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SELECT SUBCOMMITTEE ON THE CORONAVIRUS CRISIS

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June 23, 2020

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

Dear Mr. Ware:

I am writing to request that your office review a concerning report that a vulnerability in loan processing at the Small Business Administration (SBA) caused many businesses to receive duplicate loans under the Paycheck Protection Program (PPP). I am concerned that SBA may have issued more than a thousand duplicate loans, creating significant opportunities for fraud and potentially wasting more than \$100 million in taxpayer dollars—money that was supposed to go to small businesses struggling to stay afloat during the pandemic.

On June 2, 2020, Reuters reported that a systematic error “caused by a blind spot in the SBA’s loan processing system which failed to see when some borrowers submitted applications multiple times typically with several different lenders” led to the issuance of duplicate loans to many businesses. Of particular concern, “SBA has said in the past that it doesn’t collect disbursement data from lenders, so the agency may not know the total amount of duplicate deposits. And lenders may not know if they have issued a duplicate deposit unless the borrower tells them.”¹

According to this troubling report, “SBA estimated that the universe of duplicate approvals amounted to hundreds of millions of dollars if not more.” The report further estimates that at least 1,020 duplicate deposits were issued, amounting to roughly \$116 million dollars based on average loan sizes.²

The Select Subcommittee requests your assistance to determine the scope of this problem and the steps SBA has taken to correct it and ensure that remaining PPP funds are allocated to businesses truly in need. SBA’s apparent failure to implement controls to prevent the duplicate

¹ *Exclusive: U.S. Small Business Program Handed Out Virus Aid to Many Borrowers Twice*, Reuters (June 2, 2020) (online at www.reuters.com/article/us-health-coronavirus-usa-ppp-exclusive/exclusive-us-small-business-program-handed-out-virus-aid-to-many-borrowers-twice-idUSKBN2391S9).

² *Id.*

disbursement of PPP funds may have led to the waste of millions of taxpayer dollars and opportunities for fraud.

Accordingly, I believe it is critical that your office conduct an investigation of this issue as soon as possible. Specifically, I request that your office examine the following questions. This request is consistent with House Resolution 935, which established the Select Subcommittee on the Coronavirus Crisis “to conduct a full and complete investigation” of “issues related to the coronavirus crisis,” including the “efficiency, effectiveness, equity, and transparency of the use of taxpayer funds and relief programs to address the coronavirus crisis” and “reports of waste, fraud, abuse, price gouging, profiteering, or other abusive practices related to the coronavirus crisis.”

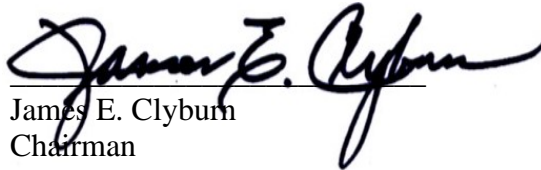
1. When was the vulnerability that led to the disbursement of duplicate deposits first discovered by SBA?
 - a. At the time of discovery, how long had the vulnerability existed?
 - b. Has the vulnerability been resolved? If so, when?
2. Has SBA adequately determined the full scope of the problem?
 - a. Has SBA calculated the total amount of duplicate deposits sent to entities? If so, what is that amount?
 - b. If SBA has not determined the total amount of duplicate deposits, what is preventing SBA from making that determination?
 - c. How many entities have received duplicate payments?
 - d. How many lenders have reported to SBA that their borrowers received duplicate deposits?
3. What steps has SBA taken to ensure that any duplicate deposits have been returned?
 - a. What is the total amount of duplicate deposits that have been returned?
 - b. What is the total amount of duplicate deposits that have not yet been returned?
 - c. What mechanisms does SBA have at its disposal to pursue funds after they have been issued by a lender?
 - d. Is SBA working with law enforcement to hold accountable any person or entity that has received duplicate deposits and not returned the money? Have any cases been referred to the U.S. Department of Justice?
4. Are any borrowers intentionally exploiting this vulnerability to obtain duplicate payments?
5. What formal or informal guidance has SBA provided to lenders regarding duplicate disbursements, including but not limited to guidance regarding SBA’s

policy that “individual business entities cannot apply for more than one loan” under PPP?³

6. Has SBA implemented measures to prevent similar vulnerabilities in the future?

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

Sincerely,



James E. Clyburn
Chairman

cc: The Honorable Steve Scalise, Ranking Member

³ Small Business Administration, Paycheck Protection Program Loans, Frequently Asked Questions (May 27, 2020) (online at www.sba.gov/sites/default/files/2020-06/Paycheck-Protection-Program-Frequently-Asked-Questions_05%2027%2020-508.pdf).