



A Committee of the
Council of the Inspectors General
on Integrity and Efficiency

441 G STREET, NW, SUITE 1517, WASHINGTON, DC 20548

September 19, 2022

Mr. Patrick Kelley
Office of Capital Access, Associate Administrator
Small Business Administration
409 3rd Street, SW
Washington, DC 20416

SUBJECT: Risk Advisory – Potential Identity or Other Fraud in SBA Pandemic Relief Programs

Dear Mr. Kelley:

The Pandemic Response Accountability Committee (PRAC) is issuing this Risk Advisory to notify Small Business Administration (SBA) management of potential identity or other fraud related to or involving minors and the elderly in its Coronavirus-2019 (COVID-19) Economic Injury Disaster Loan (EIDL) program, EIDL Advance program, and Paycheck Protection Program (PPP). The potential identity or other fraud cuts across SBA and the U.S. Department of Housing and Urban Development (HUD) program boundaries.¹ Given the potential consequences, we urge management to consider additional safeguards to protect these vulnerable segments of the population.

Through a multi-tiered data matching process, the PRAC's Pandemic Analytics Center of Excellence (PACE) identified possible identity or other fraud in one or more of these SBA programs involving 945 minors (under 18 years old) and 231 elderly individuals (80 years and older).

These minors and elderly individuals are listed as household members in the HUD Low Rent and/or Housing Choice Voucher Program (Section 8 Program) and their identities are used with or without their knowledge to apply for/on applications/submissions for SBA PPP loans and/or EIDL loans and grants.

¹ The HUD programs are the Low Rent and/or Housing Choice Voucher program. These programs are federal programs run by HUD that help low and very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing.

As the PRAC's Identity Fraud Reduction and Redress Working Group has previously [reported](#), preventing identity fraud and supporting victims of identity fraud is a critical challenge for the federal government and one that has a significant impact on the American public. For example, identity fraud has serious impacts on victims that can lead to frustrating efforts to reclaim their identities, clean up their credit scores and financial records, expunge erroneous data, and address any tax consequences. When these victims are minors, they may not discover the misuse of their personal information until years later when they apply for employment, a driver's license, student loans, or other credit. The elderly population is particularly vulnerable to identity theft and sometimes can experience greater challenges in clearing their credit. Given these potential consequences to two vulnerable segments of the population, we urge SBA to:

- (1) Further examine the potential identity fraud we have detected using SBA's own verification methods to determine which instances are fraud and, if confirmed identity or other fraud, place a hold code or other flag on the associated loan(s);²
- (2) Take appropriate action if it is determined that a minor's Social Security Number (SSN) was fraudulently used—including routing them through the identity theft validation process—to prevent a credit report action; and
- (3) Take appropriate action if it is determined that an elderly individual's SSN was fraudulently used—including routing them through the identity theft validation process— so they can take appropriate identity fraud redress steps.

While we understand that the information may not involve fraud or identity fraud in all instances, we are offering to provide the supporting data directly to SBA because it strongly indicates that further SBA management review is warranted.

In addition to the impacts of identity fraud on unsuspecting victims, significant amounts of taxpayer funds are also put at risk for fraud, as technological advances have made it easier for domestic and international criminals to use stolen or synthetic identities to systematically steal large amounts of government relief funds that are intended for eligible recipients.

We are providing management with a separate non-public version of this Risk Advisory to share more details about our analysis and safeguards that can address identity fraud. The suggestions contained in the restricted Risk Advisory do not constitute formal audit recommendations; therefore, no written management response is required.

² Some of the loan applications and/or submissions related to potential identity fraud we detected had PPP and/or EIDL hold codes; however, the hold codes may not have necessarily prevented further harm to the individuals' identity. Also, prior audit history has shown that hold codes and/or other fraud filters do not necessarily prevent fraud from occurring and/or the loans from being paid out. Therefore, additional appropriate action, as described in (2) and (3) above should be taken.

We will post this public version Risk Advisory on our website in accordance with our responsibilities under the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, to keep the Congress and the public fully and currently informed about fraud risks related to COVID-19 pandemic programs and operations.³

Sincerely,

A handwritten signature in black ink that reads "Robert A. Westbrook". The signature is written in a cursive style with a large initial 'R'.

Robert A. Westbrook
Executive Director

cc: The Honorable Hannibal “Mike” Ware, Inspector General, SBA
Peggy Delinois Hamilton, Special Counsel for Enterprise Risk, SBA
The Honorable Rae Oliver Davis, Inspector General, HUD

³ Section 15010 of the CARES Act establishes the PRAC to promote transparency and conduct oversight of funds provided to respond to the coronavirus outbreak.