

Serious Concerns of Potential Fraud in Economic Injury Disaster Loan Program Pertaining to the Response to COVID-19

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Office of Inspector General

U.S. Small Business Administration

MEMORANDUM

Date: July 28, 2020

TO: Jovita Carranza
Administrator

FROM: Hannibal "Mike" Ware 
Inspector General

SUBJECT: Serious Concerns of Potential Fraud in the Economic Injury Disaster Loan Program Pertaining to the Response to COVID-19

The Office of Inspector General (OIG) is issuing this Management Alert to bring to your attention serious concerns of potential fraud in the Economic Injury Disaster Loan and Advance grant programs that require immediate attention and action.

OIG has been inundated with contacts to investigative field offices from financial institutions across the nation and the complaint Hotline. We have received complaints of more than 5,000 instances of suspected fraud from financial institutions receiving economic injury loan deposits. Nearly 3,800 of those reported instances of suspected fraud came from only six financial institutions. An additional 1,220 reports of suspected fraudulent transactions have come in from other financial institutions.

Some institutions have reported dollar amounts rather than specific numbers of instances of suspected fraud. Nine financial institutions have reported a combined total of \$187.3 million in suspected fraudulent transactions.

Additionally, we received 465 hotline complaints by May 19, 2020, and the numbers have continued to rise. By June 26, 2020, the number of OIG hotline complaints related to economic injury loans had increased to 1,038 complaints. Of these, 692 complaints were about potential fraud or scams, including credit inquiries for individuals who had never applied for an economic injury loan or grant.

Our preliminary review reveals strong indicators of widespread potential fraud in the program. OIG's ongoing evaluation of the Small Business Administration (SBA's) initial disaster assistance response to the Coronavirus Disease 2019 (COVID-19) pandemic also has revealed several systemic issues. In light of the additional \$222.8 billion in remaining lending authority as of July 15, 2020, these issues need to be addressed immediately to reduce fraud risk and prevent further losses.

Additionally, we have found indications of deficiencies with internal controls related to disaster assistance for the COVID-19 pandemic. Our review of SBA's initial disaster assistance response has identified \$250 million in economic injury loans and advance grants given to potentially ineligible recipients. We have also found approximately \$45.6 million in potentially duplicate payments.

Swift management action could reduce or prevent additional losses to the taxpayer, because the associated economic injury loan applications may still be unapproved or undisbursed. Management should engage financial institutions immediately to identify disbursements that may have been obtained fraudulently and recover disbursed funds.

Background

The President signed the Coronavirus Preparedness and Response Supplemental Appropriations Act on March 6, 2020; the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) on March 27, 2020; and the Paycheck Protection Program and Health Care Enhancement Act on April 24, 2020. These laws authorized SBA's Disaster Assistance Program to use available funds to issue economic injury loans and begin a new program, Economic Injury Disaster Loan Advance to respond to COVID-19 economic injuries.

Section 1110 of the CARES Act authorized SBA to issue a \$10,000 advance within three days to applicants for loans being requested under the Small Business Act (15 U.S.C. 636(b)(2)). The CARES Act initially made \$10 billion available for the advance grant program. The Paycheck Protection Program and Health Care Enhancement Act increased available budget authority to \$20 billion. Under the Coronavirus Preparedness and Response Act, Paycheck Protection Program and Health Care Enhancement Act, and administrative actions taken by SBA, approximately \$373 billion to \$374 billion is available for loans made through SBA's economic injury loan program.¹

On July 11, 2020, SBA announced the \$20 billion advance grant program has ended. The program advanced eligible businesses \$1,000 per employee, up to a maximum of \$10,000, as an interim source of funds while applicants waited for economic injury loan decisions. Applicants did not have to be approved for a loan to receive an advance grant.

Our preliminary review and investigative findings have identified concerns with internal controls and potentially rampant fraud in the program. OIG had already initiated a robust plan to oversee SBA's response to COVID-19. Our investigative staff has also begun dozens of investigations into suspected fraud in the economic injury loan program.

Initial Investigative Findings

Since mid-June, OIG's Investigations Division has had a major increase in reports of suspected fraud from financial institutions and other law enforcement agencies, and we have launched numerous investigations based on these reports. Nearly 440 financial institutions ranging from small, local credit unions to major national institutions have contacted us to express serious concerns. Our law enforcement partners report similar calls from financial institutions.

Financial institutions are in a unique position to help SBA confirm the validity of claims borrowers make and help SBA reduce losses by cancelling loans or advances made to borrowers who submitted fraudulent applications. At the time of our review, SBA did not have a process or partnership in place with financial institutions to review instances of suspected fraud.

Examples of Suspicious Activities and Suspected Fraud

Examples of suspicious activity reported by financial institutions include:

- Accounts established using stolen identities
- Account holders unable to explain origins of deposits or identify business names on loans

¹ On March 16, 2020, California, Connecticut, Maine, and Washington were the first states to be declared disaster areas because of COVID-19. By March 21, 2020, all states and U.S. territories had been declared disaster areas. These actions allowed SBA to use about \$1.1 billion in its disaster loan credit subsidy account to support \$7 billion-\$8 billion in Economic Injury Disaster Loans. The Paycheck Protection Program and Health Care Enhancement Act provided another \$50 billion to the disaster loan credit subsidy account to support approximately \$366 billion in additional Economic Injury Disaster Loans.

- Account holders claiming to use the funds to open a business
- Account holders attempting to transfer funds into investment accounts
- Account holders attempting to transfer funds to foreign accounts
- Loan deposits being made into accounts with no other account activity that were established remotely just before receiving the loan funds
- Economic injury loan funds made to agricultural businesses being deposited in accounts of unrelated third parties located in different states than the business
- Account holders attempting to withdraw loan funds in cash or transfer the funds to other newly established accounts
- Economic injury loans or advance grants being deposited into personal accounts--with no evidence of business activity--of customers of the financial institution

In many instances, financial institutions have frozen funds and are trying to contact the appropriate department in SBA to provide information about the borrower and resolve the frozen funds. Some institutions have reported dollar amounts rather than specific numbers of instances of fraud. Nine financial institutions have reported a combined total of \$187.3 million in suspected fraudulent transactions.

Examples of the transactions financial institutions suspect to be fraudulent include:

- A London-based international money transfer business claims to have identified \$1.9 million in pending SBA deposits being made to accounts to be transferred internationally. The financial institution is seeking to have SBA “blacklist” these account numbers to prevent future deposits and is working to identify payouts already made.
- A banking service provider reports it has identified \$73 million in SBA deposits from approximately 3,000 transactions as being suspicious. The provider estimates it receives 300 deposits per day.
- A federal credit union reported to the Criminal Division of the Department of Justice that it has received \$15 million in SBA deposits in recent weeks. The credit union audited 60 of the transactions and determined that 59 appeared to be fraudulent.

We are alarmed by these reports, but they are consistent with our investigations, which indicate pervasive fraudulent activity. In response to the reports of suspicious activity, we issued an advisory in coordination with the Financial Crimes Enforcement Network to financial institutions to alert them to potential indicators of fraud in the economic injury loan program.

Fraud Schemes on Social Media

OIG’s Investigations Division, in conjunction with its investigative partners, has identified several organized fraud rings that use social media to recruit applicants who split advance money with ringleaders. Various romance scams and social media solicitations persuade people to provide personally identifiable information to “get free money.” The information is then used to apply for SBA economic injury loans and portions of the proceeds go to the ringleader.

Another scheme has companies advertising their ability to secure SBA money for clients to start businesses, then using respondents' information to apply for SBA economic injury loans. Online videos on social media are readily available to instruct potential applicants how to answer certain questions to falsely obtain economic injury loan money.

During initial investigation into some of the theft complaints, OIG's criminal investigators have found that some IP addresses used to apply for SBA assistance using stolen identities were also used in applications for numerous other economic injury loans.

SBA's Initial COVID-19 Disaster Assistance Response

Our ongoing evaluation has revealed SBA had approved more than \$250 million in COVID-19 economic injury loans and advance grants to potentially ineligible businesses as of June 19, 2020. We also found that as of June 6, 2020, SBA had made duplicate economic injury loans to nearly 300 businesses.

Loans and Advance Grants to Ineligible Businesses

We found SBA issued 6,132 economic injury loans and 20,692 advance grants to potentially ineligible businesses.

Under the CARES Act, applicants must have been in business on January 31, 2020, to be eligible for economic injury loans or advance grants. We cross-referenced a database of Employer Identification Number registrations between January 1, 2020, and June 15, 2020, and matched them to data in SBA's contractor's database approved as of June 19, 2020.

To determine whether SBA was properly lending to businesses that existed on January 31, 2020, we extracted all loan applications from companies whose identification numbers were registered before January 31. We also removed all sole proprietorships.

The remaining 68,257 loan applicants had registered their businesses after January 31 and were consequently ineligible for economic injury loans or grants. However, SBA approved 6,132 loans totaling \$208.1 million to the ineligible businesses. An additional 20,692 applicants received advance grants totaling \$47.8 million.

Duplicate Loans

We also found that SBA paid out hundreds of duplicate loan disbursements to businesses. In total, SBA has approved, or approved and paid, at least 275 loans more than one time. To date, approximately \$35 million of the \$45.6 million in approved duplicate loans has been disbursed. We verified the duplicate approved loans were made to the same businesses at the same address.²

The majority of the duplicate loans were approved twice. However, of the 275 duplicates, we found one business was approved four times and received four loans; six businesses were each approved for three loans. The remaining 268 businesses were each approved for two loans.

We believe the duplicate payments or loan approvals were made to applicants who applied more than once for assistance. SBA processed the multiple applications submitted because the agency does not have effective controls in place to determine if the applicants had previously applied for and received financial help.

² We based this finding on partial information exported from the SBA Capital Access Finance System. As of July 15, 2020, OIG was not certain if the system had complete and total economic injury loan information. We may need to revise the number of duplicate loans after analyzing a full information export from the system.

Conclusion

SBA should take immediate action to reduce or eliminate fraud risks by strengthening existing controls and implementing internal controls to address potential fraud. Strong controls will ensure the Economic Injury Disaster Loan program can effectively and efficiently help eligible disaster victims who have suffered real economic injury because of the COVID-19 pandemic.

Our preliminary review of findings indicates the need for a reassessment of controls to ensure only eligible recipients receive advance grants and to prevent any erroneous duplication of loans.

Suggested Actions for SBA

To address serious problems and deficiencies in internal controls of the economic injury loan program for COVID-19 pandemic relief, we suggest the Administrator:

1. Assess vulnerabilities for the purpose of strengthening or implementing internal controls to address notices of potential fraud.
2. Create an effective process and method for lenders to report suspected fraud to the Office of Disaster Assistance and to recover funds.

Analysis of agency comments

SBA leadership provided formal comments to this Management Alert, included in their entirety in Appendix I. SBA management's response informs OIG of the internal controls SBA has in place or has recently instituted. However, OIG's alert provides information about potential fraud and raises awareness of preliminary review findings, despite the controls initially in effect.

We agree the actions taken by management on July 16 and July 22 are responsive to OIG's suggested actions in the alert. OIG is fully aware of these actions and understands these steps were taken in response to OIG briefings in recent weeks of senior leaders on the concerns cited in this alert.

SBA's response also requested more discussions with OIG about internal controls necessary to address the suggested actions. OIG has been in daily contact with program officials about specific instances of potential fraud, which included providing contact information for financial institutions to assist SBA in reviewing potentially fraudulent economic injury loans and advances. OIG responsively met again with SBA leadership on July 27, 2020 to address SBA's concerns and provide further clarification. We will certainly continue to hold meaningful and cooperative discussions with SBA management to share information and reports of findings.

OIG is an independent office within SBA that provides objective oversight of the agency's programs and operations. OIG will not compromise its independence or the objectivity necessary to carry out its mission. The alert raises awareness of the need for the immediate action to ensure the integrity of the program.

Disclaimer

We prepared this management alert to bring to SBA's attention serious issues with the Economic Injury Disaster Loan and Advance Grant programs that we have identified during our ongoing review of SBA initial disaster assistance response to the Coronavirus pandemic. Our ongoing review is being conducted in accordance with the Council of Inspectors General for Integrity and Efficiency's (CIGIE) Quality Standards for Inspection and Evaluation. We prepared this management alert in alignment with OIG's quality control standards and the CIGIE Quality Standards for federal

Offices of Inspector General, which require that we conduct our work with integrity, objectivity, and independence.

If you have any questions, please contact me or Andrea Deadwyler, Assistant Inspector General for Audits, at (202) 205-6586.

cc: William Manger, Chief of Staff and Associate Administrator,
Office of Capital Access
Brittany Biles, General Counsel
James E. Rivera, Associate Administrator, Office of Disaster Assistance
Martin Conrey, Attorney Advisor, Legislation and Appropriations
Tami Perriello, Chief Financial Officer
Tonia Butler, Director, Office of Internal Controls

Appendix I: Management's Comments

SBA's Response to the Alert



OFFICE OF THE ADMINISTRATOR

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

July 23, 2020

The Honorable Hannibal "Mike" Ware
Inspector General
U.S. Small Business Administration
409 3rd Street, SW
Washington, DC 20416

Dear Inspector General Ware:

I write in response to the Office of Inspector General's ("OIG") July 15, 2020 Draft Management Alert, titled *"Serious Problems and Deficiencies in Internal Controls Over Economic Injury Disaster Loan Program Pertaining to the Response to COVID-19"* ("Draft Management Alert").

The Small Business Administration ("SBA") is proud of its role in providing economic relief to small businesses impacted by COVID-19. Economic Injury Disaster Loans and Advances ("EIDL Program") are a critical part of that relief. As of July 22, 2020, SBA has approved over 2.8 million loans for a total of \$160 billion, and over 5.7 million Advances for a total of \$20 billion.

In administering EIDL, SBA strives to serve small businesses as efficiently and effectively as possible. SBA takes very seriously its stewardship of taxpayer funds. SBA is committed to mitigating risks of waste, fraud, and abuse in the EIDL Program. Working with a government contractor that is a leader in the financial services industry, SBA has deployed sophisticated technology to create a robust set of internal controls for the EIDL Program. These internal controls have rejected \$9 billion in Advances and prevented the processing of another \$8.8 billion in duplicate Advances. The internal controls have rejected \$17.7 billion in loans and prevented the processing of another \$78 billion in duplicate loans.

Because of the EIDL Program's robust internal controls, the concerns raised by OIG in the Draft Management Alert were unexpected. SBA desired to better understand the concerns raised in the Draft Management Alert, so that the agency could prepare a tailored response. In our response, SBA wanted to directly address the substance of the purported complaints referenced in the Draft Management Alert and explain how the internal controls that SBA

already has in place would deal with those purported complaints. SBA also sought to better understand the alleged complaints referenced in the Draft Management Alert so that SBA could implement enhanced internal controls designed to combat the specific concerns presented by the alleged complaints. In a letter from Office of Disaster Assistance (“ODA”) Associate Administrator James Rivera, SBA asked for specific information about the underlying allegations in the Draft Management Alert. OIG, however, denied that request. Moreover, OIG was unwilling even to provide summaries of the alleged complaints or detailed descriptions of the concerns purportedly reflected in the complaints.

Without this additional information from OIG about the complaints on which the Draft Management Alert purportedly is based, SBA cannot speak to the substance of the purported complaints referenced in the Draft Management Alert or describe specific actions SBA will take to address the purported complaints. Rather, in the sections that follow, SBA will inform OIG about the robust internal controls already in place in the EIDL program and discuss enhancements in internal controls that SBA is making in response to the concerns reflected in the Draft Management Alert.

The EIDL Program Has Robust Internal Controls.

For both EIDL Advances and EIDL loans, SBA has imposed rigorous system rules and controls to mitigate the risk of fraud. Despite the lowered guardrails required by Congress with respect to fraud prevention (e.g., applicant self-certification of eligibility), and contrary to OIG’s assertions, SBA’s efforts have in fact saved taxpayers billions of dollars.

The means of requesting the Advance and applying for a loan is through the online *Rapid Intake Application Form*. The form is customer-friendly and designed to support high-volume submission of data, but at the same time can easily gather complete application information on submissions that are made multiple times for the same business (i.e., duplicates) as well as withholding any real-time feedback to those attempting to learn system rules to exploit potential system vulnerabilities. The system has successfully captured information for more than 12 million applications to date.

The automated *Advance processing system*, operating separate and apart from the Loan processing system (although information is shared with the Loan system), has been implemented with numerous internal and external checks designed to quickly evaluate the veracity of application information submitted in the Advance decision process, including:

- **Duplicate application check** – Applications are evaluated to determine if a prior application has been submitted from the same business. If an application is deemed to be a duplicate, it is not approved for an Advance. Duplicates are identified by matching tax ID numbers (EIN or SSN), matching bank account information (routing and account numbers), or through a combination of data elements (including business name, addresses, phone numbers, ownership information and other data points) that indicate that the application matches a business with a previously submitted application. More than 2.5 million applications representing \$78 billion in potential loan volume and \$8.8 billion in Advances have not been approved based on the duplicate identification logic.
- **Business owner identity check** – Information about business owners provided on the application form is validated through a commercial third-party service used by many financial institutions to ensure that the identity information provided by the

applicant is valid and consistent. Validated data elements include owner name, date of birth, SSN, and address. In addition, this service performs other checks including OFAC list matching and monitors potential fraud indicators including network application velocity checks. Applications that fail owner identity checks are not approved for an Advance. Business owner identity validation failures have resulted in over 200,000 Advance requests and nearly \$820 million in Advances not being approved.

- **Bank account verification checks** – In addition to the duplicate and identity validation controls, the Advance processing system also performs bank account verification checks to ensure the validity of the bank account information provided and to associate the bank account with the business making the application. These checks are performed through a combination of internal and third-party data validation steps. These checks along with the identity validation controls outlined above have resulted in 2.5 million Advance applications, for \$9 billion in volume, being affirmatively rejected for an Advance. A breakout of post-duplicate, non-approval reasons and volumes is provided below:

Advance Requests Not Approved by Reason				
Excludes Duplicate, Obligated, and Funded Loan Applications				
<u>AdvanceNotApprovedReason</u>	<u>units</u>	<u>%</u>	<u>total_adv</u>	<u>%</u>
CannotVerifyBankAccount	1,100,369	44%	\$ 4,766,682,861	53%
AccountOwnershipIncorrect	974,288	39%	\$ 2,702,202,061	30%
IdentityVerificationFail	219,140	9%	\$ 819,462,077	9%
IncorrectBankAccount	72,456	3%	\$ 198,155,675	2%
NotCheckingAccount	55,782	2%	\$ 208,378,845	2%
BankAccountClosed	4,003	0%	\$ 16,207,825	0%
OtherReasons	86,277	3%	\$ 332,030,626	4%
Total	2,512,316	100%	\$9,043,119,970	100%

- **Additional Checks** – In addition to the system checks already described, two additional control points are built into the Advance disbursement process. First, a separate disbursement file duplicate check is performed to ensure that multiple Advance disbursements are not processed for the same EIN or bank account number. In addition, prior to disbursement file submission to Treasury, these same checks are performed a second time by the SBA Denver Finance Team. Denver Finance also performs additional checks based on known or suspected fraudulent application information gathered from other SBA or Treasury programs.

The internal controls are just as strong from the loan perspective. The *Loan processing system* is an automated decision engine that works in concert with the Loan Officers from the Office of Disaster Assistance Processing and Disbursement Center to perform functions relating to Loan eligibility, potential fraud identification, and approval/denial. Picking up key information from the Advance side, the Loan processing system pulls credit bureau data, evaluates credit information and potential fraud flags and buckets applications into

certain review categories. All Loan decisions are ultimately made by people—namely, Loan Officers—who review the rule-driven recommendations of the system. They examine the application information submitted, perform other manual data gathering and review tasks, and contact the applicant for information clarification or further documentation in ultimately making their decision whether to approve or decline a loan application.

More specifically, with respect to the system rules, the Loan processing system runs extensive rule sets per the SBA EIDL COVID-19 Program parameters with respect to loan sizing and system decision recommendations which include credit criteria, business and owner eligibility criteria, as well as suspicious activity and potential fraud indicators. There are more than 70 rules related to loan qualification criteria. When identified, potential fraud indicators are flagged for Loan Officer application file review. In addition to the owner identity and bank account validation steps previously described, suspicious activity and potential fraud indicators are obtained from various sources including credit report information, profiles of electronic devices interacting with the system, as well as phone number and email validation services. When present, these indicators are displayed in the system to Loan Officers who review them, evaluate the data and gather follow-up information and documentation prior to making their loan decision.

Moreover, within the client portal where applicants accept their loan amount, there is another identity validation check requiring applicants to correctly answer questions relating to items (e.g., who is your mortgage servicer, what make of car did you register in Georgia in 2012, etc.) that are not likely to be correctly answered by someone other than the true identity holder.

The Loan Officer online interface also has a “related applications” feature that flags other applications received in the program with common data elements including application information (e.g., business, name, owner name, TIN, phone numbers, etc.), as well as device information (e.g., IP address, device profile, etc.) to enable efficient cross reference with other applications that may have previously been identified as invalid or fraudulent.

The data further supports our position that SBA is doing all it can to reduce the risk of fraud on the loan side as well. First, despite OIG’s attempt to portray SBA’s loan review process as one without a filter, approving everything coming through, in fact nearly 6 million loan applications representing about 50% of the loan applications submitted have had one or more flags identified by the system necessitating an automatic, subsequent manual reviewed by a Loan Officer during the underwriting process. The data presented in the table below represents all of the flags identified (so that an application with more than one flag is represented twice in the table).

Potential Fraud Flag Category	No. of Apps	% of Apps Processed
IdentityVerificationFail	855,072	8.9%
IncorrectBankAccount	81,836	0.9%
NotCheckingAccount	72,477	0.8%
BankAccountClosed	7,081	0.1%
CannotVerifyBankAccount	1,684,059	17.5%
AccountOwnershipIncorrect	1,290,470	13.4%
CreditReportIssues	676,341	7.0%
EmailInvalid	233,858	2.4%
VOIPphone	527,056	5.5%
SSNFormatIssue	2,158	0.0%
TaxIdFormatIssue	488	0.0%
DeviceIssues	455,997	4.7%
Total	5,886,893	61.1%

Second, the following table shows loan application and dollar approval rates associated with applications flagged as “Advance ineligible” compared with those flagged as “Advance eligible.” Loan approval rates for “Advance not approved” applications are about one third of the rate of those with an Advance that was approved, indicating that the data validation and potential fraud flags as well as other eligibility rules carry through and strongly influence loan approval/decline decisions. The difference in loan dollar approval rates between these groups shows that \$17.7 billion in loan volume was not approved based on system and process controls for the \$59 billion in total loan dollars requested for the Advance non-approved group.

Loan Application Approval Rates

	Advance Non-Approvals	Advance Approved
Applications	11%	36%
Loan Dollars	17%	47%

The Draft Management Alert makes no mention of the internal controls described above. Indeed, the Draft Management Alert appears to conclude that the EIDL Program’s internal controls are deficient without considering what the internal controls actually are.

Rather than rely on purported complaints, OIG should be evaluating the internal controls SBA has implemented and looking at the data that demonstrates how those internal controls work to come to the right conclusion. The reality is that SBA has developed and implemented a comprehensive, rigorous, end-to-end infrastructure to reduce the risk of fraud in the EIDL COVID program.

SBA Is Further Enhancing The EIDL Program's Internal Controls.

As OIG is aware, on July 16, 2020, OIG advised ODA of reports from three large banking institutions concerning a high amount of suspicious activity related to the EIDL program. ODA's internal fraud team immediately reached out to the banks and discussed in detail the nature of the suspicious activity observed. We also provided guidance on how to report suspicious fraud activity to ODA, including direct mailboxes for sharing information. The ODA fraud team continues to review fraud referrals from multiple channels. To date, ODA has resolved approximately 2,418 suspected fraud files, which include holds placed on funds prior to disbursement. Additionally, ODA's fraud team has referred 537 applications to OIG for suspected fraud.

On July 22, 2020, SBA issued Information Notice 5000-20037 to depository financial institutions and all SBA employees, in order to provide an overview of COVID-19 assistance available under the EIDL program, including both Advances and direct loans, and to alert depository financial institutions to the potential for suspicious activity related to COVID-19 EIDL funds deposited into business or personal accounts. This Notice provides examples of suspicious activity and encourages depository financial institutions to examine certain types of transactions more closely. SBA has provided points of contact for depository financial institutions to report suspicious activity in the COVID-19 EIDL loan program.

Currently, SBA is issuing a task order for support to design and implement within ODA the strategies and tools necessary to respond to reports from banks involving suspicious activity in connection with deposits of the EIDL program, including Advances and direct loans.

As the information in this response indicates, the Draft Management Alert does not account for the robust internal controls already in place in the EIDL Program or the enhanced internal controls that SBA is adding.

While SBA hopes this written response will inform OIG's ongoing review of the EIDL program, we reiterate our request in the Rivera letter that a meeting with OIG is necessary before the Draft Management Alert is finalized. SBA wishes to engage with OIG to ensure that the final Management Alert accurately reflects SBA's strong commitment to safeguarding taxpayer funds and appropriately characterizes SBA's efforts to prevent fraud, waste, and abuse in the EIDL Program. SBA proposes meeting with OIG on Monday, July 27, 2020, but we are, of course, willing to meet at any time convenient for OIG before the Draft Management Alert is finalized.

Sincerely,



Jovita Carranza
Administrator