

Background

The Office of Inspector General (OIG) issued a white paper¹ in June 2023 that provided a comprehensive estimate of the potential fraud in the U.S. Small Business Administration's (SBA) Coronavirus Disease 2019 (COVID-19) pandemic assistance loan programs.

Over the course of the COVID-19 pandemic, SBA disbursed approximately \$1.2 trillion of COVID-19 Economic Injury Disaster Loan (EIDL) and Paycheck Protection Program (PPP) funds. The economic assistance was intended to help eligible small business owners and entrepreneurs adversely affected by the crisis.

A weak internal control environment can make programs vulnerable to fraud. In OIG's white paper *COVID-19 Pandemic EIDL and PPP Loan Fraud Landscape*, we estimated SBA disbursed more than \$200 billion in potentially fraudulent loans through COVID-19 relief programs. To establish this estimate, OIG used investigative casework, prior OIG reporting, and advanced data analytics to identify multiple schemes used by fraudsters to steal from the American taxpayer and exploit programs meant to help those in need. We believe loans identified as potentially fraudulent as part of our review warrant investigation by OIG and its investigative partners. While fraudulent payments are considered improper, not all improper payments are the result of fraud.

Since the COVID-19 pandemic was declared a national emergency in March 2020 through the issuance of OIG's fraud landscape report in June 2023, OIG issued 77 pandemic-related recommendations to SBA. Of the 77 recommendations, the agency had taken corrective actions to close 38 of them and 39 recommendations remained open as of June 2023. SBA has been working on implementing the corrective actions necessary to close the open recommendations.

Below is a status update regarding SBA's progress on implementing the 39 recommendations that remained open as of June 2023.

¹ SBA OIG, 23-09, *COVID-19 Pandemic EIDL and PPP Loan Fraud Landscape* (June 27, 2023).

Recover the \$100,000 paid for unallowable pre-award project management expenses.	22-07	07/12/2024	This recommendation is under review by SBA's Audit Follow-Up Official for resolution. SBA stated it cannot recover the costs based on the services provided but did not provide legal basis for its position. To close the recommendation, SBA should recover the \$100,000 paid for pre-award expenses since the grant recipient did not provide sufficient evidence to support the costs claimed.
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Source: SBA Integrity System

Table 2: Recommendations That Have Exceeded Targeted Implementation Date

Recommendation	OIG Report Number	Implementation Date	SBA Action(s)
Review the loans identified as potentially ineligible to determine if the businesses met eligibility requirements. If not, take appropriate action related to loan guaranty and forgiveness.	21-07	11/01/2024	SBA submitted a closure request with the results of its loan review. OIG verified the closure information and subsequently closed this recommendation on 03/06/2025.
Communicate and enforce the SBA System Development Methodology (SDM) in which a traceability matrix is used to ensure that system requirements can be tested and demonstrated in the operational system. Ensure all requirements are aligned with the contractual acceptance criteria.	22-19	12/30/2024 (extension subsequently granted to 03/31/2025)	SBA stated it is currently drafting the System Development Methodology SOP to address the recommendation.

Explore alternative means of collections for PPP loans with an outstanding balance of \$100,000 or less.	22-25	12/27/2024	SBA requested an extension and stated it is preparing to submit an updated closure request package to OIG. OIG subsequently closed this recommendation on 02/12/2025.
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Source: SBA Integrity System

Table 3: Recommendations that Have Not Reached Their Target Implementation Date

Recommendation	OIG Report Number	Implementation Date	SBA Action(s)
Review the OIG identified potential duplicate disbursements for eligibility and take action to recover any improper payments as applicable.	21-09	05/29/2025	SBA stated it is reviewing the identified loans and taking corrective actions to address this recommendation.
Review the applications of sole proprietors and independent contractors that included numbers of employees but no Employer Identification Number; and remedy the \$3.5 billion disbursed to sole proprietors and \$1 billion disbursed to independent contractors that exceeded the amount allowed by SBA's policy.	22-01	02/28/2025 (extension subsequently granted to 04/30/2025)	SBA stated it is taking corrective actions to address this recommendation to include updating related processes and procedures.
Thoroughly review each COVID-19 EIDL grant and advance application submitted from foreign IP addresses that were approved and funded and verify eligibility. If ineligibility or evidence of potential fraud is found, SBA should stop any further or future disbursements, recover any disbursed funds, and refer fraudulent loans to OIG for investigation.	22-17	01/31/2025	SBA has submitted a closure request for this recommendation and OIG subsequently closed this recommendation on 01/13/2025.

Ensure the existing SBA SDM is updated to include supply chain risk-management practices as required by Office of Management and Budget (OMB) Circular A-130 and high-value asset system designation guidance. Also, ensure high-value asset system risks are incorporated into the enterprise risk management framework, as recommended by OMB M-19-03 and SBA Standard Operating Procedure (SOP) 90 47 6.	<u>22-19</u>	12/31/2024 (extension subsequently granted to 03/31/2025)	SBA stated it is currently drafting the System Development Methodology SOP to address the recommendation.
In conjunction with the Enterprise Risk Management Board, implement enterprise-wide privacy risk mitigation practices that can be assimilated into new and existing system program designs.	<u>22-19</u>	01/20/2025 (extension subsequently granted to 08/01/2025)	SBA stated it is updating its standard operations procedures to include enterprise-wide privacy risk mitigation practices.
Transition information systems and common controls to an ongoing authorization process (when eligible for such a process) with the formal approval of the respective authorizing officials or reauthorize information systems and common controls as needed, on a time or event-driven basis in accordance with agency risk tolerance, as required by OMB Circular No. A-130 and SOP 90 47 6.	<u>22-19</u>	02/14/2025 (extension subsequently granted to 06/30/2025)	SBA stated it is procuring a new tool to address the recommendation. Once procured, SBA will install the tool and train employees on its use.
Review and update plans of action and milestones at least quarterly as required by SOP 90 47 6.	<u>22-19</u>	02/14/2025 (extension subsequently granted to 06/30/2025)	SBA stated it is procuring a new tool to address the plan of actions and milestones using a monitoring tool platform.

Implement an automated process to document and monitor system changes as recommended by National Institute of Standards and Technology Special Publication 800-53 Rev. 5.	22-19	02/14/2025 (extension subsequently granted to 06/30/2025)	SBA stated it is procuring a new tool to address the recommendation. Once procured, SBA will install the tool and train employees on its use.
Review the 179 PPP loans, totaling approximately \$684 million, for compliance with affiliation and size standards to ensure eligibility requirements were met and seek remedy or repayment for all loans deemed ineligible.	22-21	05/30/2025	SBA stated it is currently reviewing the loans identified in this recommendation.
Conduct an initial and periodic cost benefit analysis on PPP purchase guarantees with comprehensive estimates to sufficiently assess whether the cost of collecting loans of \$100,000 or less is more than the recovery amount and pursue collections based on results of the analysis.	22-25	01/31/2025	SBA stated it is preparing to submit an updated closure request package to OIG. SBA subsequently submitted a closure request and OIG closed this recommendation on 03/26/2025.

Source: SBA Integrity System

Scope and Methodology

This report presents the results of our review of open recommendations from prior OIG pandemic-related reports as of December 31, 2024. The scope of this review was limited to the 39 open recommendations referred to in our white paper *COVID-19 Pandemic EIDL and PPP Loan Fraud Landscape* (Report 23-09). OIG conducted this review in response to congressional interest in obtaining updates on progress made by SBA on remaining open recommendations.

To meet this requirement, we reviewed audit follow-up data and communications in SBA's Integrity system to gain an understanding of the status of the 39 recommendations. We also relied on SBA's *Agency Financial Report*, Fiscal Year 2024, to obtain SBA's final action on outstanding audit recommendations. We determined whether recommendations were open or closed and the progress made on open recommendations.

We conducted this review in accordance with OIG's policies and procedures and the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Federal Offices of Inspector General*, which requires that we conduct our work with integrity, objectivity, and independence.

Use of Computer-Processed Data

We relied on data from SBA's electronic enterprise system, SBA Integrity System, to gain insight into the status of the recommendations for reporting purposes. This system is used jointly by SBA and OIG to store information, communication, and the statuses of all OIG recommendations. We believe that the data obtained from the system is sufficiently reliable to support our results.