COVID-19 EIDL PROGRAM RECIPIENTS ON THE DEPARTMENT OF TREASURY'S DO NOT PAY LIST

REPORT 22-06 | November 30, 2021

Office of Inspector General

U.S. Small Business Administration

MEMORANDUM

DATE: November 30, 2021

TO: Isabella Casillas Guzman
Administrator

FROM: Hannibal "Mike" Ware
Inspector General

SUBJECT: *COVID-19 Economic Injury Disaster Loan Program Recipients on the Department of Treasury's Do Not Pay List* (Report 22-06)

The Office of Inspector General (OIG) is issuing this Management Advisory to notify Small Business Administration (SBA) officials of serious concerns about potential improper payments in SBA's Coronavirus Disease 2019 (COVID-19) EIDL program.

We have reported that the agency must enhance controls in order to respond to the unprecedented amount of fraud in SBA pandemic assistance programs and to ensure only eligible recipients are gaining access to the programs.[1] We again collaborated with the U.S. Department of Treasury's Do Not Pay Business Center, which used computer matching and data analysis techniques to identify COVID-19 EIDL program transactions potentially at risk for noncompliance with SBA eligibility requirements.

Our review of Treasury's analysis of processed COVID-19 EIDL and emergency EIDL grants from March to November 2020 revealed that over $3.1 billion in COVID-19 EIDL and $550 million in emergency EIDL grants were distributed to potentially ineligible recipients. SBA's lack of adequate front-end controls to determine eligibility contributed to the distribution of COVID-19 EIDLs and emergency EIDL grants to potentially ineligible recipients.

A portion of these applications have been identified as potential fraud risks in previous OIG reports. OIG noted a percentage of COVID-19 EIDLs and emergency EIDL grants that Treasury found in federal data sources had also been identified in prior OIG audit reports (see Appendix I). To prevent potential improper payments, we recommend SBA use the batch match or continuous monitoring functions available in Treasury's Do Not Pay portal to identify potentially ineligible applicants before disbursing COVID-19 EIDL program funds.

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1 OIG Report 21-02, *Small Business Administration's Initial Disaster Assistance Response to the Coronavirus Pandemic* (October 28, 2020)

Background

Treasury's Do Not Pay Working System is the designated source of centralized data and analytic services to help agencies verify eligibility and to identify and prevent fraud, waste, and abuse of federal funds. Treasury's system is designated by the Office of Management and Budget (OMB) and mandated by the Payment Integrity Information Act of 2019 (PIIA).[2] The Treasury database gives agencies a higher degree of certainty that a payee is legitimate and eligible before making an award or payment.

We first reported on potential high-risk transactions related to the Paycheck Protection Program.[3] In the report, we found that SBA did not use certain federal databases to verify eligibility of the payment before distributing awards to loan applicants.

The law requires agencies to conduct an evaluation of fraud risks and use a risk-based approach to design and implement financial and administrative control activities to mitigate identified fraud risks. The law reinforces the requirement for agencies to review prepayment and preaward procedures.

Agencies are also required to review prepayment and preaward procedures and thoroughly review available databases with relevant information to determine program or award eligibility and prevent improper payments before the release of any federal funds. Before issuing any payment or award, agencies shall review certain databases to verify eligibility of the payment and award.

The law also requires agencies to review and identify programs susceptible to significant improper payments, report on the amount and causes, and develop plans for reducing them. An improper payment is any federal government payment made to an ineligible recipient or for an ineligible good or service, duplicate payment, or payment for goods or services not received (except for such payment authorized by law).

The Coronavirus Preparedness and Response Supplemental Appropriations Act deemed COVID-19 as a disaster and determined that the EIDL program would be used to provide economic relief to businesses that experienced a temporary loss of revenue due to the pandemic. By March 21, 2020, all states, the District of Columbia, and U.S. territories had been declared disaster areas.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the Paycheck Protection Program and Health Care Enhancement Act further provided $50 billion in subsidy to support nearly $366 billion for COVID-19 EIDL and an additional $20 billion for emergency EIDL grants. Eligible small businesses; small agricultural cooperatives; most private, nonprofit organizations; businesses, cooperatives, Employee Stock Ownership Plans, and tribal concerns with no more than 500 employees; sole proprietorships; independent contractors; and agricultural enterprises that were adversely affected by the

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2 The Payment Integrity Information Act of 2019 ((January 3, 2020) repealed the Improper Payments Elimination Recovery and Improvement Act of 2012 (January 10, 2013) which introduced the requirement for federal agencies to use the Do Not Pay system starting no later than June 1, 2013.

3 OIG Report 21-06, *Paycheck Projection Program Loan Recipients on the Department of Treasury's Do Not Pay List (*January 11, 2021).

COVID-19 pandemic could apply for an EIDL and also request an emergency EIDL grant for up to $10,000.

Eligible entities are required to use proceeds from COVID-19 EIDLs and emergency EIDL grants for working capital, including salaries, payroll costs, sick leave, rent or mortgage payments, material costs, and pre-existing debt during the pandemic. SBA asks each applicant to self-certify under the penalty of perjury that they are eligible for the program.

Role of DNP in SBA's Initial COVID-19 EIDL Program Response

PIIA requires agencies to establish preaward procedures to determine eligibility and prevent improper payments before the release of any federal funds. The law further specifies the use of DNP data sources as a control to determine program or award eligibility. SBA did not implement DNP data sources as a control during the period of this analysis.

To identify potentially ineligible COVID-19 EIDL and emergency EIDL grant recipients, Treasury's DNP team compared EIDL program applicant information to data sources available to DNP, and in the DNP portal (for federal data sources see Appendix III). That data includes applicants' names and Taxpayer Identification Numbers TINs are a Social Security Number or Employer Identification Number. (For Treasury DNP's methodology see Appendix II.)

As of November 5, 2020, SBA had approved 3.6 million COVID-19 EIDLs totaling $190 billion and 5.78 million emergency EIDL grants totaling $19.7 billion. To be eligible to receive federal assistance such as an COVID-19 EIDL or emergency EIDL grant, a business must not have any current federal debarments or suspensions. Additionally, applicants were required to disclose any delinquent or defaulted federal loans or debts in the last seven years.

Treasury's DNP portal identifies three types of match strength: conclusive, probable, and possible. DNP defines conclusive as meaning that at least one exact TIN and name for an applicant exactly match to a record(s) in the DNP data sources, indicating potential ineligibility. There is a strong likelihood that awarding to an applicant that matched to a data source using these criteria could result in an improper payment. Probable and possible results have a lesser match confidence as they are matches based on single criteria (names or TINs). This report focuses on applications with a conclusive match confidence.

SBA Awards $3.1 Billion in EIDL Program Funds to Potentially Ineligible Recipients

SBA did not implement adequate preaward controls, resulting in COVID-19 EIDLs and emergency EIDL grants being awarded to potentially ineligible recipients. For example, applicants were required to certify whether they or the business had any current federal debarments or suspensions from contracting with the federal government or receiving federal grants or loans.

While a DNP match cannot definitively determine if an application is ineligible, there is a strong likelihood that awarding to an applicant that matched to a DNP data source could result in an improper payment. As stipulated by PIIA, the required match against DNP data sources is a safeguard that minimizes the loss of taxpayer funds.

COVID-19 EIDL to Potentially Ineligible Recipients

Treasury's DNP analysis of COVID-19 EIDLs found that of the $190 billion in COVID-19 EIDL applications reviewed, 75,180 applications, totaling $3.1 billion, represent a high likelihood of improper payments and payments that could have been disbursed to potentially ineligible recipients.[4]

Of the 75,180 approved loans, 7,018 were found by an exact TIN and non-exact name match in the DNP data sources. Searching the DNP data sources by exact TIN and non-exact name match criteria resulted in applicants that represent a high likelihood of an improper payment. Where the applicant's name differs slightly from the name in the data source but there is an exact match with the applicant's TIN, there is also a high degree of match confidence. For example, an applicant's TIN exactly matches between the SBA data set provided and the DNP source, however, the name spelling may differ. The SBA data set name may be "John Doe," but the DNP data source name might be "Jon Doe." (See Table 1 for a summary of match types found in DNP data sources.)

Table 1. How Loan Applicants' Personal Identifiers Were Found in Federal Data Sources

Match Type	Loans Likely to Be Improper Payments	Approved Loan Amount (dollars)	Number of Loans (percent)	Approved Loan Amount (percent)
Exact TIN and Exact Name	57,459	2,261,677,725	76.43	72.30
Exact TIN, Exact TIN and Exact Name	6,354	349,815,798	8.45	11.18
Exact TIN and Exact Name, Exact TIN and Non-Exact Name	3,768	129,748,745	5.01	4.15
Exact TIN, Exact TIN and Exact Name, Exact TIN/Non-Exact Name	581	33,285,500	0.77	1.06
Total Exact Tin and Exact Name	68,162	2,774,527,768	90.67	88.70
Exact TIN and Non-Exact Name	5,865	282,575,651	7.80	9.03
Exact TIN, Exact TIN and Non-Exact Name	1,153	70,984,200	1.53	2.2
Total Exact TIN and Non-Exact Name	7,018	353,559,851	9.33	11.30
Total Applicants with a Higher Likelihood of Resulting in an Improper Payment	75,180	3,128,087,619	--	--

Of the total 75,180 approved loans that Treasury DNP's analysis recognized as having a high likelihood of an improper payment, 26,736 loans, or 35.6 percent, have been identified as potential fraud risks in previous OIG reports. The loans had a value of about $1.2 billion. The recommendation to review these loans for applicant eligibility was included in our previous reports. We will not include these loans in our recommendation to SBA for further review.

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4 COVID-19 EIDL universe included loans that were considered to be in the process of being evaluated by SBA, which includes loans with Current Stage Status of Funded, Obligated, Obligating, and Approved.

Emergency EIDL Grants to Potentially Ineligible Recipients

Treasury's DNP analysis of emergency EIDL grants found that $550 million, or 2 percent, of the $19.7 billion in emergency EIDL grants were provided to applicants who were found in the DNP data sources. That means 117,135 applications represent a high likelihood of an improper payment and payments that could have been disbursed to potentially ineligible recipients.

Of the 117,135 approved grants, 9,860 contained an exact TIN and non-exact name match to a DNP data source. See Table 2 for a summary of match types found in DNP data sources.

Table 2. How Emergency EIDL Grant Applicants' Personal Identifiers Were Found in Federal Data Sources

Match Type	Grants Likely to Be Improper Payments	Approved Grant Amount (dollars)	Number of Grants (percent)	Approved Grant Amount (percent)
Exact TIN and Exact Name	91,694	429,660,000	78.28	78.05
Exact TIN, Exact TIN and Exact Name	6,953	28,289,000	5.94	5.14
Exact TIN and Exact Name, Exact TIN and Non-exact Name	8,035	43,881,000	6.86	7.97
Exact TIN, Exact TIN and Exact Name, Exact TIN and Non-Exact Name	593	2,569,000	0.51	0.47
Total Exact TIN and Exact Name	107,275	504,399,000	91.58	91.63
Exact TIN and Non-exact Name	9,023	42,695,000	7.70	7.76
Exact TIN, Exact TIN and Non-exact Name	837	3,404,000	0.71	0.62
Total Exact TIN and Non-exact Name	9,860	46,099,000	8.42	8.37
Total Applicants with a Higher Likelihood of Resulting in an Improper Payment	117,135	550,498,000	--	--

Of the total 117,135 emergency EIDL grants that Treasury DNP's analysis recognized as having a high likelihood of an improper payment, 44,920, or 38.3 percent, have been identified as potential fraud risks in previous OIG reports. The grants had a value of about $342 million. The recommendation to review these grants for applicant's eligibility was included in our previous reports. We will not include these grants in our recommendation to SBA for further review.

Conclusion

SBA's lack of adequate preaward controls during this period of review led to 75,180 COVID-19 EIDLs totaling over $3.1 billion and 117,135 emergency EIDL grants totaling over $550 million being disbursed to potentially ineligible recipients. Our preliminary review of Treasury's DNP analytical summaries indicated SBA should reassess controls to ensure only eligible recipients obtained COVID-19 EIDLs and emergency EIDL grants.

Treasury's DNP analysis of potentially ineligible recipients demonstrates the importance of front-end controls and careful review by SBA of COVID-19 EIDLs and Emergency EIDL grants.

Recommendations

To prevent improper payments and strengthen oversight controls related to the COVID-19 EIDL program, we recommend that the Administrator direct the Associate Administrator for the Office of Capital Access to:

1. Implement prepayment and preaward procedures and use the batch match or continuous monitoring functions available in Treasury's DNP system to identify potentially ineligible applicants before disbursing COVID-19 EIDL program funds.

2. Use Treasury's DNP analysis to systemically flag COVID-19 EIDL and Emergency EIDL grant recipients who were found in Treasury's DNP system and not previously reported by OIG. Review the applications and determine whether they are deemed ineligible. If the applicant is deemed ineligible, recover any disbursed funds, and flag the application as ineligible.

3. For all COVID-19 EIDLs and Emergency EIDL grants identified and flagged as potentially ineligible above, include those transactions in SBA's 2021 improper payments estimation process.

Analysis of Agency Response

SBA leadership provided formal comments to the draft report. We have included those comments in their entirety in Appendix IV. In the comments, the agency agreed with recommendations one and two and disagreed with recommendation three.

The following summary summarizes the necessary remediation actions to close our recommendations:

1. **Resolved**. Management agreed with this recommendation stating that on April 6, 2021 SBA implemented preaward procedures which include Treasury DNP monitoring and uses DNP batch matching functions against DNP data sources for all COVID-19 relief programs. Management stated that the pre-award procedures are currently required for COVID-19 EIDL and COVID EIDL Targeted Advances/Supplemental Targeted Advances to identify potentially ineligible applicants before disbursing funds.

   Management's proposed actions satisfy the intent of the recommendation. This recommendation can be closed when management provides evidence that functioning controls are in place to compare EIDL and grant applicant data against DNP data sources to prevent ineligible applicants from receiving federal assistance.

2. **Resolved.** Management agrees with this recommendation stating that SBA ran the entire COVID EIDL portfolio through Treasury's DNP analysis to systemically flag EIDL and grant recipients who were found in the DNP System. The applications are being reviewed by loan officers. If the applicant is deemed ineligible and funds were previously disbursed, the application is flagged as ineligible in the Rapid System. Management's proposed actions satisfy the intent of the recommendation.

   This recommendation can be closed when management provides evidence that COVID-19 EIDL and emergency EIDL grant recipients who were found in Treasury's DNP system have been reviewed and the agency has determined whether the applicants where eligible for COVID-19 EIDL program funds.

3. **Unresolved.** Management disagreed with this recommendation stating that only two percent of the COVID-19 EIDLs and EIDL Advances identified were a match in some way on the various DNP lists. Management also stated that though a DNP match may be an indicator of a potential improper payment, it is not a guarantee, rather it is an identifying flag that alerts trained SBA staff to conduct additional reviews on the flagged files. Management further stated that flagged files are not necessarily ineligible, and it would be inaccurate to assume so without a proper review.

   However, management's response to recommendation three does not align with its acknowledgement of the importance of implementing the DNP system to reduce improper payments. If management agrees that utilizing the DNP list will reduce improper payments and that a match is an indicator of a potential improper payment, they should also agree that EIDLs and grants flagged as ineligible should be included for review in the improper payment estimation process.

In addition, the requirements for conducting improper payment reviews under PIIA, indicate the head of each executive agency should develop strategies for addressing risks and establishing appropriate prepayment and postpayment internal controls.

PIIA also stipulates agencies should consider those risk factors that are likely to contribute to a susceptibility to significant improper payments, such as those potential improper payments identified by the Inspector General of the executive agency and the Government Accountability Office.

Due to the magnitude of potential improper payments we have identified in this report, it is critical for the agency to perform postpayment reviews on those EIDLs and emergency grants flagged as potentially ineligible.

Management's proposed actions do not satisfy the intent of the recommendation, and we will work with SBA management to reach resolution. This recommendation can be closed when management takes appropriate action to include the potentially ineligible EIDL and emergency grant recipients identified in recommendation two in their annual improper payment reviews.

We prepared this Management Advisory in alignment with OIG's quality control standards and the Council of Inspectors General for Integrity and Efficiency's (CIGIE) *Quality Standards for Federal Offices of Inspector* General, which require that we conduct our work with integrity, objectivity, and independence. In connection with this Management Advisory, we reviewed Treasury's results and related documentation and interviewed Treasury representatives.

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

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Appendix I. Analysis of Treasury's DNP Overlap with Prior OIG Reports

Prior OIG reports have identified billions of dollars of potential fraud in the COVID-19 EIDL program.[5] The tables below provide data on the portion of EIDLs and grants matched in the Treasury's DNP database that included additional fraud indicators previously reported by OIG. While it is impossible to conclusively determine whether an application is fraudulent or legitimate through data matching alone, the more fraud indicators an application contains, the less likely it is to be legitimate.

Overall, OIG found that 35.6 percent of approved COVID-19 EIDL applications and 38.3 percent of applications with disbursed emergency EIDL grants matched in Treasury's DNP database were previously reported by OIG as being potentially fraudulent or being issued to ineligible entities. Table 3 shows a comparison of Treasury's DNP matches to the same transactions previously reported as potential fraud by OIG.

Table 3. DNP Matched Applications Previously Reported by OIG

Risk Indicator	COVID-19 EIDL Application Type	COVID-19 EIDL Application IDs	Percent of DNP COVID-19 EIDL Overlap	Emergency EIDL Grant Application IDs	Percent of DNP Emergency EIDL Grant Overlap
Duplicate IP Addresses	Loans and Grants	17,240	22.93	3,449	2.944
Duplicate Email Addresses	Loans and Grants	3,664	4.87	493	0.421
Duplicate Business Addresses	Loans and Grants	3,729	4.96	686	0.586
Duplicate Bank Account Numbers	Loans and Grants	475	0.63	28	0.024
Bank Account Changed Mid-Application	Loans and Grants	6,984	9.29	106	0.090
Potential ID Theft	Loans and Grants	3,168	4.21	3,277	2.798
Business EINs registered after January 31, 2020	Loans and Grants	987	1.31	1,771	1.512
Sole proprietorship and independent contractor with no EIN and multiple employees	Grants	N/A	N/A	38,544	32.906

After accounting for all COVID-19 EIDLs previously reported by OIG as potentially fraudulent, 48,444 DNP EIDL matches and 72,215 emergency EIDL grant matches remain unique. These previously unreported populations represent approximately $1.9 billion in approved loans and $208 million in disbursed emergency EIDL grants. Table 4 below

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[5] OIG Report 22-01, *SBA's Emergency Economic Injury Disaster Loan Grants to Sole Proprietors and Independent Contractors* (October 7, 2021), OIG Report 21-15, *SBA's Handling of Identity Theft in the COVID-19 Economic Injury Disaster Loan Program* (May 6, 2021), and OIG Report 21-02, *Inspection of Small Business Administration's Initial Disaster Assistance Response to the Coronavirus Pandemic* (October 28, 2020).

provides a summary of both previously reported COVID-19 applications and those applications unique to the DNP match analysis.

Table 4. Summary of Treasury DNP COVID-19 EIDL Program Matches in OIG Reports

Reporting Metric	Loans	Grants
Total Number of Matched Applications in DNP Analysis	75,180	117,135
Total Approved/Disbursed Amount Matched in DNP Analysis (dollars)	3,128,087,619	550,498,000
Application IDs Overlapping with Previous OIG Reports	26,736	44,920
Approved/Disbursed Amount Overlapping with Previous OIG Reports (dollars)	1,245,926,323	342,385,000
Application IDs Not Previously Reported by OIG and Unique to the DNP Analysis	48,444	72,215
Net Approved/Disbursed Amount Not Previously Reported by OIG and Unique to DNP Analysis (dollars)	1,882,161,296	208,113,000

Note: COVID-19 EIDL amounts were calculated by the approved loan amount at the time of analysis. EIDL grant amounts were calculated on the disbursed amount at the time of analysis.

Appendix II. Data Sources Mandated by Law and Used in Treasury DNP's EIDL Program Analysis

Treasury DNP matched COVID-19 EIDL and Emergency EIDL grant applicant identifiers to data maintained in the following data sources:

Treasury Offset Program (TOP Debt Check)

- TOP Debt Check is a data extract or subset of data contained in the TOP delinquent debtor database. It was created for the Treasury DNP system to help agencies fulfill the obligation to deny federal loans, loan insurance, and loan guarantees to people who are delinquent on federal nontax debts and child support obligations (if allowed by agency statute and regulations).

- DNP receives weekly TOP Debt Check updates.

Credit Advisory Interactive Verification Reporting System (CAIVRS)

- A shared database of defaulted federal debtors, CAIVRS enables processors of applications for federal credit benefits to identify individuals who are in default or have had claims paid on direct or guaranteed federal loans or are delinquent on other debts owed to federal agencies.

- Treasury DNP receives CAIVRS data from the following agencies:

- U.S. Department of Justice

- U.S. Department of Agriculture

- U.S. Department of Veterans Affairs (database not open to states)

- U.S. Department of Housing and Urban Development

- Small Business Administration

- The entire CAIVRS database is refreshed each time any agency source forwards an update. The agency sources update data at various times throughout the month.

System for Award Management (SAM Exclusion)

- SAM Exclusion records contain the data for all active exclusion records entered by the federal government identifying those parties excluded from receiving federal contracts, certain subcontracts, and federal financial and nonfinancial assistance and benefits.

- Treasury DNP receives daily SAM updates.

Death Master File (DMF)

- The DMF from the Social Security Administration (SSA) is a data source that contains more than 94 million records. The file is built from internal SSA records of deceased persons possessing social security numbers and whose deaths were reported to the SSA.

- Treasury DNP uses the public DMF but does not have access to the full DMF. Legislation such as the Social Security Act precludes the sharing of the full DMF with agencies that do not pay benefits.

- Treasury DNP receives a weekly update to the public DMF and full refresh every quarter.

American InfoSource (AIS Obituary and AIS Probate)

- AIS is a commercial global financial services company that provides obituary and probate death data. AIS death data includes information about deceased individuals from all 50 states. AIS gathers information from probate court records and published obituaries. Obituaries are gathered by AIS from more than 3,000 funeral homes and thousands of newspapers. Probate records are collected from county courts.

- Treasury DNP receives weekly updates of all AIS data.

Department of Defense (DOD)

- DOD death data provides information about confirmed or presumed deaths of United States military members while abroad and at home.

- Treasury DNP receives an update to DOD data the first week of every month.

Department of State (DOS)

- DOS death data provides information about confirmed or presumed deaths of United States citizens while abroad. Data is provided by DOS's Bureau of Consular Affairs and originates from the American Citizen Services System.

- Treasury DNP receives an update to DOS data on the 11th of each month.

Table 5 reflects below the number of COVID-19 EIDL and Emergency EIDL Grant applications and approved or disbursed amount categorized by the matched DNP data source.

Table 5. Summary of Treasury DNP COVID-19 EIDL Program Matches by Data Source

DNP Data Source	Matched Loan Application Count	Approved Loan Amount (dollars)	Matched Grant Application Count	Disbursed Grant Amount (dollars)
TOP Debt Check	72,015	2,955,329,019	115,254	543,421,000
CAIVRS (TIN Only)	21,628	1,304,730,198	28,041	105,914,000
SAM Exclusion	1,128	53,819,500	1,624	5,592,000
AIS Obituary	1,910	113,527,300	540	2,343,000
DMF	624	30,488,800	62	321,000
AIS Probate	106	6,683,000	17	84,000
Dept. of State	15	700,300	4	22,000
Dept. of Defense	--	0	1	10,000

Note: The count of matched applications will not equal the total values in tables 1 and 2 because of application matches to multiple data sources.

Appendix III. Treasury DNP's Analytics Methodology

Scope Period

OIG extracted emergency EIDL grant data from the Office of Disaster Assistance Data Warehouse on November 5, 2020. The Office of Capital Access provided COVID-19 EIDL data as of October 31, 2020. On November 6, 2020, the OIG provided these data files to Treasury DNP for their analysis. DNP initiated this project in February 2021 and the OIG subsequently summarized previously reported EIDL high-risk transactions.

Data Evaluation

The following COVID-19 EIDL program applications were matched against DNP data sources:

- COVID-19 EIDL universe included loans that were considered to be in the process of being evaluated by SBA, which includes loans with Current Stage Status of Funded, Obligated, Obligating, and Approved. Excluded from this analysis are loans with a current stage status of declined, duplicate, credit pulled, not interested, C - Offer Accepted - Awaiting Compl Apps, submitted deal, repriced, or unqualified.

- Emergency EIDL grants were evaluated if the grant matched to an active DNP data source at the time of the grant's disbursement and if there was information in the grant payment date and value data fields, regardless of the application's status. This captures those applicants who received grants and did not receive funds from a loan. The results also include applicants that have received grants, but the funds were returned later.

DNP's Analysis identified potentially ineligible applicants by screening the information provided on their COVID-19 EIDL and Emergency EIDL grant applications (Taxpayer Identification Number/name of the borrower, borrower's business, and/or principals' information) against the DNP debt, exclusions, and death data sources. Based on guidance from OIG, DNP adjusted the analysis of the EIDL program to align with the eligibility provision established by the program. Filters were applied by DNP to limit the identification of applicants to records that matched to:

- Treasury Offset Program Debt Check and/or the Credit Alert Verification Reporting System data sources. Matches to these data sources were limited to only records with non-tax federal debts or state child support debts. Further filtering identified only those EIDL applicants who had a delinquent debt within seven years of the EIDL applicant date or emergency advance EIDL grant applicants with delinquent debt at the time of the EIDL application date.

- System of Award Management (SAM) Exclusions data source. Additional filtering uncovered only those records that were active in the data source at the time of the EIDL application date.

- Any of the death data sources utilized by DNP (American InfoSource - Obituary, American InfoSource – Probate, Death Master File- Public, Department of Defense Death Data – Public, and/or Department of State Death Data – Public). Supplementary filters were applied to identify applicants that died within one year of the application date.

Date: November 22, 2021

To: Jeff Brindle
                Director, IT & Financial Management
                Office of Inspector General

From: Steve Kucharski
                Director - $\mathcal{SK}$
                Office of Capital Access

Subject: OIG Discussion Draft Memo – COVID-19 EIDL Program Recipients on the Department of
                Treasury's Do Not Pay List
                (Project No. 20021B)

The SBA team reviewed the OIG Discussion Memo. SBA acknowledges the importance of implementing the Do Not Pay (DNP) system to reduce improper payments. SBA complies with the Office of Management and Budget (OMB's) Payment Integrity Information Act of 2019 (PIIA) for the EIDL loan and grant programs. This memo details SBA's response to the OIG recommendations.

OIG Recommendations and Agency Response

1) *Implement review pre-payment and pre-award procedures and use the batch match or continuous monitoring functions available in Treasury's DNP system to identify potentially ineligible applicants before disbursing COVID-19 EIDL program funds.*

    SBA Response: SBA agrees; SBA implemented pre-award procedures which include Treasury Do Not Pay monitoring on April 6, 2021. The pre-award procedures are currently required for all COVID relief programs, including COVID-19 EIDL.

    The COVID EIDL Targeted Advances/Supplemental Targeted Advances use the DNP Batch Matching functions against the following data sources to identify potentially ineligible applicants before disbursing funds. (See Table 1)

    The COVID EIDL loans use the DNP APIs against the following data sources to identify potentially ineligible applicants before disbursing COVID EIDL funds. (See Table 1)

2) *Use Treasury's DNP analysis to systemically flag EIDL and grant recipients who were found in Treasury's DNP system and not previously reported by OIG. Review the applications and determine whether they are deemed ineligible. If the applicant is deemed ineligible, recover any disbursed funds, and flag the application as ineligible.*

SBA Response: SBA agrees; SBA ran the entire COVID EIDL portfolio through Treasury's DNP analysis to flag EIDL and grant recipients who were found in the DNP System. The applications are reviewed by loan officers. If the applicant is deemed ineligible and funds were previously disbursed, the application is flagged as ineligible in the Rapid System.

3) *For all EIDLs and grants identified and flagged as ineligible above, include those transactions in SBA's 2021 improper payments estimation process.*

SBA Response: SBA disagrees with this recommendation for the following reasons. The Draft Memo findings state that only two percent of the COVID-19 EIDLs and EIDL Advances identified were a match in some way on the various DNP lists. Though a DNP match may be an indicator of a potential improper payment, it is not a guarantee, rather it is an identifying flag that alerts trained SBA staff to conduct additional reviews on the flagged files. Furthermore, flagged files are not necessarily ineligible and it would be inaccurate to assume so without a proper review. SBA's internal control process does a statistically valid sampling to determine the COVID EIDL Improper Payment (IP) rates. Incorporating the DNP rates on top of our current IP rates would erroneously inflate our IP rate by 2 percent.

Table 1

Code	List Name
DMF	Death Master File (DMF) - Public (SSA)
DOS	Department of State Death Records - Public
DOD	Department of Defense Death Records - Public
AIS-OBIT	American InfoSource Death Data - Commercial
AIS-PROB	American InfoSource Death Data - Commercial
OFAC	Office of Foreign Assets Control (OFAC) - Public (Treasury)
SAM-EXCL-RES	SAM Exclusion Records – Restricted - (GSA)