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SELECT SUBCOMMITTEE ON THE CORONAVIRUS CRISIS

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

PHONE (202) 225-4400

<https://coronavirus.house.gov>

September 1, 2020

The Honorable Hannibal “Mike” Ware
Inspector General
Small Business Administration
409 3rd Street, S.W.
Washington, D.C. 20416

Mr. Richard K. Delmar
Acting Inspector General
Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Mr. Ware and Mr. Delmar:

I am writing to request that your offices conduct a review of the management of the Paycheck Protection Program (PPP) by the Small Business Administration (SBA) and Department of the Treasury (Treasury) in light of a new staff report from the Select Subcommittee on the Coronavirus Crisis showing billions of dollars in PPP loans may have been diverted to fraud, waste, and abuse. In particular, I encourage you to examine the categories of loans identified in the enclosed memorandum and any other loans that contain indicia of fraud, as well as the program’s oversight and accountability mechanisms.

The Select Subcommittee’s findings are especially concerning in light of recent criminal indictments that allege significant fraud in the program, the SBA Inspector General’s recent report that found “widespread potential fraud” in another SBA lending program, and a recent report from the Government Accountability Office (GAO) that documented fraud in stimulus programs due to the Administration’s failures to implement basic fraud controls.¹ GAO warned, “there is a significant risk that some fraudulent or inflated applications were approved” in PPP

¹ *Spotting \$62 Million in Alleged P.P.P. Fraud Was the Easy Part*, New York Times (Aug. 28, 2020) (online at www.nytimes.com/2020/08/28/business/ppp-small-business-fraud-coronavirus.html?action=click&module=Top%20Stories&pgtype=Homepage); Small Business Administration, Office of Inspector General, *Serious Concerns of Potential Fraud in Economic Injury Disaster Loan Program Pertaining to the Response to COVID-19* (July 28, 2020) (online at www.sba.gov/sites/default/files/2020-07/SBA_OIG_Report_20-16_508.1.pdf); Government Accountability Office, *COVID-19: Opportunities to Improve Federal Response and Recovery Efforts* (June 25, 2020) (online at www.gao.gov/reports/GAO-20-625/).

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and, “the limited safeguards and lack of timely and complete guidance and oversight planning have increased the likelihood that borrowers may misuse or improperly receive loan proceeds.”²

The enclosed memorandum provides a preliminary analysis of PPP loan-level data by Select Subcommittee staff as part of the Subcommittee’s ongoing investigation of the program. To conduct this analysis, Subcommittee staff examined loan-level data produced by Treasury and SBA on the 5.2 million loans approved as of August 8, 2020, and then leveraged publicly available data sources to identify potentially problematic loans. The Subcommittee’s analysis shows that PPP helped millions of small businesses and non-profit organizations stay afloat during the coronavirus crisis, but a lack of oversight and accountability from SBA and Treasury may have led to billions of dollars being diverted to fraud, waste, and abuse, rather than reaching small businesses truly in need.

The Subcommittee stands ready to share additional information with you if it would aid your work. Thank you for your consideration of this request.

If you have any questions regarding this request, please contact Select Subcommittee staff at (202) 225-4400.

Sincerely,



Rep. James E. Clyburn
Chairman

Enclosure

cc: The Honorable Steve Scalise, Ranking Member

² Government Accountability Office, *COVID-19: Opportunities to Improve Federal Response and Recovery Efforts* (June 25, 2020) (online at www.gao.gov/reports/GAO-20-625/).