud in SBA programs to the benefit of the American people.

Our office provides auditing and investigative services to support and assist SBA in achieving its mission. OIG audits provide recommendations to SBA leadership to improve the performance of SBA's programs and services, rooting out fraud, waste, and abuse in SBA programs. OIG investigations pursue evidence of wrongdoing in SBA programs, bringing fraudsters to justice.

We're also leaders in the federal workplace. For the past 2 years, our office has been ranked as the top OIG in the federal government as a Best Place to Work by the Partnership for Public Service with a 2022 engagement and satisfaction employee score of 86.2, which far exceeds the overall government score of 63.4.

OIG has provided taxpayers with a historic and exponential return on investment. Since 2020, OIG's work has resulted in more than \$13 billion in dollar accomplishments, which includes investigative recoveries, fines, and forfeitures, as well as review findings of disallowed costs. This has resulted in a 196.47 (19647 percent) return on investment since 2022 to the American taxpayer. OIG oversight of the Paycheck Protection Program (PPP) and the Coronavirus 2019 (COVID-19) Economic Injury Disaster Loan (EIDL) program has resulted in 1,180 indictments, 936 arrests, and 632 convictions as of October 31, 2023. More than \$1 billion has been seized with U.S. Secret Service bulk seizures. Over \$8 billion in EIDL funds have been returned to SBA by financial institutions and another \$20 billion by borrowers. OIG has played a key role in the return of these funds through working with our law enforcement partners and financial institutions. We educate the public about fraud in the pandemic relief programs, which has served as a deterrent to fraudsters. We have issued 37 reports on pandemic oversight with 95 recommended corrective actions to strengthen internal controls and to promote integrity, efficiency, and effectiveness within SBA programs — with more significant work to be released soon.

On June 27, 2023, we published the white paper *COVID-19 Pandemic EIDL and PPP Loan Fraud Landscape* ([Report 23-09](#)). We conducted this review to provide a comprehensive estimate of the potential fraud in SBA pandemic assistance loan programs using our investigative casework, prior reporting, advanced data analytics, and additional review procedures. We estimated SBA disbursed over \$200 billion in potentially fraudulent COVID-19 EIDLs and PPP funds out of the

approximately \$1.2 trillion allocated to SBA for pandemic economic assistance. This means at least 17 percent of all COVID-19 EIDL and PPP funds were disbursed to potentially fraudulent actors — specifically, more than \$136 billion COVID-19 EIDLs and \$64 billion in PPP loans, representing more than 4 million loans. If time and resources were available, OIG would open an investigation on every one of the loans identified as potential fraud in the Fraud Landscape report.

Notwithstanding these accomplishments, OIG’s oversight capacity is dependent upon the availability of sufficient budgetary resources to continue addressing the oversight need within SBA programs. The President has put forward a Fiscal Year (FY) 2024 budget request for OIG to ensure continued oversight of SBA’s pandemic response and its vital flagship programs supporting the nation’s small businesses. Absent the total budgetary resources for FY 2024, OIG will be unable to capitalize on the laws (P.L. 117-165 and P.L. 117-166) that extended the statute of limitations for fraud in the PPP and EIDL programs to 10 years, as well as effectively oversee SBA’s flagship programs that have management and performance challenges. Rest assured with an investment in our office, taxpayers will continue to receive significant return on investment, as well as benefit of more efficient and effective SBA.

PANDEMIC RESPONSE OVERSIGHT

Congress authorized SBA to administer approximately \$1.2 trillion through the PPP, COVID-19 EIDL, Shuttered Venue Operators Grant (SVOG), and the Restaurant Revitalization Fund (RRF) to support businesses adversely affected by the economic crisis caused by lockdowns, business closures, and other impediments.

To support businesses adversely affected by the pandemic, Congress tasked SBA with the lending authority of approximately \$470 billion in COVID-19 EIDLs and \$20 billion in COVID-19 emergency grants. In FY 2021, Congress appropriated additional funds for new disaster assistance programs: \$35 billion for Targeted EIDL Advances and Supplemental Targeted Advances, \$16.25 billion for the SVOG program, and \$28.6 billion for the RRF. The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided \$349 billion for the creation of the PPP under Section 7(a) of the Small Business Act. Congress added an additional \$310 billion to the PPP on April 24, 2020, through the Paycheck Protection Program and Health Care Enhancement Act. On December 27, 2020, through the Consolidated Appropriations Act, 2021, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act extended the program through March 31, 2021. The Economic Aid Act provided an additional \$147.5 billion in program funding. The American Rescue Plan Act of 2021 provided an additional \$7.2 billion, which increased the total program funding to \$813.7 billion. On March 30, 2021, the PPP Extension Act of 2021 extended the program through June 30, 2021, with May 31,

2021, as the last day for acceptance of applications. As pandemic assistance programs swelled to more than \$1 trillion, the risk to the taxpayer increased because SBA's internal control environment was calibrated to expedite loans and grants.

My office recognized at the onset of the pandemic that SBA would face a delicate balancing act of preventing widespread fraud while ensuring timely disbursement of relief funds to Americans in immediate need of assistance. The biggest concern was SBA's quick delivery of capital to qualifying small businesses without first establishing the internal controls necessary to decrease fraud risk, such as verifying that a business did indeed exist before the onset of the pandemic and that it had been adversely affected by the economic downturn. This was why we issued two reports prior to the first PPP loan being disbursed. Our reports stressed the importance of up-front program controls to mitigate the risk of fraud. Because of the lessons learned from other disasters, we knew the weaknesses found in the past would be greatly magnified with programs as large as the COVID-19 EIDL program and the PPP.

Even with these early warnings, SBA's internal control environment helped to create the biggest fraud in a generation. SBA's need to quickly provide relief to small businesses resulted in reduced controls on pandemic-related loans and grants, substantially increasing the fraud risk. It was immediately clear that pandemic relief efforts had drawn the attention of unscrupulous and greedy criminals. We also launched investigations, audits, and other reviews, and published a list of fraud schemes and scams to alert the public and SBA stakeholders about the fraud and abuses endangering these critical resources. Complaints from lenders and allegations of misuse of funds overwhelmed OIG's Hotline — over 100,000 complaints in the first year alone, which has grown to over 270,000. The first criminal charges of PPP fraud were announced on May 5, 2020 — approximately 1 month after the program was initially authorized by Congress.

OIG utilized agile work products to deliver findings and suggest recommendations for corrective action to SBA in nearly real time. We published a flash report on the PPP in May 2020, just over 1 month after the start of the program. Because of this report, Congress made significant changes to the program, such as changing the minimum allowable use of proceeds for payroll costs from 75 percent to 60 percent, extending the maturity from 2 years to 5 years, and prioritizing lending to underserved markets. We sounded the alarm internally of rampant fraud in the COVID-19 EIDL program in June 2020.

A growing national narrative told of widespread fraudulent activity involving funds intended to provide economic relief to qualifying small businesses and entrepreneurs. We actively engaged SBA leaders throughout the duration of the pandemic to notify them of preliminary findings so they could respond in real time to prevent loss to the taxpayer.

Oversight work

Since the start of the pandemic, OIG has testified before Congress 12 times and held nearly 100 briefings for congressional staff to ensure Congress remains informed about our noteworthy oversight efforts and innovative approaches using agile work products and data analytics.

OIG focuses its oversight capacity on the most significant risks to SBA and taxpayers. Many of these risks are addressed in OIG's *Top Management and Performance Challenges Facing the SBA*, which OIG issues annually in accordance with the Reports Consolidation Act of 2000. The management challenges represent areas that OIG considers particularly vulnerable to fraud, waste, abuse, or mismanagement, or which otherwise pose significant risk to the agency, its operations, or its credibility.

Each management challenge has originated from one or more reports issued by OIG or the Government Accountability Office. We do not usually rank the top challenges in order of importance or magnitude, except for the pandemic economic assistance challenge. We view all eight challenges as critically important to SBA operations in the upcoming year. However, we placed COVID-19 economic relief programs at the top of the list for the 2021 report in recognition that it is the agency's most acute challenge, and it remains so at present.

SBA Top Management & Performance Challenges FY 2024

Challenge 1

SBA's Economic Relief Programs Are Susceptible to Significant Fraud Risks and Vulnerabilities

Challenge 2

Eligibility Concerns in Small Business Contracting Programs Undermine the Reliability of Contracting Goal Achievements

Challenge 3

SBA Faces Significant Challenges in Information Technology Investments, System Development, and Security Controls

Challenge 4

SBA Risk Management and Oversight Practices Need Improvement to Ensure the Integrity of Loan Programs

Challenge 5

SBA's Management and Monitoring of the 8(a) Business Development Program Needs Improvement

Challenge 6

Identification of Improper Payments in SBA's 7(a) Loan Program Remains a Challenge

Challenge 7

SBA's Disaster Assistance Program Must Balance Competing Priorities to Deliver Prompt Assistance but Prevent Fraud

Challenge 8

SBA Needs Robust Grants Management Oversight

OIG annually publishes an oversight plan for reviews it has ongoing or planned for that calendar year. The implementation of this robust oversight plan uses all available OIG resources to provide timely, objective, and independent oversight of SBA programs and services.

As stated in our oversight plan, upcoming reports will focus on a holistic approach in assessing SBA's pandemic response programs and flagship programs. Notably, SBA's decision to expand the role of Small Business Lending Centers within the 7(a) program. This and other regulatory changes are significant and will be subject of oversight efforts. Additionally, OIG is working on more than 10 mandatory reviews, which are required by law, and dozens of other reviews determined by our risk analyses. We have initiated three inspections on SBA's initial response to hurricanes Fiona, Ian, and Idalia and the Maui wildfires. We expect to issue these reports in the second quarter of Fiscal Year 2024.

Over the course of SBA's pandemic response, OIG offered key recommendations to strengthen the internal controls to prevent fraud in the COVID-19 EIDL program and the PPP. SBA has been responsive to OIG recommendations for corrective action. SBA has continually made progress to reduce fraud risks and prevent further losses in its pandemic loan programs, and our office's ongoing work continues to make further recommendations for corrective action. Although we are confident that SBA's implementation of our recommendations stemmed the tide of fraud, many of the improvements to the lax internal control environment were made after much of the damage had already been done.

We will continue to monitor and assess the effectiveness of agency controls through our ongoing and planned reviews for suspected fraud and suspicious activities.

Fraud Landscape

On June 27, 2023, OIG published the [COVID-19 Pandemic EIDL and PPP Loan Fraud Landscape](#). We conducted this review to provide a comprehensive estimate of the potential fraud in the SBA pandemic assistance loan programs. Over the course of the COVID-19 pandemic, SBA disbursed approximately \$1.2 trillion of COVID-19 EIDL and PPP funds. The fraud landscape white paper not only provided policymakers with an understanding of the fraud perpetuated against SBA, but it also provides OIG the insight necessary to prioritize and lead investigative efforts across the nation, particularly in task and strike forces led by the U.S. Department of Justice (DOJ).

Using OIG’s investigative casework, prior OIG reporting, advanced data analytics, and additional review procedures, we estimate SBA disbursed more than \$200 billion in potentially fraudulent COVID-19 EIDLs and PPP loans. This estimate represents approximately 17 percent of disbursed COVID-19 EIDLs and PPP funds — specifically, more than \$136 billion COVID-19 EIDLs and \$64 billion in PPP funds.

Based on the various fraud schemes identified in our ongoing and adjudicated criminal investigations, we expanded rule-based analytics through link analysis. — an investigative technique that identifies fraud clusters through shared data attributes. Link analysis is distinct from simply identifying loans with duplicative values, such as sharing the same Internet Protocol (IP) address. This technique refines basic duplicate analysis by only capturing additional loans that are associated with a source loan suspected of fraud. This reduced the potential false positives and allowed us to focus on loan clusters highly suspected of being fraudulent.

We automated a process in which we linked one-third of all OIG Hotline complaints to associated loan data by extracting the unique identifiers of tax ID, loan number, and Dun and Bradstreet business identifier (DUNS) number from complaint narratives. We incorporated previously unavailable PPP borrower intake data using administrative subpoenas, which then help us further our investigative work. This data was from a small number of PPP lenders and third-party processors and may be expanded upon as we obtain additional data.

Our review identified 11 fraud indicators, or fraud groups. Since SBA did not have an established strong internal control environment for approving and disbursing program funds, there was an insufficient barrier against fraudsters accessing funds that should have been available for eligible business owners adversely affected by the pandemic.

Our [fraud landscape white paper](#) demonstrated that the potential fraud estimates directly correlate to our investigative casework, adjudicated and ongoing criminal cases, and to schemes SBA OIG and other oversight agencies are continuing to unravel and prosecute. The growth of the SBA’s programs coupled with over \$200 billion in potential pandemic-related fraud significantly expands OIG’s oversight responsibilities.

COMBATING FRAUD

OIG leads the collaborative effort to combat fraud in SBA’s pandemic and flagship programs. Prior to the pandemic, our office had always placed great value in our partnerships across the federal government and law enforcement agencies. With

this committed investment, OIG's relationships have grown, paying dividends in terms of our office's success in dealing with the onslaught of fraud.

Since March 2020, we have initiated over a thousand investigations involving complaints of fraud, resulting in arrests, indictments, and convictions that are reported daily by the DOJ and its Offices of the U.S. Attorneys. We have received more than 270,000 SBA OIG Hotline complaints and allegations of wrongdoing since the start of the pandemic. From that number, our data analytics team has identified more than 104,000 actionable leads — representing more than 100 years of investigative case work. With time and resources, OIG and our investigative partners will investigate these loans identified as potentially fraudulent within the statute of limitations.

To bring fraudsters to justice and return taxpayer funds, OIG fosters a whole-of-government approach. Time and time again, OIG has proven that the task force model is winning approach in the fight against fraud. Our model has acted as a force multiplier to combat the ever evolving and expanding fraud cases. OIG created these SBA-centric task forces to collaborate with the DOJ and other law enforcement authorities in bringing fraudsters to justice while clawing back stolen taxpayer dollars. Consequently, our investigators have successfully conducted several large-scale sweeps related to fraudulently obtained COVID-19 relief funds, including arrests this past summer of more than 42 co-conspirators in Puerto Rico, bringing the total arrests for this operation to 92 thus far, and 20 gang members in South Carolina who otherwise would have remained at-large.

Since the establishment of the COVID-19 Fraud Task Force, we have worked closely with our law enforcement partners to analyze the extraordinary amount of data from our state workforce agency partners and the SBA. That data is the key to identifying and prosecuting organized criminal groups and networks of overseas fraudsters who stole pandemic relief funds. The strike force teams accelerate the process of turning data analytics into criminal investigations, which has continued to enhance our prosecutions. This prosecutor-led approach has proven successful in other organized crime arenas. We believe it is key to dismantling the networks that egregiously stole pandemic relief funds. The President also has sought \$100 million in supplemental appropriations, in addition to other measures, for a whole-of-government response to the massive fraud in the nation's pandemic response programs.

The COVID-19 Fraud Enforcement Task Forces were established to marshal the resources of the DOJ in partnership with agencies across government to enhance efforts to combat and prevent pandemic-related fraud. The task forces bolster efforts to investigate and prosecute the most culpable domestic and international criminal actors. The task forces assist agencies with administering relief programs by helping prevent fraud by augmenting and incorporating existing coordination mechanisms, identifying resources and techniques to uncover fraudulent actors and

their schemes, and sharing and harnessing information and insights gained from prior enforcement efforts.

OIG Participates in Over 10 Strike/Task Forces

- *Oregon Task Force*
- *Nevada Task Force*
- *Utah Task Force*
- *Denver Task Force*
- *Eastern District of Washington Task Force*
- *Idaho Task Force*
- *Hawaii Task Force*
- *DOJ Strike/Task Force(s)*
 - *Covering the Central and Eastern Districts of California*
 - *Covering the Southern District of Florida*
 - *Covering the District of Maryland*

Our Oregon Task Force is an outstanding example of how this strategy has acted as a force multiplier in taking the fight to fraudsters' doorsteps. Our partners on this task force include the Federal Bureau of Investigation, the U.S. Treasury Inspector General for Tax Administration, the Internal Revenue Service's Criminal Investigation, Homeland Security Investigations, the Secret Service, the U.S. Postal Inspection Service, and the Naval Criminal Investigative Service. Recently, this task force uncovered one of the largest attempted schemes prosecuted across the nation, exceeding \$170 million, with over \$11.5 million in secured funding.

Last fall, OIG took a significant step by establishing our Technology Solutions Division, which aligns with our objective of leveraging technology and employee experience to improve OIG methods in carrying out our mission. Through intentional investments in data analytics, OIG's data analytics team has been able to use machine learning and artificial intelligence to identify outliers in the portfolio for investigation, as well as employing traditional data analytics to develop investigative leads for our special agents working in tandem with task force partners.

We must focus our limited resources because we are faced with the monumental task of investigating \$200 billion in potential fraud, as reported in our fraud landscape report. This led us to develop an all-new interactive Pandemic Leads Dashboard that helps special agents and investigative analysts more efficiently access information on potentially fraudulent PPP loans and COVID-EIDLs. These leads come from the schemes we reported in the fraud landscape estimate. Agents and analysts can filter their search for potentially fraudulent loans by business

location, DOJ district, dollar amount, fraud scheme, Hotline complaints, and loans with the some identifying information.

In addition to prioritizing cases of the most egregious nature, the dashboard data helps our agents direct and lead task force efforts. SBA OIG can drill down to any zip code in the country and partner with local and regional law enforcement to relentlessly root out fraudsters and bring them to justice.

Many instances of fraud have been egregious, such as:

- In October 2023, the head of a multimillion-dollar COVID-19 relief fraud ring was sentenced to 15 years in prison and ordered to forfeit \$5.5 million for leading a conspiracy to fraudulently obtain more than \$20 million in forgivable PPP loans. According to court documents, he conspired with at least 14 others to submit 75 fraudulent PPP loan applications in 2020. Federal agents seized real estate, a Porsche, and a Lamborghini purchased with illegally obtained funds.
- In October 2023, a Maryland man pled guilty to conspiracy to commit wire fraud affecting financial institutions, relating to more than \$17.9 million in fraudulent CARES Act loan applications. The man admitted to using the funds to travel to Dubai and Egypt on multiple occasions, buying property, and staying at luxury hotels like the Four Seasons. Taxpayer funds meant to support American small businesses during a crisis were instead used to purchase property to open a beachfront restaurant in Alexandria, Egypt.
- In October 2023, a California chief executive officer of a company providing homes for parolees and probationers was sentenced to 17 years after being convicted of 44 felonies including conspiracy, bank fraud, wire fraud, aggravated identity theft, false statements to a bank, destruction of property to prevent a search, possession of a firearm as a felon, making a false tax return, obstruction, and witness tampering. The evidence presented at trial showed he submitted 16 fraudulent loan applications to the PPP, seeking approximately \$34.6 million.
- In September 2023, an Arkansas business owner pled guilty to fraudulently obtaining more than \$16.5 million in a wide-ranging conspiracy to obtain fraudulent COVID-19 relief funding. He admitted to obtaining more than \$3.25 million in PPP and EIDL funds for his own businesses and another \$13.5 million in EIDLs for his co-conspirators.
- In July 2023, a California man was sentenced to 79 months in federal prison for fraudulently obtaining approximately \$9 million in COVID-19 business loans, some of which he used on stock trades and gambling excursions to Las Vegas. He submitted over \$10 million in PPP loans, \$9 million of which was funded, and \$320,000 in EIDLs, \$170,000 of which was funded, for fake companies.

- In July/August 2023, 42 people were indicted in Puerto Rico for their participation in a multimillion-dollar fraud scheme to illegally obtain federal recovery funds under the CARES Act. The grand jury charged the defendants with multiple counts of wire fraud and money laundering. According to evidence, from April 2020 through May 2023, the defendants, and their co-conspirators (both indicted and un-indicted), submitted at least 273 EIDL and PPP loan applications seeking the disbursement of about \$9 million in taxpayer funds.
- In March 2023, a federal jury convicted a Virginia woman on charges of conspiracy, bank fraud, and money laundering. The woman and her husband fraudulently obtained two PPP loans. She carried out the scheme in connection with two of her husband's businesses, creating fake payroll documentation in support of the loan applications. The fraudulent documentation claimed her husband's businesses had dozens of employees with over \$17 million of annual payroll in 2019, when in fact they had few, if any, employees. She and her husband fraudulently obtained approximately \$2.5 million in taxpayer funds they then spent on a 7,000-square-foot home.
- In February 2023, a California woman who fled to Montenegro to avoid her prison sentence from pandemic assistance fraud was returned to the United States after spending a year as a fugitive. The woman was a member of a Los Angeles-based fraud ring that stole over \$20 million in PPP and COVID-19 EIDL funds. She and her co-conspirators used dozens of fake, stolen, or synthetic identities – including names belonging to elderly or deceased people and foreign exchange students – to submit at least 150 fraudulent PPP and EIDL applications. The group used taxpayer funds to buy luxury homes, gold coins, diamonds, jewelry, luxury watches, fine imported furnishings, designer handbags, clothing, and a luxury motorcycle.

Whistleblowers have been instrumental in our oversight efforts. These brave individuals have courageously come forward to help us focus our oversight on vulnerabilities within SBA's internal control environment and other areas of significant concern. Many of our OIG Hotline complaints concern identity theft. We have been able to make referrals to SBA to address complainants' concerns pertaining to fraudulent loans. These reports have also informed our ongoing review of SBA's response to allegations of identity theft. OIG is deeply appreciative of the whistleblowers who have come forward. We will investigate any ensuing complaints of retaliation that may be related to these protected disclosures.

PANDEMIC RESPONSE ACCOUNTABILITY COMMITTEE

Through the CARES Act, Congress established the Pandemic Response Accountability Committee (PRAC) within the Council of the Inspectors General on

Integrity and Efficiency. OIG was designated as a statutory member of the PRAC, which provides increased oversight capacity to the pandemic response efforts. I also chair the PRAC's Audit Subcommittee to provide strategic audit-related direction to all government review efforts.

The PRAC plays a key role in supporting OIG's pandemic oversight efforts. During the pandemic, our Hotline received thousands of complaints outside of its electronic complaint submission system. The PRAC identified 10 volunteers to perform a short-term detail to our Hotline. These volunteers performed data entry to consolidate these complaints into the case tracking system, where they can be efficiently assessed and addressed. We are also engaged with the PRAC to bolster our internal data analytics capabilities, though we have developed over the past year a robust internal capability to guide and enrich our oversight efforts.

OIG's investigative and data analytics experts were an integral part in the PRAC's establishment of Pandemic Analytics Center of Excellence (PACE). The PACE was established to provide an analytic platform with the capacity and scale to help oversee more than \$5 trillion in pandemic-related emergency spending, including the SBA COVID programs. In addition, OIG investigative experts assisted in the training of PRAC's Task Force members and provided guidance and deconfliction on their task force cases. The PRAC's PACE and Task Force have been a tremendous force multiplier in combatting the fraud, waste, and abuse associated with the SBA COVID programs.

OIG continues to collaboratively work alongside the PRAC to further safeguard taxpayer dollars, identify cases of fraud in SBA pandemic relief related programs, and proactively alert external stakeholders to areas of potential waste, fraud, and abuse. Through this partnership, the PRAC has issued three reports that relied heavily on our subject matter expertise. These reports include the following: *SBA PPP Phase III Fraud Controls; Risk Advisory – Potential Identity or Other Fraud in SBA Pandemic Relief Programs; and the Fraud Alert: PRAC Identifies \$5.4 Billion in Potentially Fraudulent Pandemic Loans Obtained Using Over 69,000 Questionable Social Security Numbers*. The July 2023 *PRAC Impact Project* produced in collaboration with SBA OIG and eight other OIGs reviewed the sources, intended purpose, and effects of federal pandemic funds for six geographic areas.

Additionally, our partnership with the PRAC furthers goals of promoting integrity, efficiency, and effectiveness of SBA programs. This partnership continues to amplify our oversight through engagement with an external stakeholder.

SUSTAINED OVERSIGHT APPROACH

While PPP lending is anticipated to resolve within the next several years, our efforts to detect and investigate the substantial fraud will continue. We will be

working diligently to offer recommendations that improve SBA programs and operations, strained by the unprecedented demand during the pandemic crisis. This oversight will require vigilance so that SBA can efficiently and effectively meet the needs of small businesses.

The scale and scope of the pandemic response programs, and the potential fraud under investigation, far outmatches oversight resources. To prioritize our work and root out fraud in these vast portfolios, we have moved data analytics into the heart of our oversight efforts. Our data analytics staff is assisted by contractor support secured through our partnership with the PRAC. Data analysis produces a higher quality of audit and investigative information so that we can improve our audit and investigative work. SBA's loan portfolios are comprised of millions of records, which are too expansive for manual review. Data analytics has already proven to bolster our investigative capacity, bringing fraudsters to justice across the country.

In August 2022, the President signed into law two bipartisan bills that were aimed at holding accountable those who commit pandemic assistance fraud. The two laws extend the time available to prosecute individuals who committed fraud through the PPP or COVID-19 EIDL programs, extending the statute of limitations for criminal and civil enforcement against a borrower from 5 to 10 years. Thanks to congressional foresight, pandemic relief fraud enforcement will continue to be a priority for many years to come.

The President's requested increase in OIG's base operating budget for FY 2024 coincides with the exhaustion of supplemental funds appropriated during the pandemic. OIG's proposed FY 2024 budget maintains our pandemic staffing level at 185 positions. The budget proposal also provides for 3 additional investigative groups (27 positions) to expand our investigative efforts to match the unprecedented resources expended on pandemic economic assistance. Vital to the oversight successes of OIG, the budget also provides for three additional data scientists, which are essential to detecting the fraud, prioritizing investigations, and enhancing their impact.

With sufficient resources, coupled with the 10-year statute of limitations on PPP and EIDL fraud, our office will be poised to combat fraud for years to come. We are grateful for the swift action from the 117th Congress to extend the statute of limitations on PPP and EIDL fraud. We look forward to working with Congress on resource determinations for FY 2024 and beyond.

Support of OIG's budget request sends a strong message of deterrence to fraudsters taking aim at all U.S. government programs. OIG has proven with adequate resources that we instill integrity in SBA programs and promote the public trust. Budget scenarios, such as a return to FY 2022 funding levels, would be detrimental to instilling integrity in SBA programs. Reducing OIG's funding to FY 2022, as enacted, would decrease OIG's investigative and fraud enforcement capabilities

about equivalent to our staffing levels following sequestration in 2013, which is less than 100 total positions. At the same time, OIG will exhaust supplemental funds being directed to combat fraud in SBA's pandemic response programs in FY 2024. Such a funding scenario simply does not allow OIG to provide effective oversight.

CONCLUSION

Using OIG's past recommendations ensure smooth rollouts of future spending plans to avoid a pay-and-chase model, which is imperative to ensure that funds stay out of the hands of fraudsters. We learned that the demand for swift pandemic relief funding lowered the guardrails, and removed controls designed to flag potential fraud. This, combined with the added pressure due to the economic uncertainty many Americans faced, led some to believe they had a false license to perpetrate fraud. Congress should provide data sharing capabilities for oversight such as tax records, and social security numbers, which would enable agencies to place controls at the front end of the programs. Future spending package rollouts also need to develop a better process of returning and tracking potentially fraudulent funds and systems to assist identity theft victims.

The pandemic presented a whole-of-government challenge. Fraudsters found vulnerabilities and coordinated schemes to bypass controls and gain access to funds meant for eligible small businesses and entrepreneurs adversely affected by the economic crisis. The nation can depend on OIG to provide independent, objective, and timely oversight of SBA. OIG's engaged workforce will continue to give taxpayers a significant return on investment, rooting out fraud, waste, and abuse in SBA programs. Our resources will focus on systems and processes that present serious management and performance challenges within SBA programs to improve the integrity, accountability, and performance of those programs for the benefit of the American people.