S. HRG. 119–350

# FROM FRAUD TO RECOVERY: RESTORING INTEGRITY IN SMALL BUSINESS PROGRAMS

## HEARING

BEFORE THE

## COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

OF THE

## UNITED STATES SENATE

ONE HUNDRED NINETEENTH CONGRESS

SECOND SESSION

FEBRUARY 25, 2026

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OPENING STATEMENTS

# FROM FRAUD TO RECOVERY: RESTORING INTEGRITY IN SMALL BUSINESS PROGRAMS

**WEDNESDAY, FEBRUARY 25, 2026**

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
*Washington, DC.*

The committee met, pursuant to notice, at 2:32 p.m., in Room 428A, Russell Senate Office Building, Hon. Joni Ernst, chairwoman of the committee, presiding.

Present: Senators Ernst [presiding], Young, Hawley, Markey, Shaheen, Hirono, and Rosen.

## OPENING STATEMENT OF SENATOR ERNST

CHAIR. I call the Committee on Small Business and Entrepreneurship to order.

Nearly 6 years ago, the Small Business Administration's pandemic relief programs provided a much-needed lifeline for small businesses in Iowa and across America. Millions of small business owners and their employees were saved from closure and mass layoffs thanks to Paycheck Protection Program and Economic Injury Disaster Loan funds awarded by the SBA.

But as we've seen time and again, when government funds seemed free for the taking, bad actors are ready to steal and scam. Government programs should never be able to be exploited at the American taxpayers' expense in the first place. However, the lack of oversight mechanisms in SBA's COVID relief programs coupled with the quick disbursement of funds to save shuttered businesses allowed swindlers to rob taxpayers of $200 billion in pandemic relief loans.

The Pandemic Response Accountability Committee, or PRAC, sounded the alarm years ago on how allowing applicants to self-certify their eligibility increases fraud. Self-certification allows the government to rely on an applicant's promise that they meet program requirements. The SBA Office of Inspector General repeatedly echoed their concerns about this system.

Unfortunately, for taxpayers, the Biden administration ignored repeated watchdog warnings, allowing blanket forgiveness without additional verification on PPP loans under $150,000, and potentially allowing a large swath of fraud to escape meaningful scrutiny. Self-certification was known to be a major problem as more pandemic relief programs were created.

Consider the Restaurant Revitalization Fund, or RRF, and Shuttered Venue Operators Grant, the SVOG programs. These opened a menu of fraud for the taking. In 2024, music artist Chris Brown exploited these awards to the tune of $10 million. Half of these funds were paid directly to the singer himself. Additional funds were spent on an $80,000 birthday party. The SBA never should have been running a drive-through for fraudsters.

However, even though the RRF program had a 20-location limit for franchisees restaurant chain, CoreLife eatery with 29 locations still got served $7.8 million from our taxpayers that it never should have been allowed to receive. But talk about fast fraud made to order, one Oregon dentist known for illegally distributing pharmaceuticals, used his personal address and fictitious restaurant names in Florida to generate nearly $8 million in RRF payments.

To date, the PRAC has diligently helped law enforcement partners expose more than $2.4 million—or excuse me, billion, with a B, $2.4 billion in estimated fraud loss. IG Kirk's recent appointment as PRAC chair highlights how critical it remains to claw back these funds, especially across SBA programs. Last July, the SBA OIG flagged an astonishing $544 million of potential improper payments in the SVOG program. Yet, the Biden administration continued ignoring the program. Ultimately, officials from the previous administration did not refer a single case to the Treasury.

Fraudsters can't be left off the hook just because time has passed. Congress must pass my SBA Fraud Enforcement Extension Act to extend the statutes of limitations for SVOG and RRF programs, and give investigators the time they need to continue going after crooks. Without my legislation, as soon as April, fraudsters who stole funds will escape justice.

You heard me right folks, in just a little over a month, many of the swindlers who took advantage of some SBA COVID relief programs can no longer be prosecuted. The good news is my statute of limitations bill has already passed the House and this committee; it is now pending before the full Senate. I call on Democrats to stop blocking this legislation so there can be real accountability.

I am grateful the current administration knows that the job is not finished. The SBA is conducting manual reviews of more than 10,000 RRF awards, totaling over $3 billion. Just over 1,000 of these awardees did not submit the required post-award report documenting how the money was spent. SBA also sent demand letters to an additional 8,000 awardees who were not a part of the manual review and never submitted a post-award report totaling over $1.2 billion in RRF disbursements. Additionally, last year, the SBA issued hundreds of demand letters to SVOG grant recipients. The total grant value of recipients who have not responded totals over $150 million.

The SBA has been dealt an incredibly difficult hand reviewing the entirety of both programs before the statutes of limitations and referring all fraud to investigators. This critical work must continue. A few weeks ago, Administrator Loeffler suspended more than 110,000 California borrowers who took home over $8.5 billion in potentially fraudulent COVID relief funds. The recent fraud investigations in Minnesota have uncovered at least $9 billion from State and Federal programs, including $400 million in PPP loans, and Administrator Loeffler acted quickly to remedy this issue.

Republican members of this committee sent a letter to Administrator Loeffler earlier this year, applauding her work to shut down these schemes. I ask unanimous consent to enter into the record our January 8th letter requesting information from the SBA on its efforts to uncover fraud in the SBA programs.

Without objection so ordered.

I look forward to hearing from our Federal watchdog partners today on how they are tackling fraud and recovering taxpayers' hard earned dollars. Thank you for your service, and I look forward to hearing your testimony.

I now recognize Ranking Member Markey for his opening statement.

## STATEMENT OF SENATOR MARKEY

Senator MARKEY. Yeah. Thank you, Madam Chair.

Last night, President Trump declared a war on fraud. While fraud must be taken seriously, the Trump administration has shown it is only interested in weaponizing fraud for political gain, and last night was a clear example of that. Trump said the Somali community in Minnesota is plundering America and has pillaged $19 billion from the American taxpayer. You know, Trump lied and cynically weaponized fraud to demonize immigrants. Trump is falsely pointing the finger at immigrants while facing no accountability for his own behavior that enriches himself and his family.

Trump said last night, if we're able to find enough of that fraud, we'll actually have a balanced budget overnight. That level of fraud does not exist, and it should trouble every American because what it really means is that Trump will use isolated incidents of fraud to punish his perceived enemies, and the attacks have already begun. Last month, the Trump administration used fraud as a pretext for freezing funding for childcare and low-income assistance programs, threatened to withhold Federal Medicaid funds, and ordered a review of Federal funding for Democratic-controlled states.

These are not actions of a President fighting fraud. This is a President determined to make life miserable for anyone who doesn't support him. All the while, DOGE has been accessing American's sensitive data. We recently learned DOGE employees illegally funneled voter data to an organization pushing disproven conspiracy theories of widespread election fraud. We still don't know if sensitive data at SBA was compromised by DOGE because our committee has never been briefed on DOGE's activities at the SBA, and that is unacceptable.

If the President cared about fraud, would he be doling out billion-dollar contracts to his cronies. Would he solicit donations for his gold-plated ballroom from companies that do billions of dollars of business with the Federal Government? Would he grant pardons to criminals convicted of money laundering, bank fraud, and wire fraud who have connections to him and to his administration? And we are just 1 year removed from the night President Trump illegally fired 17 independent watchdogs, including Mike Ware at the SBA. Are these the actions of a President serious about fraud? Or are those the actions of an administration where corruption is self-dealing are the norm?

There's an old saying that hypocrisy is the tribute that vice pays to virtue. And so, yeah, we now have Donald Trump paying vice, paying tribute to the rooting out of fraud while at the same time. That is a good way of describing the entirety of his administration. And that's the hypocrisy I think that really bothers people even as they see the President up there trying to demonize a small number of people and promising that eradicating that level of fraud will balance the budget when he knows that is not true.

Today's hearing is about fraud at the SBA, and we know that bad actors took advantage of some of these COVID programs. We don't deny that, and we must hold them accountable. Absolutely. But let's be very clear about when that fraud occurred. Take the Economic Injury Disaster program or the EIDL program, for example. Of the approximately 4 million loans issued during the pandemic, more than 3.7 million of those loans, or more than 90 percent of the loans, were approved in 2020 by the Trump administration itself, 90 percent of the loans that we're going to be looking at.

So, when we hear about fraud today, let's keep in mind who was on watch when it happened, and Democrats and Republicans should stand up and acknowledge actual fraud wherever and whenever it occurs, and not just when it is politically convenient to do so.

So, if we're serious about protecting taxpayer dollars, policing fraud should not become a farce where those in power give themselves a pass and use investigations to exact revenge on their political counterparts. The Trump administration abuses of Minnesota and other Democratic-led states like my home state of Massachusetts, which he mentioned last night, demonstrate exactly why we need real independent oversight at all levels of government.

So, I thank you Madam Chair. I thank you for holding this hearing, and I look forward to hearing from our witnesses.

CHAIR. Thank you, Ranking Member Markey. I do want to extend a warm welcome to our witnesses, and I'm thankful that you took time out of your busy schedules to share your expertise and insight with this committee.

And, first, Mr. William Kirk serves as the inspector general for the Small Business Administration. Mr. Kirk was sworn in as SBA inspector general in early January, and has extensive experience in strengthening internal controls and combating fraud, waste, and abuse in his three decades of leadership across higher education, also private enterprise, and the Federal Government. So, yeah, thank you for your service. He earned his bachelor of business administration in accountancy and juris doctorate degrees from the University of Notre Dame.

Mr. Kirk, I would also like to congratulate you on your recent appointment as chair of the Pandemic Response Accountability Committee, effective March 1. I am confident that you will continue to shine a spotlight on the pandemic-era relief programs, and work across the investigative community to recover funds and bring fraudsters to justice.

Next, Mr. Ken Dieffenbach. Mr. Dieffenbach serves as the third executive director of the Pandemic Response Accountability Committee, or PRAC, and brings over 28 years of experience in the oversight community. As executive director, Mr. Dieffenbach leads the PRAC's efforts to support and coordinate oversight of the pandemic response, enhance transparency, and use data to detect fraud, waste, and abuse. Mr. Dieffenbach earned his bachelor's degree in business from the Citadel and a graduate degree in criminal justice from the University of Alabama at Birmingham. Thank you again.

Briefly, I'd like to take a moment to explain our lighting system to our witnesses. There are three lights in front of you. Green means go, yellow means you need to wrap it up pretty quick, and red means to conclude your remarks.

I ask unanimous consent that the witness's full statements be included in the record, and without objection, so ordered. As your written testimony has been made part of the record, the committee asks that you limit your oral remarks to 5 minutes.

And with that, Mr. Kirk, you are recognized for 5 minutes for your testimony.

**STATEMENT OF MR. WILLIAM "BILL" KIRK, INSPECTOR GENERAL, U.S. SMALL BUSINESS ADMINISTRATION WASHINGTON, D.C.**

Mr. KIRK. Thank you, Chair Ernst, Ranking Member Markey, and distinguished members of the committee. Thank you for the opportunity to appear before you today. It is a great honor to represent the Office of Inspector General at the U.S. Small Business Administration and the dedicated auditors, sworn law enforcement investigators, analysts, and support professionals who work every day to protect taxpayer dollars and promote integrity across SBAs programs.

The SBA OIG operates independently under the Inspector General Act of 1978. Our mandate is straightforward, but consequential; we conduct objective oversight, grounded in evidence to detect and deter fraud, waste, and abuse, and to strengthen SBA program integrity through actionable recommendations and transparent reporting.

While the acute economic phase of the COVID–19 pandemic has passed, oversight has not oversight, the scale and speed of SBAs pandemic response was unprecedented. To avert an economic crisis caused by lockdowns, business closures, and other impediments, SBA dispersed approximately $1.2 trillion in pandemic economic assistance.

The response delivered critical relief to millions of legitimate small businesses, but it also created opportunities for fraudsters to exploit internal control vulnerabilities. Fraudsters stole identity information, created synthetic identities, duplicated information to exploit programs, all this to exploit to—they exploited programs meant to help those in need.

Today I'm going to focus on three areas central to the committee's oversight responsibilities. First, the systemic risks within the 8(a) Business Development Program and the importance of eligibility oversight. Secondly, the underperformance in post-award monitoring within the Restaurant Revitalization Fund, also known as RRF, and the Shuttered Venue Operators Grant, known as SVOG, or SVOG awards, and the recovery of funds that were improperly or fraudulently dispersed. Third, the necessity of extending the statute of limitations to 10 years for RRF and SVOG fraud, which would match the statute enacted for the Paycheck Protection Program, PPP, and COVID–19 Economic Injury Disaster Loan, or idle fraud.

These issues are interconnected. They all reflect the same underlying principle; when program eligibility is not rigorously verified, when red flags are not fully resolved, or when enforcement timelines are misaligned with investigative realities, the American taxpayer bears the risk.

Our office has continued to identify indicators of potential ineligibility, unresolved fraud flags, and delayed recovery actions in certain pandemic programs. At the same time, we have seen the benefits of strength and controls, improved inter-agency data-sharing, and enhanced investigative coordination through partnerships such as with the Pandemic Response Accountability Committee, known as the PRAC. Oversight is not about revisiting the urgency of 2020. Rather, it is about ensuring that the structural lessons from that period translate into stronger controls today and in the future.

Under my leadership, SBA OIG will continue to exercise independent judgment, pursue complex fraud investigations, wherever the evidence leads us, we'll issue recommendations to strengthen internal controls, and we pledge to keep this committee fully informed of risks, corrective actions, and measurable outcomes. The work before us requires persistence, sufficient time to investigate potential fraud, and a sustained commitment to integrity.

I appreciate the committee's engagement on these matters, and I look forward to discussing them in greater detail. Thank you very much.

[The prepared statement of Mr. Kirk follows.]

WILLIAM W. KIRK
INSPECTOR GENERAL
U.S. SMALL BUSINESS ADMINISTRATION

BEFORE THE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

U.S. SENATE

APPEARING ON FEBRUARY 25, 2026

## Introduction

Chair Ernst, Ranking Member Markey, and distinguished members of the Committee. Thank you for the opportunity to appear before you today. It is an honor to represent the Office of Inspector General (OIG) at the U.S. Small Business Administration (SBA) and the dedicated auditors, law enforcement, analysts, and support professionals who work every day to protect taxpayer dollars and promote integrity across SBA's programs.

SBA OIG operates independently under the Inspector General Act of 1978, as amended. Our mandate is straightforward but consequential: conduct objective oversight, grounded in evidence, to detect and deter fraud, waste, and abuse, and to strengthen SBA program integrity through actionable recommendations and transparent reporting.

While the acute economic phase of the COVID-19 pandemic has passed, oversight has not. The scale and speed of SBA's pandemic response was unprecedented. To avert an economic crisis caused by lockdowns, business closures, and other impediments, SBA disbursed approximately $1.2 trillion in pandemic economic assistance. The response delivered critical relief to millions of legitimate small businesses. It also created opportunities for fraudsters to exploit internal control vulnerabilities. Fraudsters stole identity information, created synthetic identities, and duplicated information to exploit programs meant to help those in need.

Today, I will focus on three areas central to the Committee's oversight responsibilities:

- First, the systemic risks within the 8(a) Business Development Program and the importance of eligibility oversight.
- Second, the underperformance in post-award monitoring within the Restaurant Revitalization Fund (RRF) and Shuttered Venue Operators Grant (SVOG) awards and the recovery of funds that were improperly or fraudulently disbursed.
- Third, the necessity of extending the statute of limitations to 10 years for RRF and SVOG fraud, which would match the statute enacted for the Paycheck Protection Program (PPP) and COVID-19 Economic Injury Disaster Loan (EIDL) fraud.

These issues are interconnected. They all reflect the same underlying principle: when program eligibility is not rigorously verified, when red flags are not fully resolved, or when enforcement timelines are misaligned with investigative realities, the American taxpayer bears the risk.

Our office has continued to identify indicators of potential ineligibility, unresolved fraud flags, and delayed recovery actions in certain pandemic programs. At the same time, we have seen the benefits of strengthened controls, improved interagency data sharing, and enhanced investigative coordination through partnerships, such as with the Pandemic Response Accountability Committee (PRAC).

Oversight is not about revisiting the urgency of 2020. It is about ensuring that the structural lessons from that period translate into stronger controls today and in the future.

Under my leadership, SBA OIG will continue to exercise independent judgment, pursue complex fraud investigations wherever the evidence leads, issue recommendations to strengthen internal controls, and keep this Committee fully informed of risks, corrective actions, and measurable outcomes.

The work ahead requires persistence, the time to investigate potential fraud, and a sustained commitment to integrity. I appreciate the Committee's engagement on these matters and look forward to discussing them in greater detail.

## Risk in the 8(a) Business Development Program

The 8(a) Business Development Program was designed to help disadvantaged small business owners gain business skills and access to federal contracting opportunities so they can better compete in the open marketplace. The federal government sets aside contracting opportunities to help small, disadvantaged businesses participate in the federal marketplace, grow and develop expertise, and ultimately strengthen the American economy. As mandated by the Small Business Act, the government-wide goal is to award at least 23 percent of contract dollars to small businesses. The government seeks to award small, disadvantaged businesses, of which 8(a)businesses are included, at least 5 percent of the value of prime and subcontracting awards each year.

The 8(a) program also allows for contracts to be awarded directly to one business with no competitive bidding, a process called sole-sourcing contracts. Alaska Native Corporations, Tribal-owned firms, Native Hawaiian Organizations, and Community Development Corporations that are 8(a) businesses can benefit from unlimited sole-sourced authority.[1] Other 8(a) firms are limited to certain contracting award amounts. Fraudsters can seek to take advantage of these benefits meant to help eligible small businesses owners, which is one of the reasons this program should have strong eligibility controls and ongoing monitoring to ensure benefits are delivered consistent with established criteria.

In prior audit work, OIG identified weaknesses in how the agency tracked and resolved credible eligibility complaints. Where red flags are not consistently addressed, the risk of ineligible participation increases.

SBA has recently initiated its own administrative review of 8(a) participants and

[1] 15 U.S. Code § 637(a) and Federal Acquisition Regulation (FAR) 19.805-1.

required documentation to validate continued eligibility. OIG has independent oversight authority over the program. OIG conducts its work consistent with *Government Auditing Standards* and reports findings and recommendations to the Administrator and Congress upon completion. In our 2026 Oversight Plan, we have planned audit work examining:

- SBA's process for certifying firms' initial 8(a) Program eligibility
- SBA's oversight of entity-owned 8(a) firms and their community benefits reporting

These reviews are focused on whether internal controls and verification procedures are operating effectively and in accordance with applicable requirements. Effective oversight protects legitimate small businesses. When ineligible entities gain access to set-aside contracting opportunities, they do so at the expense of qualified participants.

## Pandemic Fraud Landscape and Ongoing Oversight Exposure

The COVID-19 pandemic required an unprecedented federal response. In a compressed timeframe, Congress appropriated and SBA administered approximately $1.2 trillion in economic assistance through multiple relief programs, including the PPP, COVID-19 EIDL, the RRF, and the SVOG.

The urgency of the moment was real. Millions of legitimate small businesses depended on rapid access to relief. At the same time, the scale and speed of deployment created significant fraud and improper payments.

In 2023, SBA OIG estimated that more than $200 billion in potentially fraudulent COVID-19 EIDL and PPP funds were disbursed out of the approximately $1.2 trillion administered by SBA. This represents at least 17 percent of total disbursements in those programs. The fraud was not incidental. It was organized, opportunistic, and in many cases coordinated by fraudsters across multiple programs.

Investigations uncovered:

- Identity theft schemes using stolen Social Security numbers,
- Synthetic business entities created solely to obtain relief funds,
- Organized international fraud rings,
- Layered financial transfers designed to conceal misuse, and
- Cross-program exploitation of eligibility gaps.

Fraudsters exploited weakened front-end verification controls, reliance on self-certification, and limited cross-program data validation during the early phases of implementation.

Congress recognized the magnitude of the potential fraud and extended the statute of limitations to 10 years for PPP and COVID-19 EIDL fraud in 2022. This action acknowledged the reality of complex financial fraud and extended the time available to prosecute individuals who committed fraud.

However, two large pandemic assistance programs remain under shorter statutory limitations: the RRF and the SVOG.

Those programs must be evaluated within the broader fraud landscape.

## Restaurant Revitalization Fund and Shuttered Venue Operators Grant

SBA has progressed to reviewing the pandemic assistance grants, which includes the RRF and the SVOG programs. Both programs involved large-scale grant disbursements executed in compressed timeframes, with limited front-end verification controls. As a result, post-award monitoring and recovery efforts are critical to protecting taxpayer funds.

### Restaurant Revitalization Fund

The American Rescue Plan Act of 2021 authorized approximately $28.6 billion for the RRF. SBA approved over 100,000 applications during an application window that lasted roughly 10 weeks.

Applications submitted totaled more than $72 billion in requested funding, nearly three times the available appropriation.

The program's design prioritized rapid disbursement to stabilize food service businesses during economic shutdowns. However, the speed of implementation increased vulnerability where verification controls were not consistently applied.

*Eligibility Verification Weaknesses*

OIG identified significant control deficiencies in SBA's administration of the RRF program. In one limited-scope review, OIG found that 3,790 applications submitted through a point-of-sale vendor partner were processed without validating gross sales, a key control designed to confirm eligibility. The vendor notified SBA that these applications lacked verifiable sales documentation and that 1,056 of the applications showed strong indications of fraud.

SBA took action to prevent approximately $278.4 million from being disbursed to certain applicants. However, $278.6 million had already been disbursed to 2,172 recipients associated with unsupported gross sales. This issue had not been resolved at the time of our review. Until these awards are reviewed and resolved, SBA lacks assurance that those funds were awarded based on verified eligibility.

*Cross-Program Fraud Indicators*

In another review, OIG identified 33,168 RRF award recipients who also received PPP loans that had been marked as potentially fraudulent or ineligible. These recipients received nearly $10.9 billion in RRF funds. Of these, 656 awards had active indicators requiring review. We found that 210 high-risk awards totaling approximately $160 million were not selected for review after they were awarded. Our recommendations called for review of more than 61,000 RRF awards totaling over $9.5 billion. We also recommended the development of a recovery plan that identified improper payments. SBA has agreed to review a small number of these awards. The agency recently established a policy to recover funds that were deemed an improper payment.

*Investigative Activity and Criminal Enforcement*

We continue to pursue potential fraud in the RRF program. Some of our recent activities include:

- 680 RRF-related Hotline complaints,
- 23 open investigations involving RRF-related matters,
- 32 individuals charged, and
- 14 individuals convicted.

RRF Investigations involve complex fraud schemes such as:

- False revenue reporting,
- Fabricated tax documentation,
- Identity theft,
- Misuse of grant funds for personal investments, and
- Multi-program fraud spanning the PPP and EIDL programs.

These schemes frequently involve concealment and layered financial transactions that require significant forensic review and coordination with federal prosecutors.

Recently OIG helped investigate a fraudster running an elaborate kickback scheme involving losses of over $700,000 in RRF, PPP, and COVID-19 EIDL funds. The Alabama resident obtained an RRF grant for a purported catering business, used taxpayer funds to purchase a car, and then charged others a fee for submitting false applications on their behalf. The Alabama resident was sentenced to nearly 10 years after pleading guilty to wire fraud and money laundering charges in a scheme that would have stolen over $14 million in SBA pandemic assistance funds if her false applications had been funded.

We have another case of a former Oregon dentist sentenced to nearly 6 years for attempting to steal over $170 million in pandemic aid funds and illegally distributing doses of prescription drugs. He submitted more than 100 fraudulent pandemic relief program applications, including the RRF, using the stolen identities of more than 40 victims. He received and caused SBA to pay out over $11.5 million that he then used to speculate in stocks and cryptocurrency, continuing even after his arrest. One of the identity theft victims reported the crime because she found herself listed in a federal database as having received a $3.4 million RRF grant for a catering business she had never heard of, using her name and an outdated address

### Shuttered Venue Operators Grant

The Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act authorized $16.25 billion for the SVOG program. SBA ultimately disbursed approximately $14.6 billion to 13,011 awardees, including supplemental awards. Most SVOG recipients had no prior experience with federal grant programs. The eligibility requirements were complex and required careful documentation of revenue loss and venue operations.

*Post-Award Monitoring and Eligibility Risks*

OIG identified weaknesses in SBA's post-award review process for SVOG awards. We found that:

- 526 SVOG awards, totaling approximately $716 million, had eligibility risk indicators but were not selected for review.
- 47 awards, totaling approximately $22.9 million, were made to ineligible applicants, including recipients who did not meet venue-specific eligibility requirements.

Oversight gaps in the review stage have delayed recovery efforts and increased the risk that improper payments remain unresolved. In fiscal year 2025, SBA issued 309 demand letters to SVOG recipients in an attempt to recoup $540 million in improperly paid funds.

*Investigative Activity and Criminal Enforcement*

We continue to pursue potential fraud in the SVOG program. Some of our recent activities include:

- 439 SVOG-related Hotline complaints,
- 6 open investigations involving SVOG,
- 4 individuals charged, and
- 2 individuals convicted.

Fraudsters dipped into multiple SBA pandemic assistance programs, so these investigations involve complex financial tracing. One example of this cross-program fraud is a Florida couple who stole over $4.8 million from the SVOG, PPP, and COVID-19 EIDL. This couple submitted 166 false EIDL applications, 20 false PPP loan applications, and 3 false SVOG applications using false tax forms and monthly payroll and expenses in their names and in the names of co-conspirators. The couple pled guilty and were sentenced to 40 months and 24 months in federal prison, respectively.

### *Structural Lessons from the RRF and SVOG*

The high demand and then the large amounts disbursed on a quick timeline created structural vulnerabilities that should be considered in future emergency economic aid assistance programs.

Fraud indicators frequently emerge years after disbursement. Whistleblowers may come forward late. Cross-program data analysis can identify linkages only after sufficient time and aggregation.

Effective oversight depends on:

- Complete review of flagged awards,
- Timely issuance of recovery actions where warranted,
- Strong interagency coordination, and
- Adequate statutory timeframes for enforcement.

The oversight phase of pandemic grant programs remains ongoing. Identification of improper payments is only the first step. Resolutions and recovery must follow.

## Extension of the Statue of Limitations for RRF and SVOG Fraud

In 2022, Congress acted on a bipartisan basis to extend the statute of limitations to 10 years for fraud related to the PPP and COVID-19 EIDL. That extension reflected a recognition that pandemic-era fraud schemes were frequently complex, concealed, and time-intensive to investigate. Financial trading, forensic accounting, data aggregation, and interagency coordination require substantial time. In many cases, fraud indicators do not surface until years after funds have been disbursed.

The same realities apply to the RRF and the SVOG programs, which account for about $43 billion in total funding. We have leveraged technology to identify billions of dollars of RRF and SVOG funds that are in need of further scrutiny to confirm indicators of fraud. Our criminal investigators have dashboards available to assist in their investigative efforts.

Both RRF and SVOG were large-scale grant programs disbursed rapidly during an emergency period. Both involved eligibility determinations that relied in part on applicants attesting to or certifying their own eligibility. We have investigated and continue to detect leads on identity theft, falsified documentation, misuse of funds, and cross-program fraud.

The complexity of these cases mirrors the PPP and EIDL. Fraudsters frequently:

- Layer transactions across multiple financial institutions,
- Use nominee accounts or shell entities,
- Co-mingle funds from multiple pandemic programs,
- Delay detection through concealment tactics, and

- Exploit timing gaps in enforcement windows.

Investigations often involve extensive coordination with the U.S. Department of Justice, the Internal Revenue Service Criminal Investigation division, the Department of Homeland Security, the Financial Crimes Enforcement Network, and the PRAC. When concealment and money laundering are involved, investigative timelines extend significantly beyond the initial disbursement date.

Statutes of limitations exist for important reasons. They promote fairness and ensure that prosecutions occur within a reasonable period after alleged misconduct. However, Congress has already recognized that pandemic-era fraud warrants extended timelines due to the scale and complexity of the schemes involved.

Extending the statute of limitations for RRF and SVOG fraud would promote consistency across pandemic programs. It would help ensure the government's ability to pursue recovery of taxpayer funds and reduce the risk that fraudsters evade accountability. Congress can continue to ensure that enforcement tools match the operational realities of these cases.

From a taxpayer protection perspective, alignment promotes fairness across programs of comparable scale and exposure. RRF disbursed approximately $28.6 billion. SVOG disbursed approximately $14.6 billion. The combined exposure exceeds $43 billion in grant funding.

Where significant improper payment risk has been identified, and where investigative caseloads remain active, statutory alignment strengthens the government's position to pursue accountability. Fraud recovery is not immediate. It is iterative, evidence-driven, and often dependent on extended financial analysis. The oversight of pandemic programs continues. Enforcement tools should reflect that reality.

## Strengthening Controls, Leveraging Data, and Protecting Taxpayer Investment

The pandemic exposed vulnerabilities in eligibility verification, front-end screening, and post-award monitoring. It also accelerated innovation in fraud detection, interagency data sharing, and analytics-driven oversight. The responsibility now is to institutionalize those lessons.

*Internal Control Improvements and Risk Management*

Recently, SBA has indicated that it has implemented additional fraud detection frameworks at various stages of loan and grant processing, including account registration screening, post-submission review routines, and pre-disbursement verification. SBA also has stated that it has expanded data-sharing agreements across federal databases, including:

- The Department of Homeland Security's SAVE Program,
- The Social Security Administration's Enterprise Data Exchange Network, and
- The Department of the Treasury's Do Not Pay system.

These tools, when effectively implemented, can reduce improper payments and improve front-end eligibility validation.

However, as an oversight body operating under *Government Auditing Standards*, OIG must independently verify the design and effectiveness of such controls before concluding that risks have been mitigated. Control design alone is not sufficient. Implementation and monitoring determine effectiveness.

We continue to assess internal controls through risk-based audits and compliance reviews, including oversight of SBA's improper payment assessments as required by the Payment Integrity Information Act.

*Data Analytics and Technology-Driven Oversight*

One of the most significant advancements during pandemic oversight was the integration of data analytics into investigative and audit workflows. OIG's Technology Solutions Division supports:

- Cross-program anomaly detection,
- Identity validation analysis,
- Pattern recognition across loan and grant portfolios,
- Transaction tracing and clustering analysis,
- Integration of external data sources, and
- Interagency collaboration and data matching.

These tools allow us to identify relationships that would not be visible through manual review alone. For example, cross-referencing PPP, EIDL, RRF, and SVOG data sets have revealed overlapping applicant identifiers, shared bank accounts, application inconsistencies across programs, and patterns of coordinated submissions. Data-driven oversight enhances our investigative and auditing work. It reduces false positives and allows for a larger scope and surveys. We can focus our limited investigative and auditing resources on the highest risk cases.

*PRAC and Interagency Coordination*

Collaboration with the PRAC has strengthened oversight across federal programs. Through shared analytics platforms and coordinated case development, OIG and partner agencies have improved:

- Deconfliction of investigations,
- Financial tracing across jurisdictions,
- Identification of multi-program fraud networks, and

- Referral efficiency to federal prosecutors.

Pandemic fraud frequently crosses agency boundaries. Oversight coordination must do the same.

*Return on Investment and Resource Stewardship*

Oversight is not only about identifying vulnerabilities. It is about measurable impact. With an annual budget of approximately $37 million in FY 2025, SBA OIG achieved nearly $3.7 billion in monetary accomplishments in that fiscal year. Since the beginning of SBA's pandemic response, OIG has secured more than $17.7 billion in monetary accomplishments through investigative recoveries, forfeitures, fines, and questioned costs. These results reflect a substantial return on investment for taxpayers.

At the same time, our office continues to manage an active caseload of approximately 500 investigations nationwide. Many of these cases involve complex, multi-million-dollar schemes that require sustained forensic analysis and prosecutorial coordination.

*Preserving Integrity Going Forward*

The vulnerabilities exposed during the pandemic were not isolated to a single program. They revealed structural weaknesses that can emerge whenever speed, scale, and urgency converge. Key lessons to carry forward include:

- Eligibility verification must be documented and validated,
- Self-certification requires cross-check mechanisms to verify eligibility,
- Post-award monitoring and recovery of improper payments must be done in a timely manner,
- Data analytics must be used to promote program integrity during implementation and for reviews, and
- Enforcement timelines must reflect investigative complexity.

Our goal is structural improvement. We will continue to:

- Conduct independent audits and investigations;
- Verify corrective actions before closing recommendations;
- Identify emerging risks across SBA's capital, contracting, and disaster programs;
- Report transparently to the public, Administrator, and the Congress.

Protecting the integrity of SBA programs protects legitimate small businesses and taxpayer interests.

## Commitment to Continued Oversight

The scale of SBA's pandemic response was unprecedented. The speed of disbursement was often necessary. The exposure to fraud was significant. Oversight must be equally sustained. Oversight is not episodic. It is continuous.

The vulnerabilities identified during the pandemic were not isolated events. They reflected structural weaknesses in eligibility verification, internal control implementation, and post-award monitoring. We will continue to recommend that SBA address these weaknesses moving forward.

The 8(a) Business Development Program must operate with integrity so that opportunities reach qualified disadvantaged businesses. Pandemic grant programs must be fully reviewed so that unresolved risk indicators are addressed. Enforcement tools must align with investigative realities so that fraudsters do not evade accountability. Extending the statute of limitations for RRF and SVOG would promote consistency, preserve recovery opportunities, and strengthen taxpayer protection.

Under my leadership, this office will remain focused on helping ensure that SBA programs operate with less risk of fraud, waste, and abuse, remaining accountable to the American people.

I welcome the Committee's questions.

CHAIR. Thank you very much. Mr. Dieffenbach, you're recognized for 5 minutes for your testimony.

**STATEMENT OF MR. KENNETH DIEFFENBACH, EXECUTIVE DIRECTOR, PANDEMIC RESPONSE ACCOUNTABILITY COMMITTEE (PRAC) WASHINGTON, D.C.**

Mr. DIEFFENBACH. Thank you. Chair Ernst, Ranking Member Markey, members of the committee, it is an honor to be here today to discuss the Pandemic Response Accountability Committee, or PRAC, and our work to investigate fraud and improve fraud prevention across Federal programs, including funds intended to help small businesses.

PRAC's success would not be possible without strong partnerships like the one we have with the Small Business Administration, OIG. Thanks to Congress, the One Big Beautiful Bill Act extended the PRAC and its data analytics capability until 2034, provided $88 million in funding and expanded our jurisdiction to programs funded in the law. Operating an annual budget of approximately 18.5 and a half million dollars, to date, the PRAC has helped recover well over $500 million for the taxpayer.

As executive director of the PRAC, an entity Congress created to oversee over $5 trillion in relief funding, I work with a phenomenal team that is leveraging artificial intelligence to collect, organize, and analyze data to rapidly provide insights into fraud risks. This proactive approach is clearly needed so that fraud is prevented before funds are dispersed. This past summer, the PRAC issued two fraud alerts that identified over $79 billion in potential fraud that could have been prevented with pre-award vetting and cross-agency coordination.

To address these issues, the PRAC is developing an artificial intelligence enabled fraud prevention engine, trained on 5 million pandemic applications and other data, the tool can quickly identify anomalies, trends, patterns, and hidden connections in applications before payment. Our access to law enforcement sensitive and other unique data, over 119 million applications for pandemic aid and over 127,000 known or suspected pandemic fraud cases can reveal powerful new insights and serve as an early warning system of organized, often transnational, criminal conspiracies and other emerging threats.

Had our fraud prevention engine been in existence in March of 2020, pre-award vetting would've flagged at least tens of billions of dollars in fraudulent claims for further scrutiny, allowing agencies again to prevent fraud. One of the many lessons of the pandemic is that fraudsters rarely target just one government program, they exploit vulnerabilities wherever they exist. This is why the PRAC uniquely focuses on cross program and cross agency risks. For example, in one project we found over 40,000 instances where the same person appears to have reported a low income to obtain housing benefits and also a high income to obtain small business administration benefits.

These anomalies indicate potential fraud in more than $860 million in PPP loans, and they were likely caused by identity theft or other types of fraud schemes in one or both of the programs. Now, most importantly, it also means that legitimate beneficiaries likely lost out on benefits that they needed and deserved to have.

The PRAC also works across—works with OIGs to develop analytics tools that provide new insights and prove effectiveness of oversight. For example, we recently developed a risk dashboard for the Pension Benefit Guarantee Corporation OIG, that to date has contributed to them recovering over $260 million. And we just launched a similar dashboard for the Federal Communications Commission OIG, which aggregates data related to $11 billion in disbursements to 14,000 entities that will allow them to provide more effective oversight.

The PRAC also provides investigative support to more than 50 law enforcement partners related to 1200 investigations with 24,000 subjects and well over the $2.4 billion, Chair, that you referenced in your opening statement. In one of the tens of thousands of pandemic fraud cases, we identified one PPP scheme involving more than 450 applications from over 100 individuals across 24 states. This is but one example where the proactive use of data and technology could have prevented or aided in the early detection of a scheme, mitigated the need for a resource intensive investigation and prosecution, and helped ensure taxpayer dollars went to the intended recipients and not the fraudsters. Every dollar that goes to a fraudster does not go to the recipients that Congress intended the programs to help including small businesses, the unemployed, and veterans.

With the support of Congress, we'll continue our work on behalf of the taxpayers to investigate fraud and demonstrate the value and effectiveness of fraud prevention. Thank you again for the opportunity to be here today and for your continued support of the PRAC, the IG community, and independent oversight. This concludes my prepared remarks. I look forward to answering your questions.

[The prepared statement of Mr. Dieffenbach follows.]

PANDEMIC RESPONSE ACCOUNTABILITY COMMITTEE
A Committee of the Council of the Inspectors General on Integrity and Efficiency
PandemicOversight.gov

Statement of Kenneth R. Dieffenbach
Executive Director, Pandemic Response Accountability Committee

*before the*

U.S. Senate
Committee on Small Business and Entrepreneurship

*concerning*

**"From Fraud to Recovery: Restoring Integrity in Small Business Programs"**

February 25, 2026

Ken Dieffenbach, Executive Director, Pandemic Response Accountability Committee

Chair Ernst, Ranking Member Markey, and Members of the Committee:

Thank you for inviting me to testify at today's important hearing about improving program integrity in small business programs.

In March 2020, Congress created the Pandemic Response Accountability Committee (PRAC) as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide independent oversight of the over $5 trillion in emergency spending disbursed through more than 500 pandemic relief programs. Comprised of 19 federal Inspectors General (IGs), the PRAC routinely collaborates with local, state, and federal oversight partners to promote transparency in pandemic relief spending, reduce fraud, and hold fraudsters accountable.

With the support of and funding from Congress, the PRAC built a data analytics capability that has proven to be extraordinarily successful in identifying billions of dollars in improper payments and fraud in pandemic relief programs. The PRAC's track record of success over the past six years has validated the clear benefits of having an independent data-centric entity focused on helping the oversight community and agencies in the prevention and early detection of fraud, especially those risks that cross agency and program boundaries. Fraudsters do not follow government organizational charts; they steal from whichever program is most easy to penetrate. Inspectors general have one mission: to protect taxpayer funds by preventing and detecting fraud, waste, and abuse. Agencies, on the other hand, often prioritized speed of payment over reasonable due diligence in the pandemic. In the Paycheck Protection Program (PPP)'s first 14 days in April 2020 alone, about 1.7 million PPP loans were issued with disbursements of upwards of $343 billion.

To be clear, agencies that manage taxpayer-funded programs and the Department of the Treasury (Treasury) that disburses these funds have the primary, first line of defense responsibility to identify and mitigate fraud risks. The PRAC and IGs play a complementary role focused on identifying and thwarting emerging threats. This includes uncovering organized, often transnational criminal conspiracies, and complex trends, patterns, and hidden connections only visible using advanced analytics, sensitive law enforcement data, and fraud subject matter expertise.

I have served as the PRAC's Executive Director since July 2024 where I am privileged to work with 28 dedicated and talented federal employees and a team of contractors. Operating on an annual budget of approximately $18.5 million, to date the PRAC team has helped recover over $500 million for the taxpayer. Prior to this role, I spent over 29 years fighting fraud as a federal law enforcement agent at multiple agencies, with a specific focus on federal grant fraud.

With the support of Congress and in recognition of the success of the PRAC model, in July 2025 the One Big Beautiful Bill (OBBB) Act (Public Law 119-21) extended the PRAC's sunset date until September 30, 2034, expanded our jurisdiction to programs funded in the bill, and provided $88 million in funding to support our anti-fraud efforts. The entire PRAC team looks forward to fulfilling this new mandate and demonstrating how to prevent fraud, advance transparency and accountability, and improve government operations.

To facilitate our mission, we:

- prevent and detect fraud, waste, and abuse
- promote collaboration that enhances program integrity and protects taxpayer dollars
- ensure effective and efficient PRAC operations

We have collected key datasets and developed novel tools to enhance agency fraud prevention going forward. Through our efforts, we now have over 1 billion records from more than five dozen public, non-public, and commercial data sources. This includes over 15 million potentially compromised internet protocol addresses, email addresses, bank account numbers, street addresses, Social Security numbers (SSNs), and Employer Identification Numbers that pandemic fraudsters attempted to, or successfully used, to defraud federal spending. Our graph analytics database has 622 million nodes—such as tax IDs, phone numbers, internet protocol addresses, email addresses, and physical addresses—and 1.65 billion relationships, totaling 2.3 billion data points. Each dataset is subject to strict privacy and security requirements outlined in applicable memoranda of understanding or data-use agreements, and we rigorously adhere to those data governance standards. This data could be used to flag future applications or payments that are associated with any of these same attributes.

The PRAC is at the forefront of leveraging artificial intelligence, including machine learning, network analysis, natural language processing, and robotic process automation to efficiently collect, organize, and analyze text, documents, and other forms of data to provide rapid insights into potential fraud and other compliance risks. The time is now to use this data to prevent fraud schemes before taxpayer dollars are lost and hold wrongdoers accountable.

***Investigating Pandemic Fraud***

The PRAC's data analytics support also has been a critical asset used by law enforcement to root out issues like identity theft, multi-dipping, and organized schemes across multiple states. We provide robust investigative support to law enforcement partners, offering data management, advanced analytic capabilities, and investigative lead generation. The PRAC has used our CARES Act authority to create new models of coordination among federal IGs like the PRAC Fraud Task Force, a collection of over 50 agents from member IGs that investigate pandemic fraud. We have supported investigative requests related to PPP, COVID-19 Economic Injury Disaster Loan (COVID-19 EIDL), unemployment insurance, Restaurant Revitalization Fund (RRF), and Shuttered Venue Operators Grant programs.

The PRAC's investigative support to more than 50 federal law enforcement and Office of Inspectors General (OIG) partners has so far supported over 1,200 pandemic-related investigations, with over 24,000 subjects and a potential fraud loss of $2.5 billion.

We continue to use graph analytics and other advanced tools to support ongoing pandemic investigations for OIGs and law enforcement agencies, with a focus on identifying potential organized fraud schemes, often resulting in increased financial recoveries and a higher number of targets. The PRAC's cross program, cross agency capability is unique within government.

Case examples:

- The PRAC assisted in a case that led to an Alabama individual being sentenced to 114 months in prison for defrauding the PPP, COVID-19 EIDL, and RRF programs for herself and others. She submitted false business information and fabricated documents to obtain relief funds, charged upfront fees to file applications for others regardless of eligibility and used the funds for personal expenses. In total she attempted to defraud these programs of over $14 million.
- Fourteen people were charged with defrauding PPP of $53 million. The defendants allegedly submitted at least 29 fraudulent PPP loan applications to financial institutions that included inflated payroll expenses, doctored bank statements, and false tax forms. This case relied on data analysis provided by the PRAC.
- In New York, a judge delivered a 25-year sentence to a recidivist fraudster who stole over $1 million in pandemic relief funds. He and his co-conspirator, who received a nine-year sentence, used stolen identities, sham tax records, and corporate documents to successfully obtain PPP and COVID-19 EIDL funds.
- We assisted with analytics in the investigation that led to the sentencing of the two co-founders of one of the largest financial technology companies (fintechs) to facilitate PPP loans. Our analysts utilized graph analytics to identify shared connections among borrowers to develop a more comprehensive view of the broader network and support the identification of additional targets. This work helped the Small Business Administration (SBA) OIG identify new subjects and associated loans and the increase in the total estimated fraud loss.
- The PRAC assisted in a case in which an individual was convicted of fraud for knowingly submitting falsified financial records to obtain more than $1 million in

COVID-19 relief funds through the Shuttered Venue Operators Grant program, despite being statutorily ineligible.

- Six Oklahoma residents were sentenced in a $1 million PPP fraud scheme, creating fake businesses and fake identities to obtain fraudulent loans and deposit them into their own bank accounts.
- Two individuals were sentenced to a combined six years in prison for fraudulently obtaining more than $7 million in PPP and COVID-19 EIDL loans by submitting falsified payroll records, fake tax returns, and fabricated revenue documents to lenders and the SBA, and using the stolen funds for personal gain.
- Two Ohio individuals were sentenced to 56 months and 27 months, respectively, for fraudulently obtaining more than $4.2 million in PPP and COVID-19 EIDL loans by submitting applications containing false information and falsified tax documents for multiple businesses and clients, receiving 15-20% of the loan proceeds as kickbacks.
- A former bank manager was sentenced to 10 years in prison for participating in a conspiracy that attempted to obtain nearly $25 million in PPP and COVID-19 EIDL funds by submitting more than 90 fraudulent loan applications to multiple banks including his employer and a former employer.

We provide our law enforcement and IG partners, as well as U.S. Attorneys' Offices, with access to the PRAC's datasets, on-demand analytics, and investigative support. The statute of limitations for the PPP and COVID-19 EIDL were extended to 2030 and we continue to receive thousands of hotline tips from the public, generating leads for law enforcement investigations.

***The PRAC's Fraud Prevention Focus***

The PRAC recently issued our Strategic Plan for 2025 to 2030, highlighting our mission to promote and support fraud prevention and detection efforts across federal programs by leveraging innovation and data analytics. Of note is our objective to "demonstrate the value and effectiveness of fraud prevention." It is critical to show the clear and quantifiable benefits that result from investment in fraud prevention. We look forward to using this Strategic Plan to help inform the public, Congress, and other stakeholders about the important mission of the PRAC and guide our delivery of high-quality and impactful services.

In furtherance of these goals, we recently issued two Fraud Prevention Alerts that demonstrate the clear need to invest in and prioritize fraud prevention:

- In May 2025, we issued a fraud alert showing how we were able to compare data of individuals using similar identifying information who successfully received low-income housing benefits from the Department of Housing and Urban Development (HUD) as well as Paycheck Protection Program (PPP) loans from the SBA. We found that in over 40,000 cases, the applicant reported significantly higher income to SBA than to HUD. These anomalies indicated potential fraud in more than $860 million in PPP loans and an undetermined amount of fraud in low-income housing programs. These discrepancies may reflect intentional misreporting of income by individuals, or they could stem from identity theft involving one or both programs. As a result, individuals may have improperly obtained PPP loans or HUD housing benefits, effectively denying assistance to applicants who legitimately qualified.

- In June 2025, we issued another fraud alert outlining our findings regarding the use of potentially stolen or invalid Social Security numbers (SSNs) to obtain funds from three major pandemic relief programs: SBA's COVID-19 Economic Injury Disaster Loan program, PPP, and the Department of Labor's pandemic unemployment insurance programs. We randomly sampled identity records from 67.5 million applications that received funding from those three programs and provided the Social Security Administration (SSA) with the SSNs, name, and date of birth (DOB) from the randomly selected applications, and asked SSA to verify the validity of the data in the applications by answering three questions:

  (1) Was the SSN real?

  (2) If it was a real SSN, was the name and DOB provided by the applicant the same as the name and DOB in the SSA's records for that SSN?

  (3) Was the person living or dead?

  Importantly, we did not ask SSA for its records; we only asked for yes/no answers to our three questions, which SSA was able to complete in a matter of days. Based on SSA's responses, we estimated that these pandemic programs disbursed approximately $79 billion in potential fraudulent payments due to the use of over 1.4 million potentially stolen or invalid SSNs. Had our analytics platform been in existence at the outset of the pandemic, we could have used this verification process to timely identify this potential fraud before it occurred and provided the program agencies with the information needed.

These Fraud Prevention Alerts highlight how the PRAC's analysis can be used to verify identities and flag potential anomalies in applications before money is disbursed—without any undue delay in sending money to those in need. By using advanced data analytics to detect red flags and prevent fraud and other types of improper payments, the PRAC helps federal agencies learn from the past and prepare for future crises. These insights can guide how future emergency and non-emergency funding is designed and distributed—ensuring monies reach the right people at the right time.

***Support to the Oversight Community***

The PRAC has also continued to support our oversight partners with impactful projects, including:

- Risk Model for a $91 Billion PBGC Program: We continue to collaborate with the Pension Benefit Guaranty Corporation Office of Inspector General (OIG) to support a PRAC-developed risk scoring model to streamline the Special Financial Assistance application review process. This project includes 10 years' worth of data to help the OIG identify risky applications among more than 1,000 multiemployer pension plans. This effort helped identify plans for OIG review, which directly resulted in $261.9 million in civil and administrative recoveries to date.
- Risk Model for $11 Billion in FCC Programs: In collaboration with the Federal Communications Commission (FCC) OIG, we recently launched risk models related to three FCC pandemic programs [Emergency Connectivity Fund ($7.1 billion), Emergency Broadband Benefit ($3.2 billion), and COVID-19 Telehealth Program ($450 million)] and the 14,000 entities that participated in these programs. This project links and matches FCC data with existing PRAC data sources, including known pandemic fraud schemes, and identifies patterns, trends, and other risk indicators to help better target FCC OIG oversight efforts.
- Rick Model for SBA OIG Complaint Processing: This project helped the OIG triage the enormous increase in hotline complaints it experienced after the start of the pandemic. Prior to March 2020, the SBA OIG's hotline typically received fewer than 1,000 complaints per year. That rate increased to 6,000 complaints per week during the early months of the pandemic. Using the PRAC-designed risk model, SBA OIG investigators were better equipped to assess which of these complaints to pursue, saving them valuable time and resources.
- Analytic Center Expansion: This project involves expanding the PRAC's shared analytics center to a broader set of users and adding system enhancements to help Offices of Inspectors General detect potential fraud in OBBB Act or pandemic programs. The program currently includes data from nine sources and specific risk flags to allow auditors and investigators to more efficiently detect anomalies and leads for audit or investigation.
- Administrative False Claims Act (AFCA) Referral Tool: We are creating a robotic process automation (RPA) capability that can automatically generate referral letters related to Administrative False Claims Act matters to facilitate the recovery of taxpayer funds. We previously created an RPA solution to automatically review user-provided judgment and indictment documents to generate debarment letters. The AFCA RPA tool can leverage our existing capability to save resources.

Over the last five plus years, the PRAC has documented serious control weaknesses in federal pandemic programs that led to billions of dollars in fraud. Some of the PRAC's key findings include:

- the need to use tools beyond self-certification to verify applicants' identity and eligibility for funding.
- encouraging timely access to a consent-based verification system that would reduce the incidence of identity fraud, thereby helping protect victims of identity theft.
- ensuring key data elements such as applicant internet protocol addresses are retained to allow for pre- and post-award analysis.
- improving the tracking and reporting of subrecipient spending to increase transparency about the flow of federal dollars.
- leveraging existing federal data sources, such as the Treasury's Do Not Pay (DNP) system, to determine eligibility.
- providing recipients and program administrators with timely and clear guidance to ensure funds are disbursed efficiently and effectively.
- conducting joint meetings between the agency and OIG during the program design phase to enhance opportunity to identify and mitigate risks related to fraud and other forms of improper payments.

These and other findings are documented in PRAC oversight reports, *Lessons Learned in Oversight of Pandemic Relief Funds* and our *Blueprint for Enhanced Program Integrity*, which shares lessons learned and best practices to help strengthen federal programs, enhance stewardship of federal funds, and ensure that taxpayer-funded programs and assistance are delivered to those that Congress intended to reach.

***Fraud Prevention Engine***

The PRAC has also developed an artificial intelligence-enabled "Fraud Prevention Engine" that can review approximately 20,000 applications for federal funds per second to identify anomalies, trends, and patterns before funds are disbursed.

The purpose of this proof-of-concept project was to determine if such a model could be developed and to identify and address any technical hurdles. The model was trained using a sample of approximately 5 million SBA COVID-19 EIDL applications. The Fraud Prevention Engine includes modular components, including unsupervised machine learning models to detect anomalies, supervised machine learning models to identify similar patterns and identifiers as we have found in pandemic fraud cases, and rules-based flags such as invalid SSNs and Employer Identification Numbers. These anomalies can often reveal hidden connections such as a shared bank account amongst seemingly independent applicants. We are also building the capability to rapidly detect anomalies in supporting documentation submitted by applicants.

The Fraud Prevention Engine can flag applications requiring additional due diligence and applications with attributes indicative of organized criminal fraud rings, including those operating across multiple federal programs, and newly emerging threats to program integrity. In practice, the Fraud Prevention Engine will be adjusted for each distinct program to account for their specific risk profile.

Once an application for federal funds is analyzed by this tool and assigned a risk score, the PRAC would then provide feedback to the awarding agency and its OIG indicating one of three primary outcomes: 1) no issues identified; 2) irregularities, such as an invalid identifier, have been identified; or 3) significant issues have been identified that are indicative of a fraud scheme.

Applications in the third category, where we have predication of a potential fraud scheme, would be further analyzed by the PRAC and the applicable OIG to determine if a formal investigation, fraud alert, or other proactive action is warranted. To keep with our commitment to track and demonstrate the value of fraud prevention, we will track and share the statistical outcomes of the Fraud Prevention Engine's work.

We estimate that had our Fraud Prevention Engine been in use in March 2020 it would have quickly identified a significant number of funding applications for further due diligence and would have flagged potentially tens of billions of dollars in payments for further scrutiny before the funds were disbursed. This model demonstrates how advanced analytics can proactively identify high-risk applications, strengthen program integrity, and reduce the need for resource-intensive "pay and chase." The PRAC team looks forward to deploying this tool with federal partners.

***Helping Prevent Fraudsters from Receiving OBBB Act Funds***

The OBBB Act provides hundreds of billions in new spending primarily through the Department of Defense, the Department of Homeland Security, and the Department of Agriculture. The majority of this funding is for the procurement of goods and services, with some funding in the form of grants, direct assistance to individuals, or monies for agency use such as hiring.

Given the PRAC's expanded jurisdiction to the programs funded in OBBB Act, we are actively engaging with our partner OIGs to identify opportunities to prevent fraud in OBBB Act programs and ensure that the funding goes to those Congress intended. These projects will include risk dashboards to present a more complete risk picture and the new PRAC Fraud Prevention Engine to provide near instantaneous insights into patterns, trends, and anomalies and other indicators of potential fraud schemes. We have identified several specific programs where our data and technology can provide valuable insights to program officials and the oversight community to enhance due diligence efforts.

The PRAC is also exploring how we can add value to address a wider variety of fraud risks, beyond identity theft and eligibility fraud issues, in OBBB Act programs including collusive bidding, product substitution, Buy America Act violations, public corruption, foreign influence, and hidden relationships. This broader set of risks requires more in-depth analysis to identify such issues as suspicious bidding patterns and post-award schemes including presenting false claims or failing to follow terms and conditions of an award.

Of particular focus will be cross-program risks, including some state-run federally funded programs, as fraudsters rarely target just one government program but instead exploit program vulnerabilities wherever they exist. This more comprehensive view of fraud risks will help ensure that the right amount of money goes to the right person or entity for the proper purpose and that taxpayer dollars are better protected.

***Collaborating with Partners to Add Value***

A key to the PRAC's historic and future success lies in strategic partnerships across the federal oversight community, with the Department of Justice, including their COVID-19 Fraud Enforcement Task Force and the Antitrust Division's Procurement Collusion Strike Force, and the Government Accountability Office. This collaboration process also includes state and regional governments, who manage over 80% of federal grant dollars via subgrants. This flow of funds exacerbates existing fraud risks and adds additional risks. For example, most state-run federal funding programs lack information sharing frameworks across states to identify schemes impacting more than one state, such as when one Social Security number is used in multiple states.

The PRAC also maintains a critical relationship with the Department of Treasury Bureau of Fiscal Service's Office of Payment Integrity and their Do Not Pay (DNP) platform. It is important to note that the PRAC and Treasury's DNP system are complementary platforms that both work to protect taxpayer dollars from different angles, using different tools. The PRAC and the Office of Payment Integrity regularly collaborate, explore potential joint projects, and exchange information to ensure both organizations are efficient and effective in the fraud prevention space.

The PRAC is dynamic, identifying and acting on the unique fingerprints of potential fraud schemes and regularly identifying new risk indicators to use at the front end for prevention. Other federal systems like DNP are more static, compiling "bad actor" lists of previously identified entity or individual names that are already known to be suspicious, and allowing agencies to check that list before approving payment. To be clear, having a "bad actor" list that agencies can check against before sending out taxpayer funds is a valuable and important tool, and one that complements rather than duplicates what the PRAC provides. One of the unique aspects of the PRAC is our entity resolution code which can identify and determine that different stylings of an individual's name, DOB, and other information included in benefit applications across different federal benefits programs are all the same person. Entity resolution is a key requirement to address fraud.

Using entity resolution code and other unique tools, the PRAC focuses on providing insights into a broad set of risks, depending on the specific program, and identifies patterns, trends, anomalies, and hidden connections across the population of all applications. The PRAC's access to over 119 million applications for pandemic aid and over 127,000 known or suspected pandemic fraud cases result in comprehensive analysis of fraud and other compliance risks, and serves as an early warning system for organized, often transnational, criminal conspiracies and other emerging threats to program integrity.

Additionally, the CARES Act provided the PRAC the authority to store and leverage law-enforcement sensitive data and conduct criminal investigations—tools critical to uncovering hidden schemes and connecting bad actors.

### *Considerations for Congress*

To further support the work of the PRAC, Congress should consider three additional measures:

1) extending the statute of limitations for all pandemic-related fraud from five to 10 years given the enormous scope of the fraud that we have uncovered to date, so that investigators and prosecutors have time to effectively pursue and hold accountable those groups and individuals that targeted and defrauded these programs;
2) updating the PRAC's name to better reflect the fraud prevention mission and focus beyond the pandemic;
3) expanding the PRAC's jurisdiction to ensure our fraud prevention tools can be applied to a broader set of government spending that cuts across agencies, such as grant programs.

### *Prevention is the Way*

In one of the tens of thousands of pandemic fraud cases, a PRAC investigation identified one scheme involving more than 450 applications associated with $2.6 million in funded loans from over 100 applicants across 24 states. This is but one example where the proactive use of data and technology could likely have prevented or aided in the early detection of a scheme, mitigated the need for a resource-intensive investigation, and helped ensure taxpayer dollars are used as Congress intended.

Prevention and early detection of fraud schemes are clearly better than relying solely on the "pay and chase" model. Nevertheless, in addition to applying our tools to fraud prevention, we will continue our efforts to investigate pandemic-related fraud to recover every penny we can for taxpayers.

Thank you again for your continued strong support of the PRAC, the IG community, and independent oversight. This concludes my prepared remarks, and I look forward to your questions.

CHAIR. Thank you very much to our witnesses. And now, we will move into the question, answer session and I will recognize myself for 5 minutes.

So, Mr. Kirk, we'll start with you. Reports from your office state SBA identified $544 million in potential improper payments in the SVOG or SVOG program and $522 million in the RRF program. Yet not one recipient had been referred to Treasury for recovery. Not one. This is actually pretty appalling. Your testimony also identifies more than $9.5 billion of RRF awards in need of review.

Given the scope of potential fraud across the two programs, will you be able to investigate all credible leads before the statutes of limitations expire in April for the SVOG program and May for the RRF program?

Mr. KIRK. Thank you, Senator, for the question. There is no possible way that our office would be able to investigate all of the outstanding referrals and cases that we have received in the SVOG and the RRF program. I will acknowledge that the work of the SBA OIG to this point in the RRF and SVOIG investigations has been underwhelming, quite honestly. There's lots more work we can do.

I can only say that that was probably as a result of resource allocation on other programs. The investigators and auditors have done tremendous work, but the scope of the work is such that we would need much more time, which is why I'm strongly supportive of the idea of extending the statute of limitations to allow for more time to investigate and resolve and return money to the Federal Fed.

CHAIR. No, I really appreciate that. And does that mean that the ongoing investigations as well would time out?

Mr. KIRK. I believe so. I believe that the handful of investigations, quite honestly, it's an embarrassing number of investigations that we currently have underway, those would probably time out as well if we could not bring them to prosecution.

CHAIR. Yeah. So, even though you've invested time and resources through the department they could not continue if the statute of limitations runs out for the programs.

Mr. KIRK. Indeed, it's my understanding that that work would be for nought.

CHAIR. Okay. Which is exactly why we do need to extend the statute of limitations. So, thank you. Mr. Dieffenbach, the PRAC has produced over $57 billion in monetary findings and over 1200 indictments resulting in over 450 convictions. Is it safe to say you are aware of the time and energy it takes to investigate pandemic fraud?

Mr. DIEFFENBACH. Yes. Very safe to say. I spent the bulk of my 29-year career doing fraud and public corruption investigations in the OIG world, and it takes time to identify the bad actors, track them down, and to do the necessary work to, to serve the purpose of justice. Yes.

CHAIR. So, if Congress extends the statutes of limitations by an additional 5 years, how much additional SVOG and RRF fraud do you realistically believe could still be uncovered and prosecuted?

Mr. DIEFFENBACH. So, Chair, I can't provide you a numerical estimate for that, again, because there's so many factors involved, but I can assure you that with additional time, we'll identify more bad actors and more losses and, and lead to more convictions and more arrests. Yes.

CHAIR. Okay. Thank you. And maybe for both of you in, in the remaining time that I have, the Biden administration chose automatic forgiveness for paycheck protection program loans under $150,000, effectively waiving through potential fraud. What front-end control should have been mandatory before forgiveness was granted? And, and if we could start with you General Kirk.

Mr. KIRK. Sure. Thank you, Senator. First off, the, the front-end control that would've certainly avoided many problems would be the avoidance of the use of self-certification of eligibility. That's a real problem. There are ways to crosscheck that self-certification, but certainly self-certification is problematic. I would defer to my colleague if there are others that he's aware of.

CHAIR. Great. Thank you. Yes.

Mr. DIEFFENBACH. Sure. So, the PRAC has done a tremendous body of work in lessons learned, and we've produced a program—a blueprint for program integrity, it includes program certification. The biggest point I'd make to you is that agencies own this risk and they have to do risk assessments, and they have to identify how are we verifying eligibility, what are the terms and conditions of the award, what is the law as laid out by Congress, and how are we ensuring that we're mitigating a broad range of risk?

And every program has different risk, overlapping risk, but first and foremost, agencies have to pay attention and devote resources to those activities.

CHAIR. Okay. Thank you. Now I recognize Ranking Member Markey.

Senator MARKEY. Thank you, Madam Chair, very much. The questions that I'm going to begin with refer to the Paycheck—the Paycheck Protection Program, or PPP, and the Economic Injury Disaster Loan Program or EIDL, which helped save millions of businesses during the pandemic. The SBA and Congress should be learning from our experiences to improve programs, keep fraudsters out, and target help to deserving small businesses.

However, Republicans seem more intent on blaming the Biden administration than anything else. 2023 SBA report found that 86 percent of the fraudulent loans came under Trump during the first 9 months of the first pandemic relief programs. So, Mr. Kirk, your office's own 2023 report on pandemic fraud states that many of the SBA's improvements to stem fraud, "Were made after much of the damage had already been done," and that fraudsters, egregiously exploited SBAs weakened controls during the first year of the program, meaning during the Trump administration. So, Mr. Kirk, when were most PPP and EIDL loans made?

Mr. KIRK. Thank you, ranking member, for the question. I appreciate it. As you described, the vast majority of the loans were made in the year 2020 and 2021. So, they were in that timeframe, that's when the pandemic occurred. So, the relief that the country needed was at that time in those—that's when the loans——

Senator MARKEY. So, 93 percent——

Mr. KIRK. Yes.

Senator MARKEY [continuing]. Of the EIDL grants were made in 2020 when President Trump was in office. Mr. Kirk, do you agree with your predecessor's finding that the vast majority of fraudulent PPP and EIDL loans were made during the first Trump administration? It seems that you do. Mr. Kirk and Mr. Dieffenbach—excuse me?

Mr. KIRK. No, I was going to say that that was the time place—time when the pandemic occurred, it was in 2020, and the economic relief that the country needed was at that time. So, that's when the loans were disbursed.

Senator MARKEY. And I think I heard you say, Mr. Dieffenbach, that if pre-award vetting had been in place in 2020, we would've saved tens of billions of dollars. Is that what you said? Correct.

Mr. DIEFFENBACH. Correct, Ranking Member Markey. Had we had the data systems, the authorities' jurisdiction in place, we certainly could have identified significant amounts of potential fraud for which the proper due diligence could have been accomplished before the money went out the door.

Senator MARKEY. Right. So, back in 2020, if we had put those programs in place, we wouldn't be chasing fraud. We would've prevented the fraud in the first place?

Mr. DIEFFENBACH. Correct.

Senator MARKEY. Right. Thank you. So, do you agree with that, Mr. Kirk?

Mr. KIRK. Thank you, Senator. Yeah, I agree that had different measures been taken, I think you learn an awful lot in hindsight. But because the pandemic was raging at that time and there was a strong desire, a bipartisan desire to try to save the economy, that's when those loans were made.

Senator MARKEY. And what programs should the Trump administration have put in place? Because as you're saying, you live life forwards, but you understand it backwards. So, what programs should have been in place in order to prevent against faulty implementation of those laws?

Mr. KIRK. I'm sorry. I'm not—what, the program, the pandemic, the people——

Senator MARKEY. You agree with Mr. Dieffenbach that we should have had those checks in right from the get go. You do agree with that?

Mr. DIEFFENBACH. The protocols in place to prevent.

Mr. KIRK. It would—again, hindsight is wonderful. I think there were significant controls put in place, but the frauds were very capable, and they were able to get by some of them. As I said, I think there was bipartisan interest in rescuing the economy from the ravages of the pandemic. And so, the loans and grants that were made were intended to save the economy. Obviously, in hindsight, we can——

Senator MARKEY. I'm just trying to get the timeline down——

Mr. KIRK. Sure.

Senator MARKEY [continuing]. In terms of when that fraud, you know, began.

Mr. KIRK. The fraud has continued in the past 5 years as well——

Senator MARKEY. I appreciate that. But as we just heard earlier, if the safeguards were in place initially, we would've saved tens of billions of dollars. And that's just the testimony that we received.

And just a few weeks ago, the New York Times reported about a huckster who had been convicted of peddling bogus energy drinks in 2019, but was then pardoned with the help of one of President Trump's former lawyers as he concluded his first term in 2021. And just last year, that same huckster was convicted again of another fraud scheme that cost victims millions of dollars. So, what did the President do? He granted another pardon to that same huckster.

So, Mr. Dieffenbach, as someone who has devoted nearly three decades of your life to fighting fraud, how does it feel to see convicted fraudsters let off the hook not once, but twice, because they happen to have a line into the President?

Mr. DIEFFENBACH. So, Ranking Member Markey, I'm not familiar with that matter at all. But I can look into it if the law is followed throughout then it's followed throughout. I don't—I don't know the facts.

Senator MARKEY. Okay. Thank you. Thank you, Madam Chair.

CHAIR. This might be an instance where both Ranking Member Markey and I agree that if we had had the proper protocols in place for that very bipartisan bill the Paycheck Protection Program and EIDL, that we probably would've saved a lot of—a lot of taxpayer money, and we wouldn't be in this situation today. But I would remind everybody, probably everybody on this committee voted in favor of those programs because we did want to save our small businesses back home.

But, you know, if we had instituted DOGE, Department of Government Efficiency at that time, we probably would've had the proper protocols in place. So, next, we have Senator Hawley. You are recognized for 5 minutes.

Senator HAWLEY. Thank you, Madam Chair. Thanks to the witnesses for being here.

Mr. Kirk, if I could just start with you, help me understand the scope of what you're looking at with the Restaurant Revitalization Fund and the Shuttered Venue Operators Act. These are the programs you've identified that are currently under shorter statutory limitations that you think that we need to adjust. And partly that's because as you outline in your written testimony, there is a good deal of potential fraud here that it sounds like to me your office and others are currently running down. Is that fair to say?

Mr. KIRK. That is correct, Senator. Thank you for the question. Yes, we're running it down. I will acknowledge that I've only been in place 7 weeks or so. I have learned that really there's been an inadequate attention paid to investigating RRF and SVOG fraud. We can do much better. I commit to you we will do much better. We have only a handful of investigations underway. To me it's an absolute priority, but it will be critically important for us to have an extension of the statute of limitations to be able to continue those investigations.

Senator HAWLEY. And you say only a handful of investigations have been performed or are currently underway, but it sounds like on the basis of your written remarks, that the potential fraud in the Restaurant Revitalization Program's quite large. Is that fair to say?

Mr. KIRK. Yes, Senator. There's potential fraud in the billions of dollars.

Senator HAWLEY. Billions with a B?

Mr. KIRK. Yeah.

Senator HAWLEY. That's incredible. I'm reading from your written testimony, you say, OIG in one review identified 33,168 restaurant revitalization recipients, who had also received PPP loans that have been marked as potentially fraudulent or ineligible. These recipients received nearly not quite $11 billion in RRF funds. And you go on to outline that a bare minimum of these, a tiny percentage have had any kind of substantive review. It sounds like there's a lot to be done here.

Mr. KIRK. We have our work cut out for us, and we will make good use of the additional time in the statute of limitations. Indeed, there is a tremendous amount of fraud that has been uncovered, identified potential fraud. Not all of it has been proven. Obviously, we have work to do to ensure that fraudsters are brought to justice, but it is billions of dollars, Senator.

Senator HAWLEY. You say that your recommendation called for review of more than 61,000 RRF awards totaling almost $10 billion.

Mr. KIRK. That's correct.

Senator HAWLEY. That's quite substantial. Why is it that there's been so little investigation done before now? Do you have a sense of that?

Mr. KIRK. Thank you, Senator. The magnitude of work available to us to do is significant. I have come to know that the investigators and auditors that are in the SBA OIG right now are really dedicated professionals. I believe that they were performing their duties in other areas. The pandemic and EIDL fraud is significant. We have so much work to do. Having said that, we can't ignore one area of fraud just because we've got fraud in others. We are going to attack this fraud. We're going to do it diligently. I'm really honored to be named to the Pandemic Recovery Accountability Committee because I selfishly will look forward to using the PRAC to be able to identify more of the fraud.

For example, it would be impossible for our staff to review manually 61,000 loans. But with the data analytical capability of the PRAC, we'll be able to do a much better job of that and return far more money to the—to the taxpayer. We need that time, though. We need the extension of the statute of limitations to undertake that work.

Senator HAWLEY. And remind us when it runs out one more time, Mr. Kirk. When does the statute——

Mr. KIRK. Current, some of them as early as March or April.

Senator HAWLEY. Very, very soon.

Mr. KIRK. It's very soon.

Senator HAWLEY. We need to act immediately.

Mr. KIRK. Yes, sir.

Senator HAWLEY. I'm glad that you're making this a top priority. Obviously, we've seen in recent weeks, I think just the scope of the pandemic era of fraud that has continued into the present. I had testimony at another committee, one expert suggested that we could be looking at as much as a trillion dollars in fraud every year. Not all of that pandemic fraud, of course, but that's an astounding, astounding number. I think the American people are astounded and also sickened by the fact that their tax dollars are being used to fund fraudsters buy private planes, luxury yachts.

In one case there were 12,000 pounds of $100 bills smuggled out of suitcases in the city of Minneapolis. I mean, this is outrageous stuff. Any dollar of fraud is outrageous. But the scale that you're talking about here is truly alarming. What's the first order business for you? We get this statute extended, which is what we've got to do, what's the next order of business for you in terms of tackling this?

Mr. KIRK. Oh, thank you, Senator. As I mentioned to our staff, our focus is fraud, fraud, fraud. I mean, there's three things we're concentrating on. We need to dedicate our investigative capabilities to identify the fraud, to return the dollars to the—to the taxpayer. The first priority really is to leverage data analytics, because when you're talking about billions, even trillions of dollars and hundreds of thousands of loans, it's simply not possible to do manual reviews in these cases. We have to use data analytics. We have—the fraudsters are taking advantage of the technology. We need to be able to do so as well.

Senator HAWLEY. Very good. Well, I hope that we can get the statute of limitations extended so you'll be able to do your work. Thank you for the terrific work you're doing, both of you.

Mr. KIRK. Thank you.

Senator HAWLEY. Thank you, Madam Chair.

CHAIR. Thank you, Senator Hawley. Next, Senator Shaheen. 5 minutes.

Senator SHAHEEN. Thank you, Madam Chair, and thank you both for being here and for the work that you're doing. I appreciate what the chairwoman said about the importance of the programs and what you said Mr. Kirk, about the fact that when those programs were designed, and as somebody on this committee who helped design the PPP program, there was real urgency about getting that done, about trying to save the small businesses that were going under and the economy, and a recognition that fraud needed to be addressed. But it was secondary to ensuring that businesses were able to continue to operate.

So, Mr. Dieffenbach, can you talk about how long it is taking to develop those pre fraud measures that you mentioned?

Mr. DIEFFENBACH. I'm sorry, the pre fraud measures?

Senator SHAHEEN. Yeah. What you're talking about.

Mr. DIEFFENBACH. The pre award vetting?

Senator SHAHEEN. Yeah.

Mr. DIEFFENBACH. Yes, ma'am. So, thank you for the—for the question, Senator. We have developed, again, a artificial intelligence enabled system that can very rapidly identify——

Senator SHAHEEN. And how long?

Mr. DIEFFENBACH [continuing]. Patterns, trends, anomalies. We can—we can review once the system is set up——

Senator SHAHEEN. How long did it take you to develop?

Mr. DIEFFENBACH. To develop it? We've developed it over the last 6 to 7 months.

Senator SHAHEEN. Okay. So, having that kind of a system in place before the program was done was probably unlikely given the urgency about getting——

Mr. DIEFFENBACH. From March of 2020, correct.

Senator SHAHEEN. Correct. Okay. I just wanted to be clear as we're looking at timeframe here. And one of the things that you said was that we can't ignore—maybe it was you, Mr. Kirk—we can't ignore one area of fraud because of fraud in other areas. And Senator Ernst mentioned the DOGE work.

Last year we saw reports that DOGE had accessed SBA systems that had sensitive information about people and businesses. We requested a review of what they accessed and whether there was any misuse of personal information. Mr. Kirk, have you looked into what DOGE accessed and whether there was any tampering with the information at SBA?

Mr. KIRK. Thank you, Senator for the question. I've just been in place about 7 weeks. And in that time, I have not conducted any review of DOGE. If I may say though, I was—at the time I was a career employee in the Federal government over at the Department of Education. And when I worked with DOGE employees, we understood them to be government employees. Certainly, they were from the Department of Government Efficiency, I guess the name was, but they were government employees that were vetted and reviewed by the HR processes and procedures.

Senator SHAHEEN. But in fact, they weren't.

Mr. KIRK. I can't speak to that. I don't know. But the folks that I worked with were as I understood them to be, members of the Federal service.

Senator SHAHEEN. Is this something you're concerned about looking at SBA?

Mr. KIRK. Not currently. No, ma'am.

Senator SHAHEEN. I would hope that you would do that. And in fact, when this was happening, we requested on the committee a briefing that I think both Senators Ernst and Markey said they would try and make sure we received. And yet, we haven't gotten a briefing yet, so.

Mr. KIRK. Thank you, Senator. I would be happy to work with your staff to see if there is additional work that we can assist you in trying to understand that.

Senator SHAHEEN. That'd be great. I appreciate that. One of my next question is also about SBA and how it operates, because one of SBAs programs is the State Trade Expansion Program. It helps small businesses that are exporting, it helps them to grow their business. I think that's something that this administration is also very interested in. And Congress provided $20 million for STEP in fiscal year 2025 funding last March.

But despite SBA putting out a notice of funding opportunities last May, they have yet to announce any awards from STEP. So, I would hope Mr. Kirk is your looking into the integrity of SBA and how it operates, that you would also look into why SBA is not getting out the funding that Congress has provided to ensure that those programs that are so critical to our small businesses are actually being funded. Will you commit to looking into what's going on and why the STEP program is not funded?

Mr. KIRK. Thank you, Senator. It appears to me that you might be making a referral to an impoundment issue. And if so, that's a matter that falls under the Impoundment Control Act. That's a matter for the GAO to do that.

Senator SHAHEEN. Well, I don't know that.

Mr. KIRK. Perhaps not, but I'd be happy to try to research that more and understand if that's what you're referring to.

Senator SHAHEEN. Because there are also several other programs, the Women's Business Centers and SCORE, where Congress has funded them, but the money hasn't actually gone out from SBA. So, I assume in your position, you can check on that and see if SBA is actually funding the programs that Congress determined it should fund.

Mr. KIRK. I'll certainly be happy to work with my staff to try to get answers to those questions for you.

Senator SHAHEEN. Thank you. Madam Chair, I hope that we can follow up and make sure that we have those answers.

CHAIR. Yes, absolutely. Happy to work with you on that.

Senator SHAHEEN. Thank you.

CHAIR. Yes. And Senator Hirono, you're recognized for 5 minutes.

Senator HIRONO. Thank you, Madam Chair. Mr. Kirk, in your testimony, you discussed the need to investigate fraud in the 8(a) Program, and I agree in fact, we should go after fraud by anyone and in all programs. So, there you go. We agree on that. And we should investigate fraud again in all programs, including the 8(a), but to allege widespread fraud in this program, which involves—how many people are—how many companies, entities are in the 8(a) Program?

Mr. KIRK. Gosh, I apologize, Senator. I don't have that.

Senator HIRONO. Thousands, thousands.

Mr. KIRK. It is thousands. Indeed, I can assure you.

Senator HIRONO. And these are small businesses, and we have decided in this committee that we should be supportive of small businesses——

Mr. KIRK. Absolutely.

Senator HIRONO [continuing]. And to work with them. But to come into the questions relating to this 8(a) Program as with the idea that there's massive fraud that is—that is inappropriate. So, I just want to get your commitment that in your review of the 8(a) Program that you maintain your independence from those within the administration, including the SBA leadership that considers the 8(a) Program to be a fraud magnet. But you would be independent in your assessment of whether or not there is fraud in the 8(a) Program.

Mr. KIRK. Thank you, Senator, for the question. I can absolutely assure you. I swore an oath to uphold the law, to act impartially, to act without regard to political partisanship independently and objectively. That's an oath I take very seriously.

Senator HIRONO. I'm glad that you're reiterating once again, that the IG is really critical that you be independent. And I have the questions that I asked you during your confirmation hearing.

Mr. KIRK. Yes, ma'am.

Senator HIRONO. Now, one question I did ask you was whether the rule of law applied to the President of the United States, and you didn't answer that directly. I'm going to give you another chance to answer that question.

Mr. KIRK. Sure, Senator. I'm happy to acknowledge that the rule of law applies to all citizens, all people in the United States, including the President of the United States.

Senator HIRONO. Do you know that the President said that the rule of law doesn't—he doesn't think the rule of law applies to him?

Mr. KIRK. I'm not aware of that statement.

Senator HIRONO. What if I were to tell you that that is his view of the rule of law as applying to him? He doesn't think the rule of law applies to him. He thinks that the Supreme Court has given him pretty much immunity from—although that that decision was based on any criminal doings, I think he certainly applies it to the civil situation.

So, I have some concerns about your independence. I'm glad that you continue to affirm that you're going to be independent. Now, on the question of Planned Parenthood receipt of PPP funds, once again I believe that you're bringing up whether or not, or the SBA is bringing up whether or not the Planned Parenthood should have gotten this money. And your predecessor IG has said that it was done appropriately.

Do you have any reason to suspect or disagree with your predecessor's assessment of whether Planned Parenthood had committed fraud?

Mr. KIRK. Thank you, Senator. My understanding is that the SBA is conducting a review of the eligibility of many institutions and entities, including that one.

Senator HIRONO. No, but your predecessor had already said that Planned Parenthood had complied with the requirements.

Mr. KIRK. Thank you, Senator. I'm actually quite pleased that the agency is continuing to conduct reviews in all areas because the job of tackling fraud is shared between the agency and the IG.

Senator HIRONO. Well, the thing is——

Mr. KIRK. This administration has made—the agency has made really very significant efforts, since the beginning of last year to——

Senator HIRONO. Hold on. I'm reclaiming my time. So, that's great that, you know, the agency is being very objective and all of that. But this regime is not objective when it comes to the funding of Planned Parenthood. And in fact, it continues to beat the drum that somehow Planned Parenthood committed fraud, or that it was inappropriate. Now, your predecessor IG has already reviewed—I mean, you must have enough other things to look at regarding fraud, but you're going to once again, pursue fraud with regard to PPP.

So, my question to you is, do you not accept your predecessor IGs report, the assessment——

Mr. KIRK. Thank you, Senator.

Senator HIRONO [continuing]. That Planned Parenthood had not committed fraud?

Mr. KIRK. I understand the question.

Senator HIRONO. Yes or no?

Mr. KIRK. The SBA is conducting a new review, reviewing the eligibility of the affiliates, as I understand it. I am not involved in that review. Our office is not involved in that review. If they make referrals to the Inspector General's office, it is our responsibility under the law, and we abide by the law in all cases to investigate those matters.

Senator HIRONO. Well, I have to tell you that this is very politically motivated, as you can imagine. And you must be aware that this regime—I call it a regime because of its authoritarianism—that this is a regime that has been calling to question funding for Planned Parenthood in many different ways, and certainly in this instance, you must be aware of that. So, I'm just saying this is yet another instance of politically motivated investigations. Thank you, Madam Chair.

CHAIR. Thank you, Senator Hirono. And I, for one, have called for additional information regarding those programs and the allocations that went out to Planned Parenthood, because I did not believe that they fit with the original congressional intent of the package that we passed out of this Small Business Committee. So, I would applaud the Inspector General's efforts on reviewing that matter. Senator Young.

Senator YOUNG. Well, thank you, Madam Chair. And I want to thank our witnesses for being here today. Mr. Dieffenbach, I'd like to start by discussing the AI enabled fraud prevention engine that was developed by the Pandemic Response Accountability Committee that you highlighted in your written testimony. You noted that the tool can review approximately 20,000 applications per second before the funds are dispersed, and this would dramatically increase the government's ability to detect anomalies and potential fraud in real time.

Given those capabilities, what specific action should Congress consider to ensure agencies are fully leveraging AI driven fraud prevention tools at the front-end, rather than relying on a costly pay-and-chase model after funds go out the door?

Mr. DIEFFENBACH. Thank you, Senator Young. Indeed, we have built a very powerful tool. To what Congress can do to help enhance fraud prevention, I think first and foremost, it's ensuring the right incentives are in place, and that agency officials are taking their primary responsibility of preventing detecting fraud as they should. Inspector General Kirk and the rest of the inspectors general are here as kind of a secondary backup and an oversight mechanism. But the first and primary role of agency officials is to properly design programs, assess risk, and allocate proper resources to it.

So, in my estimation, the more Congress pays attention to their ownership of that risk, the more they will pay attention to it, and the more they will seek assistance from the PRAC and from inspectors general and follow recommendations so they can have impactful prevention activities.

Senator YOUNG. Okay. Well, Congress will be—at least this member of Congress will be attentive to those issues. I know fraud throughout government programs is especially concerning to my constituents. Are there any statutory data sharing or other barriers that to your mind today prevent wider adoption of the AI tools you referenced across Federal programs?

Mr. DIEFFENBACH. Sure. The biggest one that comes to mind is our jurisdiction of the PRAC is currently limited to pandemic programs and to programs funded in the One Big Beautiful Bill Act, which is an expansion we received last summer we're grateful for. But the greater jurisdiction that we have at the PRAC, the greater we can identify trends, anomalies, patterns, and hidden connections across all government programs.

As I said in my opening statement, most fraudsters don't just defraud one government program. They go to the ones that are the weakest. We have an ongoing case now that involves frauds in 24 different states. The Department of Labor IG has identified one social security number that was used in 40 different states to obtain unemployment insurance benefits. So, expanding our jurisdiction, giving us the ability to responsibly look at a wider set of data, will give better visibility into these emerging trends and these organized groups to be more——

Senator YOUNG. So, you would need statutory direction, is that accurate? Or would some other sort of direction suffice in order to broaden the scope of your current authorities or responsibilities to encompass non pandemic response programs that may be rife with or certainly you know, characterized by fraud?

Mr. DIEFFENBACH. So, as I outlined in my written statement, our jurisdiction is currently limited, so we would need statutory authorization to look at a broader array of programs, which would allow us to collect more data to be more effective.

Senator YOUNG. Short of that, would it be allowable for members of your staff, perhaps you individually, to visit with me, any members of the Small Business Committee that would like to join and talk more generally about how lessons you've learned might be applied to other areas or tools you've developed?

Mr. DIEFFENBACH. Yes, Senator. I would welcome that opportunity. I spent almost my entire 28-year Federal career as a Federal law enforcement investigating corruption and fraud. I can talk fraud risks with you all day long, which is the first step in the process. But happy to talk anytime.

Senator YOUNG. Here, today, I resolve to work with you and members of your team and have my office do so, and we will ask if other colleagues on the committee would like to also be supportive of cracking down on indefensible fraud.

Mr. DIEFFENBACH. Anytime, sir.

Senator YOUNG. All right. And I see for the record, Senator Rosen, her face lit up. So, perhaps we can work together on this. Mr. Kirk.

Mr. KIRK. Yes, sir.

Senator YOUNG. You've highlighted in your written testimony the recent steps the Small Business Administration has taken to strengthen program integrity. I regret that we're sort of running towards the end of our time, but I'll just ask you one threshold sort of question here. How's the SBA integrating AI machine learning or advanced data analytics into its fraud detection and application review processes today?

Mr. KIRK. Thank you, Senator. I know it is a priority of theirs. I have had several meetings already with the chief technology officer there, and I look forward to continuing those. It's really imperative. What we have to do is, as we integrate AI and data analytics, we have to make sure it's done safely, in a way that protects data, in a way that doesn't create new problems, as such as we're created with pandemic program, when steps were put into place that had a tail to them. So, I am, I know they are committed.

I am very committed to using technology because as Senator Ernst referred to, as Senator Markey referred to, we're talking about hundreds of thousands of loans, and there's no way to manually review these, that we have to use the data analytic tools that are available.

Senator YOUNG. Well, thank you for your focus on this important matter. Chair.

CHAIR. Great. Thank you, Senator Young. Next, we'll go to Senator Rosen. Thank you.

Senator ROSEN. Thank you, Madam Chair, Ranking Member Markey, appreciate this. Data and analytics, you're talking my language here. So, I want to thank Senator Young bringing this up. I was going to ask this very same question. I agree that early fraud protection through better technology, AI, dashboards, and the like, it is really preferable to—we don't want to pay them ahead of time and chase them down later. We want to prevent them.

And so, I do agree with your quote that the proactive use of data and technology could have prevented or aided in early detection schemes. So, I want to work with you to continue to use technology in smart ways to prevent fraud and join us on that. What we need to do to learn with you on ways that we can enhance your work. So, thank you for that.

And I want to say since I entered Congress, I've worked really hard to fight wasteful spending, look after Nevadans' hard-earned tax dollars, ensuring that waste is responsibly minimized. Responsibly minimized, right? As fraud is prevented, should always be a top priority. Tax dollars are precious. And so, I do believe this effort, and again, I agree with my colleagues that we must take the preventative approach. It's always better prevention—what do they say? An ounce of prevention versus a pound of cure, right?

And so, our goal should be to improve access to the support and SBA programs that are intended to provide. There's a lot of programs out there, not to create more barriers but to really enable people to navigate the complex environment that exists for I will say the people who aren't perpetrating fraud. The rest—the majority of folks really want to do the right thing, and they look forward and really dream about owning a small business. And so, we should be focused on implementing evidence-based reforms, identifying opportunities to improve compliance, and ensuring that critical resources do remain available for, look—99.2 percent of business owner of businesses in Nevada are small business. These are people's dreams, large and small. And we want them to use these resources.

So, one opportunity to improve compliance exists in better leveraging small business resource partners. You have an extensive network of resource partners, like Small Business Development Centers, Veterans Business Outreach Center—I was glad to bring the first VBOCs, two of them to Nevada—Women's Business Centers, they're all utilized extensively I know in Nevada by our small businesses. And I believe that the reach of these resources can be expanded to better help people who really want to do the right thing and own their own business and stay compliant with program requirements.

So, Mr. Kirk, how can the small business resource partners, like the ones I've named and others aid in the goal of educating business on compliance requirements? And what efforts are you taking to have the reach of our resource partners really get out there to the multitudes? Like I said, almost 300,000 small businesses in Nevada, so they know they're there. They want to do the right thing, and they just need to be able to get the resources to do it.

Mr. KIRK. Thank you, Senator for the question. I really appreciate it because it allows me to talk about the other arm of what we do in the Inspector General's office. We are statutorily required to investigate and prevent and detect waste, fraud, and abuse. But our other critically important function is audit. And when we audit these programs, we can identify ways where their reach can be expanded. These are program responsibilities you're talking about, right? So, that those questions are—some of them are best directed to the administrator, but we are critically involved in auditing the programs to ensure that their reach is what Congress intended.

There are so many programs available. I'm only now becoming familiar with many of them. But our audit work is geared in many cases to identify how those programs might be improved, how the reach of the programs can be expanded.

Senator ROSEN. Improved, for sure, because you can see the roadblocks for people who are trying to get things done and what are their obstacles to being compliant.

Mr. KIRK. Indeed.

Senator ROSEN. Sometimes they're just not educated on what they need.

Mr. KIRK. Indeed. And, you know, the problem, you know, the pandemic relief was pushed out so quickly.

Senator ROSEN. Yes.

Mr. KIRK. It would be nice if we could push out SBA assistance program assistance as quickly, but we would do so at the risk of greater fraud. So, I really am grateful for your question because it allows me to talk to our audit folks about really having them bear down on the issue of how can we ensure that the program funding, the program availability, the knowledge of how to use the programs is made available to the 36 million small businesses.

Senator ROSEN. Right. Because some people are trying to perpetrate fraud and others may just not understand——

Mr. KIRK. Absolutely.

Senator ROSEN [continuing]. How to be stay in compliance if they don't have—it's not a very large business.

Mr. KIRK. Indeed.

Senator ROSEN. It could be just a mom and pop, a smaller business that just doesn't have the resources. So, thank you for that. And Madam Chair, I yield back.

CHAIR. Yes, thank you, Senator Rosen. And an excellent point, because we do have a lot of small businesses that just lack the ability to sort through some of the legalities.

Senator ROSEN. They are trying to do the right thing but they just don't have the resources. Maybe they're not sure how to fill out paperwork.

CHAIR. Right. Exactly, exactly. Thank you for that line of questioning. And now I'll recognize Ranking Member Markey.

Senator MARKEY. Thank you, Madam Chair. Mr. Dieffenbach, you have been fighting government fraud for 28 years. You know that fraud is not a problem that is unique to only red and only blue states. Yet we've seen the SBA administrator take selective actions against borrowers in Minnesota and California. In fact, Administrator Loeffler went so far as to pause annual grant funding to the state of Minnesota after launching a probe into COVID–19 programs. I think the administrator is actually using isolated incidents of fraud from 6 years ago to deny law abiding small businesses in Minnesota access to SBA programs today.

So, Mr. Dieffenbach, as head of the Pandemic Recovery Accountability Committee, you have a comprehensive understanding of the fraud landscape. Has the data given you any indication that there was a correlation between whether someone lives in a state that voted against Donald Trump or for Donald Trump in terms of the likelihood that they committed fraud?

Mr. DIEFFENBACH. Ranking Member Markey, fraud exists in any program that gives away money. I have no data, no information about the geographic disbursement or the voting piece that you just discussed.

Senator MARKEY. Yeah. So, it's not red states and blue states, it's all states?

Mr. DIEFFENBACH. I don't know. It is—it is distributed across all states. Yes.

Senator MARKEY. Thank you. So, do you think that targeting specific states for political reasons as the SBA has done is an effective way to pursue recovery for the American taxpayers or does the PRAC rely on more nuanced analytics yourself to identify concentrations of fraud?

Mr. DIEFFENBACH. I don't have a comment on that except to say that I have 3 billion data points, and every day I've got a team that is looking for the patterns, trends, and anomalies of the fraud where it may occur so we can pursue it and refer it to the right inspectors general.

Senator MARKEY. Yeah. And I like that about you. You know, you're like, Sergeant Joe Friday in Dragnet, it's nothing but the facts, you know, and just follow the facts. It's not let's just target the blue states, because obviously, you'll be letting off most likely half of the culprits at that point, because that's just the way fraud works.

So, Madam Chair, as you know, this committee passed the SBA Fraud Enforcement Extension Vote Act by a voice vote this past July, and I am committed to passing this legislation as part of a comprehensive set of reforms and look forward to working with the chair to advance it along with other bipartisan priorities. And that said, our efforts to fight against fraud should not be limited to going after small restaurants and theaters, especially when President Trump is letting off fraudsters left and right.

If we're going to combat fraud, let's look and see what DOGE is doing with the social security numbers they illegally harvested and take steps to make sure they're not doing the same thing with small business data. So, I just want to be consistent. Let's call out the fraud across the board, including when it's committed by the President's allies, as well as the President's opponents. So, let's not allow the search for fraud to be used as a weapon to hurt people in blue states. So, I'm committed to fighting fraud but we just have to be consistent so that we call it out like you Mr. Dieffenbach regardless of where we find it in the country.

So, with that, Madam Chair, I yield back.

CHAIR. Thank you. Thank you, Ranking Member Markey, and I love that Sergeant Joe Friday, just the facts. And yes, I do believe that if there is fraud out there, we need to call it out. I don't care whether it is a blue state or a red state. Unfortunately, we have seen a lot of fraud in Minnesota. So, that's the state that does garner the most attention. So, I'll just ask a brief question.

So, the SBA had announced that there was nearly 7,000 Minnesota borrowers linked to an estimated $400 million in COVID relief loans. They are being suspended after massive fraud rings were exposed throughout Minnesota. So, right now, what we do know is that Governor Walz is now proposing new forgivable loans, claiming businesses are being harmed by law enforcement.

So, Mr. Kirk, maybe what warning, as we're wrapping this up—what warning would you give to officials advocating for broad new grant forgivable loan programs?

Mr. KIRK. Gosh, thank you, Senator, for the question. I would suggest they consult with my colleague here and with me and with others, inspectors general to try to put in place methods in advance that would prevent fraud from occurring. There's many steps that can be taken. They don't require all that much effort. As I said, hindsight's 20/20. I hope that folks that would do that would look to experts who can provide information in that regard.

For example, self-certification, a real problem in these matters. There's opportunities that exist to check the self-certification that's being made. There's data tools out there that are available, and the data tools are better now than they were 6 years ago when the pandemic began, so.

CHAIR. Well, thank you. This has been a very good hearing, and I appreciate it. And, ranking member, I absolutely agree, let's go after the fraudsters. It doesn't matter, R, D, blue, red, does not matter. Fraud is fraud.

So, again, I want to thank our witnesses for being here with us today. I ask unanimous consent that the record of today's hearing remain open for 2 weeks for members to submit questions, revise and extend their remarks, and submit additional information into the record.

And without objection, so ordered.

And with that, the Committee on Small Business and Entrepreneurship stands adjourned. Thank you, Gentlemen.

[Whereupon, at 3:41 p.m., the hearing was adjourned.]

United States Senate
COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510–6350
TELEPHONE: (202) 224–5175

January 8, 2026

The Honorable Kelly Loeffler
Administrator
U.S. Small Business Administration
409 3rd Street, SW
Washington, D.C. 20416

Dear Administrator Loeffler,

The recent reports of a $9 billion fraud scheme in Minnesota involving multiple taxpayer-funded programs are jarring.[1] A top priority of the Senate Small Business Committee majority is shedding light on the most egregious examples of government fraud, waste, and abuse. We are appalled by the Biden Administration's indifference to meaningful oversight and guardrails in the Small Business Administration's (SBA) COVID relief programs. The result of this indifference has been a never-ending news cycle of program abuses and clear cases of fraud. Fortunately, the SBA has a vigilant leader at the helm, and we applaud your swift action in launching a full-scale investigation into this fraud and its overlap with SBA programs.[2]

The extent of the fraud scheme is still being uncovered. Recent reports indicate that in one such operation, fraudsters claimed to be feeding thousands of hungry Minnesota children per day, yet prosecutors say little or no meals were ever served.[3] This scheme netted fraudsters over $250 million in Federal Child Nutrition Program funds.[4] A second fraud operation, with connections to the first, featured fraudsters recruiting Somali children to pose as autistic to steal money from Minnesota's autism program.[5] At this time, prosecutors are still assessing how much money was stolen from the autism program, but they believe much of the explosion in claims from $1 million in 2017 to $220 million in 2024 is due to fraud.[6] Most recently, an investigative journalist revealed that federally funded daycare centers across Minnesota sat empty while fraudsters collected checks.[7] Related investigations are ongoing, and to date, it appears that approximately $9 billion in taxpayer funds have been stolen.[8]

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[1] Jonah Kaplan and Joe Walsh, *Everything we know about Minnesota's massive fraud schemes*, CBS, (Jan. 5, 2026), *available at* https://www.cbsnews.com/news/minnesota-fraud-schemes-what-we-know/.
[2] *Id.*
[3] FOX 9 Staff, *Feeding Our Future fraud: Federal trial begins for organization's founder*, FOX 9 KMSP, (Feb. 3, 2025), *available at* https://www.fox9.com/news/feeding-our-future-federal-fraud-trial-aimee-bock-day-1.
[4] Seth Kaplan, *Fraud in Minnesota: Detailing the nearly $1 billion in schemes*, FOX 9 KMSP, (Dec. 8, 2025), *available at* https://www.fox9.com/news/fraud-minnesota-detailing-nearly-1-billion-schemes.
[5] *Id.*
[6] *Id.*
[7] Nick Shirley, *I Investigated Minnesota's Billion Dollar Fraud Scandal*, YOUTUBE (Dec. 26, 2025), https://www.youtube.com/watch?v=r8AulCA1aOQ.
[8] Jonah Kaplan and Joe Walsh, *Everything we know about Minnesota's massive fraud schemes*, CBS, (Jan. 5, 2026), *available at* https://www.cbsnews.com/news/minnesota-fraud-schemes-what-we-know/.

We appreciate your swift action on December 2, 2025, when you announced that "numerous nonprofits and individuals" who were complicit in these Minnesota fraud operations had also received SBA Paycheck Protection Program (PPP) loans and that an investigation had been launched.[9] By January 1, 2026, you had suspended nearly 7,000 Minnesota borrowers, who received an estimated $400 million in COVID relief loans.[10] Your decisive action to ban these borrowers from all SBA loan programs and hold these criminals accountable by referring them to law enforcement is a critical first step toward ensuring taxpayer funds are returned.[11]

This Somali scheme is just the latest example of fraud endemic in COVID relief programs, which prioritized shoveling money out the door rather than implementing functioning oversight mechanisms to protect taxpayers. These COVID relief programs were fecklessly mismanaged, and every jaw-dropping revelation about a new COVID relief scam serves to drive home that point. Recently, in Iowa, an illegal immigrant who served in the Cuban military was arrested for his part in a scheme to defraud the PPP of nearly $2.4 million.[12]

Other examples of COVID relief programs allowing cheats and fraudsters to run wild include:

- Scammers using headshots of Barbie dolls and mannequins to defraud PPP.[13]
- Rappers receiving a windfall from the Shuttered Venue Operators Grant (SVOG) program, which they used on private jet flights, lavish birthday parties, and designer clothes.[14]
- Eight members of the "Insane Crip Gang," a subset of the national "Crips" street gang, were using PPP loans to buy weapons, which were ultimately used in various robberies, kidnappings, and murders.[15]
- A fraud mill that helped crooks make fraudulent PPP applications to the government in exchange for kickbacks.[16]

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[9] Kelly Loeffler (@SBA_Kelly), X (Dec. 2, 2025, at 8:23 AM ET), https://x.com/SBA_Kelly/status/1995846331202457607?s=20.
[10] Kelly Loeffler (@SBA_Kelly), X (Jan. 1, 2026, at 8:00 PM ET), https://x.com/SBA_Kelly/status/2006893291241980325?s=20.
[11] *Id.*
[12] Press Release, DOJ, *Former Cuban Military Sergeant Sentenced to Federal Prison in Pandemic Benefits Fraud Conspiracy*, (Dec. 5, 2025), *available at* https://www.justice.gov/usao-ndia/pr/former-cuban-military-sergeant-sentenced-federal-prison-pandemic-benefits-fraud.
[13] Gustaf Kilander, *Scammers used doll faces to secure in Covid pandemic aid in PPP fraud*, THE INDEPENDENT, (June 29, 2023), *available at* https://www.the-independent.com/news/world/americas/crime/covid-pandemic-fraud-scam-ppp-loan-b2366672.html.
[14] Jack Newsham and Katherine Long, *How rich musicians billed American taxpayers for luxury hotels, shopping sprees, and million-dollar bonuses*, BUSINESS INSIDER, (Dec. 18, 2024), *available at* https://www.businessinsider.com/lil-wayne-chris-brown-covid-relief-funds-svog-grant-2024-12.
[15] Press Release, DOJ, *Eight Crips Gang Members and Associates Indicted for Racketeering and Numerous Violent Crimes on Long Island*, (Apr. 13, 2023), *available at* https://www.justice.gov/usao-edny/pr/eight-crips-gang-members-and-associates-indicted-racketeering-and-numerous-violent.
[16] Press Release, DOJ, *Co-Founder of Paycheck Protection Program Lender Service Provider Sentenced for $63M COVID-19 Relief Fraud Scheme*, (Nov. 21, 2025), *available at* https://www.justice.gov/opa/pr/co-founder-paycheck-protection-program-lender-service-provider-sentenced-63m-covid-19-relief.

Scammers and fraudsters will exploit any gaps in the system to enrich themselves at taxpayers' expense. This is unacceptable.

As the Trump Administration opens the books, many disturbing fraud schemes are being uncovered. We have heard from our investigative and law enforcement partners loud and clear that it takes years to investigate and audit these unprecedented COVID relief programs properly. That is why the U.S. Senate Committee on Small Business and Entrepreneurship passed S. 1199, the *SBA Fraud Enforcement Extension Act*, to give hardworking investigators more time to uncover crimes like this and hold fraudsters accountable.

Accordingly, we respectfully request that your agency deliver to the Committee a preliminary briefing with the following information by January 22, 2026:

1. Inform the Committee of the broad parameters of your investigation, including which companies and individuals are being investigated, whether this investigation extends to review of other states where similar patterns of abuse are being alleged, and the financial breakdown of the crime ring's ill-gotten gains.[17]
2. Submit to the Committee any currently-in-operation SBA programs that were taken advantage of, and steps SBA is taking to mitigate fraud risks.
3. Inform the Committee of any authorities the SBA needs from Congress to accelerate the process of recovering stolen funds and stop fraud in future programs.
4. Provide the Committee with all documents requested by the House Committee on Small Business in their December 22, 2025, letter.

Thank you for your prompt attention to this critical matter. If you have any questions, please do not hesitate to contact Committee staff at (202) 224-5175.

Sincerely,

Joni K. Ernst
Chair

Rand Paul, M.D.
Member

Todd Young
Member

Jim Justice
Member

[17] Ryan King, *Maine's Medicaid program bilked out of millions of dollars in Somali fraud, whistleblower claims*, NY POST, (Dec. 10, 2025), *available at* https://nypost.com/2025/12/10/us-news/maines-medicaid-program-bilked-out-of-millions-of-dollars-in-somali-fraud-whistleblower-claims/.

Ted Budd
Member

Tim Scott
Member

James E. Risch
Member

Jon Husted
Member

John R. Curtis
Member

Josh Hawley
Member

# Senate Committee on Small Business and Entrepreneurship Hearing
# February 25, 2026
# Follow-Up Questions for the Record for Mr. Kirk

## Questions from Chair Ernst

**QUESTION 1:**

**In 2023, Senator Paul and I raised alarms after the PRAC found $5.4 billion in Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) loans tied to fraudulent Social Security numbers. Can you provide an update on how much of this money is in the process of being recovered, or has been recovered, and what steps are being taken to notify these victims that their social security numbers were used to steal taxpayer dollars?**

The Pandemic Response Accountability Committee (PRAC) identified approximately $5.4 billion in potentially fraudulent Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) funds associated with the use of questionable Social Security numbers, based on data available at the time of its January 30, 2023 fraud alert.[1] This work, along with SBA OIG oversight, underscores the significant fraud risks associated with identity-based vulnerabilities in pandemic-era programs.

Though the referenced report is a PRAC product, through investigative activity, SBA OIG, in coordination with the Department of Justice and other law enforcement partners, pursues recovery of fraudulently obtained funds. Recoveries occur through criminal and civil actions, including restitution, forfeiture, and settlements; however, given the distributed nature of these cases across jurisdictions, recovery amounts are tracked through enforcement outcomes rather than a single consolidated total tied specifically to this population.

This is an important issue and a significant concern given the scale of identity-based fraud identified. However, SBA OIG does not have direct authority over Social Security Administration records, identity verification determinations, or related victim notification processes and therefore cannot provide information regarding whether or how potentially affected individuals may have been notified.

**QUESTION 2:**

**On February 24, 2026, your office reported a data sharing agreement with Inspector General John Walk of the U.S. Department of Agriculture to bolster fraud recovery and enforcement coordination. How does this commitment improve SBA OIG and USDA OIG's efforts to identify fraud, and what capabilities do you think this will provide your office?**

Importantly, the agreement enables both OIGs to coordinate investigative activity and conduct cross-agency data analysis to identify patterns of fraud that may not be visible within a single program. This type of collaboration improves our ability to detect coordinated schemes, including the misuse of identities or businesses attempting to exploit multiple federal assistance programs.

By improving investigative coordination and secure information sharing between our offices, the agreement enhances SBA OIG's ability to detect fraud earlier, pursue appropriate enforcement action with our law enforcement partners, and protect taxpayer funds.

**QUESTION 3:**

**The SBA's audit of the 8(a) program is a critical first step to rooting out fraud and abuse, but audits need to be backed up with enforcement. As of March 5, 2026, the SBA has already suspended 154 individually owned 8(a) firms who exceeded the program's net worth limits, adjusted gross income caps, or total asset limits. At this time, is your office investigating the 8(a) firms referred to by the SBA?**

The SBA's suspension of 154 firms represents an important step to enforce program eligibility requirements and mitigate risk within the 8(a) Business Development Program.

To protect the integrity of our work, at present, I am unable to confirm or deny specific investigative activity. However, SBA OIG works closely with SBA to share information and review matters associated with program actions such as these, particularly within the 8(a) program. SBA has received referrals from SBA. We take these complaints very seriously and assess this information on a case-by-case basis to determine whether there are potential violations of law and, where appropriate, pursue further action, including referrals to the Department of Justice.

**QUESTION 4:**

**Your testimony noted ongoing investigations into 400 Shuttered Venue Operators Grant (SVOG) and 680 Restaurant Revitalization Fund (RRF) cases. How frequently does your office receive complaints or tips related to these programs, and are there steps we can take to improve that line of communication to effectively speed up the process of finding and combating fraud in these programs? Further, what is the typical caseload that your case officers handle at any given time, related to these programs?**

SBA OIG receives a steady volume of complaints and tips primarily through its OIG Hotline, as well as from SBA referrals and other law enforcement partners. With respect to the Restaurant Revitalization Fund (RRF) and Shuttered Venue Operators Grant (SVOG) programs, we have received over 1,100 hotline complaints to date, including approximately 680 related to RRF and 439 related to SVOG. These complaints are reviewed, triaged, and assessed for actionable leads. These complaints are a key entry point for identifying potential fraud and initiating investigative activity.

As of this time, SBA OIG has approximately 494 ongoing investigations supported by 39 field agents, reflecting an average caseload of approximately 12.7 cases per agent. We prioritize investigative resources based on risk and potential impact of the investigation. The RRF program alone disbursed approximately $28.6 billion across more than 100,000 awards, with oversight work identifying significant fraud risk, including tens of thousands of potentially ineligible or high-risk awards and billions of dollars in associated exposure. Similarly, the SVOG program disbursed more than $14.6 billion, with additional identified vulnerabilities. Given the scale of these programs and the complexity of fraud schemes, investigations often require extensive financial analysis and coordination with law enforcement partners.

To improve the timeliness of fraud detection and response, ensuring the quality, completeness, and timeliness of hotline complaints and SBA referrals is critical. Enhancing data-sharing agreements, improving real-time access to federal and third-party data sources, and strengthening front-end verification controls can help accelerate the identification of high-risk activity. In addition, streamlining communication channels between SBA and SBA OIG can improve the speed and effectiveness of fraud detection efforts while allowing investigators to prioritize their investigations.

**QUESTION 5:**

**Your Office has recently emphasized the role of data-sharing agreements in improving information flow, identifying risks, and supporting investigative and prosecutorial efforts. What data-sharing agreements does SBA still need with other federal entities to ensure it can access and analyze all relevant information prior to approving program awards?**

Data-sharing agreements will significantly improve SBA OIG's ability to identify risks and support investigative and prosecutorial efforts; however, critical gaps remain, as identified in SBA OIG audits and evaluations of SBA's pandemic and business assistance programs.[1]

To strengthen program integrity, effective oversight requires expanded, real-time access to key Federal data sources, including tax information and identity verification systems, consistent with applicable privacy and security protections. SBA OIG has highlighted limitations in SBA's ability to independently verify applicant information, including income and identity data.[2] Access to Social Security and EIN validation data is essential to verifying applicant eligibility and preventing the use of falsified or stolen identities. Further, consistent with the Administration's March 20, 2025, Executive Order aimed at improving federal data sharing, enhanced and more systematic use of interagency data access is important to independently validating applicant identity and eligibility, support front-end fraud detection, and mitigate the risk of improper payments prior to award.

In addition, our office has also reported that reliance on a "pay-and-chase" model increased the risk of fraud and improper payments across pandemic-era programs.[3] Shifting to a proactive, front-end approach that incorporates data analytics, cross-agency data matching prior to award approval, and near real-time fraud detection is critical to mitigating future risk. For example, SBA OIG currently lacks direct access to certain tax information due to statutory and regulatory restrictions, which limits the ability to independently validate applicant data through computer matching. Addressing these limitations through appropriate legislative or interagency solutions would significantly enhance fraud prevention efforts.[4]

Finally, SBA OIG has identified the need for improved processes to recover improper payments and coordinate with financial institutions to identify suspicious transactions and return funds to SBA. Strengthening these mechanisms would improve the government's ability to recoup taxpayer dollars and deter fraud.[5]

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[1] SBA OIG, 20-16, *Serious Concerns of Potential Fraud in Economic Injury Disaster Loan Program Pertaining to the Response to COVID-19*, (July 28, 2020).
[2] SBA OIG, 21-02, *Inspection of Small Business Administration's Initial Disaster Assistance Response to the Coronavirus Pandemic*, (October 28, 2020).
[3] SBA OIG, 23-09, *COVID-19 Pandemic EIDL and PPP Loan Fraud Landscape*, (June 27, 2023).
[4] SBA OIG, 24-04, *SBA's Handling of Identity Theft in the COVID-19 Economic Injury Disaster Loan Program, Report*, (December 19, 2023).
[5] SBA OIG, 23-10, *SBA's Administrative Process to Address Potentially Fraudulent Restaurant Revitalization Fund Awards*, (July 5, 2023).

# Senate Committee on Small Business and Entrepreneurship Hearing February 25, 2026 Follow-Up Questions for the Record

## Question from Senator Scott

**QUESTION 1:**

**You testified that the Small Business Administration holds certain authority to cross-check loans applications against other federal databases for signs of identity theft, fraudulent shell entities, and false income reporting. How can we better implement cross-agency data sharing processes before funds are disbursed, rather than retroactively activating these procedures during criminal investigations?**

SBA has existing authorities to perform computer matching in furtherance of its mission. Matching agreements with entities such as the Department of Treasury's Do Not Pay system are critical to rooting out fraud and improper payments. Such mechanisms demonstrate the feasibility of cross-agency data integration to support eligibility verification and fraud prevention.

Notwithstanding these existing authorities, SBA OIG has identified persistent limitations in consistent and timely use of these tools. To more effectively implement cross-agency data sharing prior to disbursement, SBA and its partners must move toward a front-end, real-time verification model that integrates key Federal data sources at the point of application. This includes expanding access to identity verification and income validation systems, such as Social Security and tax data, consistent with applicable privacy and security protections, as SBA OIG has previously identified limitations in accessing certain Federal data that restrict full validation of applicant eligibility before funds are disbursed.[1] In addition, agencies should operationalize automated data matching and risk-based screening tools to flag anomalies, such as discrepancies in reported income, duplicate identities, or suspicious business activity, prior to approval, thereby reducing the need for costly post-disbursement recovery efforts. Embedding these data-sharing mechanisms into program design from the outset, supported by clear interagency coordination and real-time information exchange, will strengthen program integrity, limit opportunities for fraud, and better safeguard taxpayer funds.[2]

[1] SBA OIG, 21-02, *Inspection of Small Business Administration's Initial Disaster Assistance Response to the Coronavirus Pandemic*, (October 28, 2020).

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

**Senate Committee on Small Business and Entrepreneurship Hearing**
**February 25, 2026**

**Follow-Up Questions for the Record for Mr. Dieffenbach**

**<u>Questions from Chair Ernst</u>**

**QUESTION 1:**
In 2023, Senator Paul and I raised alarms after the PRAC found $5.4 billion in PPP and EIDL loans tied to fraudulent Social Security numbers. Your testimony presented data that's even more troubling: $79 billion in improper payments across SBA's programs and Unemployment Insurance. Can you provide an update on how much of this money is currently being recovered or has already been recovered?

**RESPONSE:**
The PRAC's June 2025 Fraud Prevention Alert shows the power of front-end fraud prevention compared to "pay and chase," as our analysis would have potentially saved $79 billion if completed as a front-end check before funds were disbursed. Our analysis used a random sampling from a population of 67.5 million funded applications across SBA's PPP and COVID-19 EIDL programs and the Department of Labor's pandemic unemployment assistance programs. The project identified 23,854 records in the random sample with questionable verification status of applicant Social Security Numbers (SSNs). These findings were then projected to the population for a total estimate of 1.4 million questionable SSNs.

The 23,854 flagged SSNs are now in our dataset and are being used to identify new proactive investigations as well as to support ongoing investigations. We share the underlying data from our Fraud Alerts with Offices of Inspectors General (OIGs) that request it. We continue to partner on identifying potential cases of fraud including identity theft, and OIGs have made notifications to identify theft victims.

To date, the PRAC has assisted in the recovery of over $500 million in pandemic relief funds. We are assisting in more than 1,200 investigations with a potential fraud loss of $2.5 billion. Given the scale and complexity of pandemic relief fraud, and with the addition of new tools and technology, we anticipate continuing to uncover additional schemes.

**QUESTION 2:**
In your testimony, you highlighted the PRAC's Fraud Prevention Engine and its use to flag high-risk applications. Given that the tool successfully reviewed 5 million EIDL applications, are there plans to deploy this tool retroactively across other COVID-era programs, particularly RRF and SVOG?

**RESPONSE:**
We welcome the opportunity to partner with the Small Business Administration Office of Inspector General to use data analytics to oversee the RRF and SVOG programs, and opportunities to work with agencies and Offices of Inspectors General to find opportunities to deploy the Fraud Prevention Engine before new money is disbursed to recipients.

**QUESTION 3:**
In your testimony, you also discussed the PRAC's new robotic tool that generates referral letters under the Administrative False Claims Act. Can you expand on this new tool and how it can help agencies recoup funds lost to fraud?

**RESPONSE:**
Our new robotic process automation tool will allow the PRAC and its member Inspectors General to tackle smaller-dollar fraud with greater efficiency, ensuring more thorough accountability of taxpayer dollars. The PRAC's tool will review investigative reports to automatically generate draft AFCA referral letters from OIGs to agency officials to facilitate the administrative recovery of misused taxpayer funds as well as potential fines and penalties.

**QUESTION 4:**
How would a failure to extend the statute of limitations for the RRF and SVOG programs affect your organization's ability to hold bad actors accountable?

**RESPONSE:**
If the statute of limitations for the RRF and SVOG programs is not extended, we will not be able to continue our work investigating potential fraud in these programs and assisting member IGs with data analytics to identify high-risk recipients and/or indicators of potential fraud. We continue to receive hotline complaints from the public as well as requests for assistance from law enforcement entities on pandemic-related cases. Many investigations involve potential wrongdoing across multiple pandemic programs, and therefore the PRAC supports extending the statute of limitations for all pandemic programs.

**Question from Senator Scott**

**QUESTION 1:**
I agree with your testimony that every dollar lost to fraud is a dollar that could have gone to the hardworking small businesses, families, and communities that Congress originally intended to help. How can we strengthen fraud prevention without requiring small businesses to navigate an overly burdensome regulatory environment and application process?

**RESPONSE:**
There is much we can do to strengthen fraud prevention without requiring applicants to submit additional information. The PRAC's *Blueprint for Enhanced Program Integrity* and *Lessons Learned* report, as well as the Government Accountability Office's Framework for Managing Fraud Risks in Federal Programs outline important steps that agencies can take to improve program integrity. For example, comprehensive risk assessments, designing programs to not rely solely on self-certification, and robust pre-award due diligence could measurably reduce fraud losses and mitigate the need for resource-intensive pay and chase, without putting additional burden on applicants.