



**SENATE COMMITTEE ON
SMALL BUSINESS AND ENTREPRENEURSHIP
Senator Mary L. Landrieu, Chair**

Remarks for
Hearing entitled, "*An Examination of SBA Programs: Eliminating
Inefficiencies, Duplications, Fraud and Abuse*"

June 16, 2011

(As prepared for delivery)

Good morning and thank you for joining us today to examine the efficiency and effectiveness of programs within the Small Business Administration. Before this Congress convened, I, along with other members of this committee, made it a top priority to ensure that all SBA programs are running efficiently, effectively and free of exploitation. In a December 2010 letter to SBA Administrator Karen Mills, Ranking Member Snowe and I expressed our deep concern with the existence of fraud and abuse in small business contracting programs, as highlighted in recent Washington Post articles and GAO Reports that I will submit for the record. We requested that Administrator Mills provide the Committee with a detailed plan for addressing and rectifying the vulnerabilities plaguing the small business contracting programs. In addition, in subsequent letters Administrator Mills and SBA Inspector General Peg Gustafson were asked to make recommendations for eliminating or substantially reducing programs within the SBA that were duplicative, ineffective, or redundant. I am proud to report that, as a result of those assessments, two programs – Community Express and the Coverdell Drug-Free Workplace Program - will be or have been eliminated and several others have been identified.

We are here today to further examine actions that can be taken to reduce or eliminate inefficient, duplicative, fraudulent or abusive operations of SBA programs. Even as we take on this task, we must be

careful to act in a manner that does not undermine the SBA's ability to serve the needs of small business owners. To put it simply, we must keep programs that work and eliminate or strengthen those that don't.

As such, today we will hear from Administrator Mills and Inspector General Ms. Peg Gustafson, again, for an update on the SBA's efforts for rooting out fraud and abuse in the SBA programs. In fact, I sent a letter to Ms. Gustafson in January of this year along with Ranking Member Snowe asking for her recommendations on duplicative and inefficient programs. She responded with several suggestions that I understand will be the basis of her testimony today.

For example, the Inspector General estimates that for 2007, 27% of payments on loan guarantees were improper. If successfully corrected, this could amount to a \$234 million savings. I understand that the SBA estimates improper payments to be significantly less, and I'd like to explore that today.

Additionally, on Panel II, we will hear testimony from representatives from the Government Accountability Office (GAO), American Small Business League (ASBL), National Association of Government Guaranteed Lenders, Inc. (NAGGL), Cato Institute, and Women's Business Development Council in Stamford, Connecticut that evaluate duplication of SBA programs and examine vulnerabilities and abuses that have plagued the SBA programs and harmed true small businesses. For example, when ineligible firms are awarded federal government contracts through fraudulent means, this reduces the number of opportunities available to honest, qualified small businesses.

This year, I co-sponsored the Small Business Contracting Fraud Prevention Act of 2011 (S. 633), which was introduced by Ranking Member Snowe on March 17, 2011. Many of the provisions in this Act provide the SBA Inspector General with the tools necessary to fight bad actors. I hope that my colleagues on the Small Business Committee will join me in co-sponsoring this important legislation.

I am also pleased to announce that this week GAO is releasing three new reports to the Committee: Small Business Contracting: Action Needed by Those Agencies Whose Advocated Do Not Report to

Agency Heads as Require; Improvements Needed to Help Ensure Reliability of SBA's Performance Data on Procurement Center Representatives (PCRs;) and Mentor-Protégé Programs Have Policies That Aim to Benefit Participants but Do Not Require Post-Agreement Tracking. Our Committee will take a firm look at these reports, as two of them were mandated by the Small Business Jobs Act of 2010. The reports can be accessed via the GAO website and I have made hard copies available to committee members.

Let me close by saying, we will never completely rid government programs of fraud, but it must always be our goal and it is always our responsibility to do our part to reduce it. The Bible tells us in Psalm 127:1, "Unless the LORD builds the house, those who build it labor in vain. Unless the LORD watches over the city, the watchman stays awake in vain." Today's hearing is a continuation of our duties as watchmen of the taxpayer dollar. We will continue to monitor the SBA's progress.

I would now like to turn it over to our Ranking Member, Senator Snowe, for her opening statement.