

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2561 Rayburn House Office Building
Washington, DC 20515-6515

October 3, 2022

The Honorable Isabella Casillas Guzman
Administrator
United States Small Business Administration
409 3rd St SW
Washington, DC 20416

Dear Administrator Guzman:

As the Ranking Member on the U.S. House of Representative's Committee on Small Business, I am writing to request a Committee staff briefing regarding the Government Accountability Office (GAO) Report 22-105442, titled "Restaurant Revitalization Fund: Opportunities Exist to Improve Oversight."¹ Specifically, I am concerned about the large number of disagreements between the GAO and the Small Business Administration (SBA) at the conclusion of this engagement.

The Restaurant Revitalization Fund (RRF) was established in March 2021² with the purpose of supporting small restaurant establishments suffering from COVID-19 revenue losses. Appropriations for the fund totaled 28.6 billion,³ which was disbursed over a two-month period. The purpose of this engagement was for the GAO to review the RRF, the program's internal controls, and its fraud risk management practices, along with the SBA's efforts to monitor RRF grantees. Among the findings in the audit, the GAO determined that the oversight controls for pre-awards had deficiencies⁴ and that the "SBA Has Limited Post-Award Controls for Identifying Fraudulent or Ineligible Recipients."⁵ The GAO concluded that "a more balanced

¹ U.S. GOV'T ACCOUNTABILITY OFF., GAO-22-105442, RESTAURANT REVITALIZATION FUND: OPPORTUNITIES EXIST TO IMPROVE OVERSIGHT (JULY 2022).

² Pub. L. No. 117-2 § 5003 (2021).

³ *Id.* at (b)(2)(A).

⁴ *Supra* note, 1 at 35.

⁵ *Id.* at 45.

approach to oversight”⁶ is required within the RRF program and provided seven recommendations to the Associate Administrator for the Office of Capital Access to implement.

Shockingly, the SBA disagreed with five out of the seven recommendations, partly agreed with one, and fully agreed with the GAO on only a single recommendation. After receiving feedback on the recommendations from the SBA officials, the GAO maintains that all recommendations are valid, as discussed in the report.⁷ Given the SBA’s commitment to implement sound fraud control practices, as recommended by the GAO, to safeguard taxpayer funds, I am at a loss as to the level of disagreement between the agency and the GAO.

In just one example of the disagreement between the GAO and the SBA, the GAO provided a recommendation to help expedite the recovery of fraudulently obtained funds to which the SBA would not agree with. The GAO noted that the SBA was only preparing to promptly review a portion of the RRF awards flagged for potential fraud or ineligibility but had no plan in place to review all potentially fraudulent or ineligible awards in an expeditious manner. Instead, the SBA appears to stand by its plan to only assess the remaining flagged awards after “the recipients certify they have spent their entire award or after they submit their final use-of-funds report,” which would not be due until April 2023.⁸

The SBA’s plan is concerning because, as the GAO rightly notes, waiting until recipients certify spending the entire award could take almost two years to review from the initial award disbursement. That long of a delay will complicate and postpone the entire fraud recovery process. To prevent this, the GAO suggests a procedure in which the SBA would manually review any award flagged for fraud shortly after it is identified. Enacting this commonsense recommendation would help the SBA recover funds in a timely manner.

In yet another concerning example, the SBA disagreed with a recommendation that its fraud mitigation efforts “should include collaboration and communication with the SBA Office of Inspector General (OIG) to align efforts.”⁹ Through the course of this engagement, the GAO uncovered that OIG officials “have had relatively less contact with the SBA on RRF fraud compared to other pandemic relief programs.”¹⁰ The report goes on to find that of the limited information OIG officials do receive from the RRF program team, “the information did not specify why the applications have been flagged”¹¹ for potential fraud. The GAO maintains that better coordination with the OIG on suspected RRF fraud would enable a more efficient system for identifying and recovering fraudulently obtained funds. No matter the tool or measure, all federal government assistance programs that disburse taxpayer funding in the form of grants, should operate in coordination with an agency’s Inspector General. Anything less is a welcome sign for fraud.

⁶ *Id.* at 55.

⁷ *Id.* at 58.

⁸ *Id.* at 53.

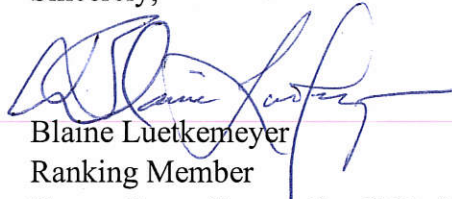
⁹ *Id.* at 58.

¹⁰ *Id.* at 54.

¹¹ *Id.*

The GAO's recommendations appear to be valid common-sense suggestions to improve upon the SBA's pandemic relief work and I am puzzled as to how the SBA could find such disagreement with them. As such, I am requesting a Committee staff level briefing from the SBA to better understand the agency's disagreements. Should you have any questions regarding this request, please contact the Committee's Republican Staff Director, David Planning, at (202) 225-5821. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Blaine Luetkemeyer", is written over a horizontal purple line.

Blaine Luetkemeyer
Ranking Member
House Committee on Small Business