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## SBA to Aggressively Crack Down on Bad Actors Fraudulently Claiming Covid Funds

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This week, U.S. Small Business Administration head Isabella Casillas Guzman announced an all-hands-on-deck, multi-faceted expansion of efforts to identify and support the SBA Inspector General's recovery of fraudulently obtained Covid economic relief funds and to prevent potential future theft of taxpayer dollars.

In August 2021, the owner of a food business was [the first in the territory to be convicted](#) of Paycheck Protection Program fraud after receiving \$383,397 for an estimated 15 employees and quarterly payroll of \$460,079, even as the food business did not employ nearly as many people and didn't come close to earning the quarterly amount that the owner, 38-year-old Mashama Ferdinand stated in her PPP application.

According to the release, recognizing that managing fraud risk in agency programs and operations is integral to responsible stewardship of taxpayer resources and effective service delivery to the American public, the SBA's efforts will encompass a multi-pronged approach that builds upon current activities the agency has undertaken to limit fraud. The SBA's work in the Biden administration to enhance fraud controls in pandemic programs has been recognized by federal accountability agencies and watchdogs, the SBA said. These new efforts will expand that work as SBA continues to undertake measures to ensure the integrity of its programs.

Key measures being announced today are:

- The designation of Peggy Delinois Hamilton to a new role as SBA Special Counsel for Enterprise Risk to advise Administrator Guzman on fraud and risk management activities across the Agency.
- The creation of the SBA's Fraud Risk Management Board (FRMB) to provide anti-fraud oversight and coordination.
- Consistent with new efforts to bring bad actors to account for their fraudulent acts, the SBA fully supports the work of the Interagency COVID-19 Fraud Enforcement Taskforce and DOJ's Chief Pandemic Prosecutor and Director for COVID-19 Fraud Enforcement. The SBA believes these new initiatives can enhance the Agency's fraud risk framework and further strengthen its fraud risk mitigation efforts.

"Throughout the first year of the Biden-Harris Administration, the SBA has taken important steps to close the door on fraud, waste, and abuse and ensure billions of dollars in taxpayer-funded COVID relief make it into the hands of small business owners," said SBA Administrator Guzman. "The steps we are announcing today build on that work under the capable watch of Peggy Delinois Hamilton, as our new SBA Special Counsel for Enterprise Risk, and the newly created Fraud Risk Management Board, in coordination with the SBA's Office of Inspector General and the Department of Justice's Chief Pandemic Prosecutor. Together, we will hold fraudsters accountable and shut down future pathways to fraud."

With a focus on aggressively rooting out scams targeting government programs, these efforts also reflect Ms. Guzman's top priority of increasing equity across the programs and leveling the playing field for all entrepreneurs by ensuring eligible small business owners have full access to the capital and resources needed to start and grow their businesses, according to the release.

#### **Peggy Delinois Hamilton as Special Counsel for Enterprise Risk in the Office of the Administrator.**

Ms. Guzman has designated Peggy Delinois Hamilton as SBA Special Counsel for Enterprise Risk in the Office of the Administrator. In this role, she will advise the administrator on risk management activities enterprise-wide and directly support the administrator in the development of strategies for mitigating the dynamic risks facing the agency, focusing on potential fraud exposure as a top priority, as well as the development of plans to reduce risks to SBA operations.

As a result of her extensive and unique bank regulatory experience and deep knowledge of agency priorities, she will provide strategic insight into potential enterprise-wide risks that have a clear impact on key agency programs, the release stated. Ms. Delinois has served as SBA's general counsel since February 2021, and another senior SBA official will take on these duties in the interim.

## **SBA's Fraud Risk Management Board**

The SBA said the Fraud Risk Management Board (FRMB) was established to serve as the designated anti-fraud entity responsible for oversight and coordination of SBA's fraud risk prevention, detection, and response activities. The FRMB is composed of experienced agency executives across the SBA enterprise. They will report to the Enterprise Risk Management Board (ERM Board) and, through the ERM Board, to the Administrator. In coordination with the oversight community, the FRMB will take additional steps to assess and address fraud risk on an agency-wide basis.

## **SBA's Ongoing Fraud Control Enhancements and Efforts**

The SBA said it has taken tangible steps to control for and mitigate fraud risks in its Covid-19 related relief programs by working in tandem with other agencies across the federal government and using a whole-of-government approach to reduce risks.

In addition, SBA's fraud risk management framework supports information sharing across SBA programs. As flags and alerts are placed on businesses and business owners, fraud indicators can be applied across various SBA programs, utilizing a whole-of-SBA approach to preventing, detecting, and responding to fraud risks, according to the release.