



# Partners in Oversight

## A Cross-Divisional Approach to Fraud Detection

Small Business Administration - Office of Inspector General

April 16, 2024

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## Agenda

Early Warning Signs!



Guardrails Lowered



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# Agenda

Early Warning Signs!      Mounting Pressure!



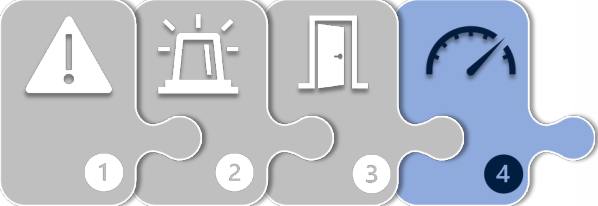
Guardrails Lowered      Data Acquisition




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# Agenda

Early Warning Signs!      Mounting Pressure!      Opening the Floodgates!      Speed through Collaboration!









Guardrails Lowered      Data Acquisition      Analysis at Scale      Cross-Divisional Approach



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# Agenda

Early Warning Signs!	Mounting Pressure!	Opening the Floodgates!	Speed through Collaboration!	Sounding the Alarm!
				
1	2	3	4	5
Guardrails Lowered	Data Acquisition	Analysis at Scale	Cross-Divisional Approach	Getting out the Message



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# Agenda

Early Warning Signs!	Mounting Pressure!	Opening the Floodgates!
		
1	2	3
Guardrails Lowered	Data Acquisition	Analysis at Scale



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# Agenda

Early Warning Signs!	Mounting Pressure!	Opening the Floodgates!	Speed through Collaboration!	Sounding the Alarm!	Sharpening our Toolkit!
					
1	2	3	4	5	6
Guardrails Lowered	Data Acquisition	Analysis at Scale	Cross-Divisional Approach	Getting out the Message	Fraud Landscape



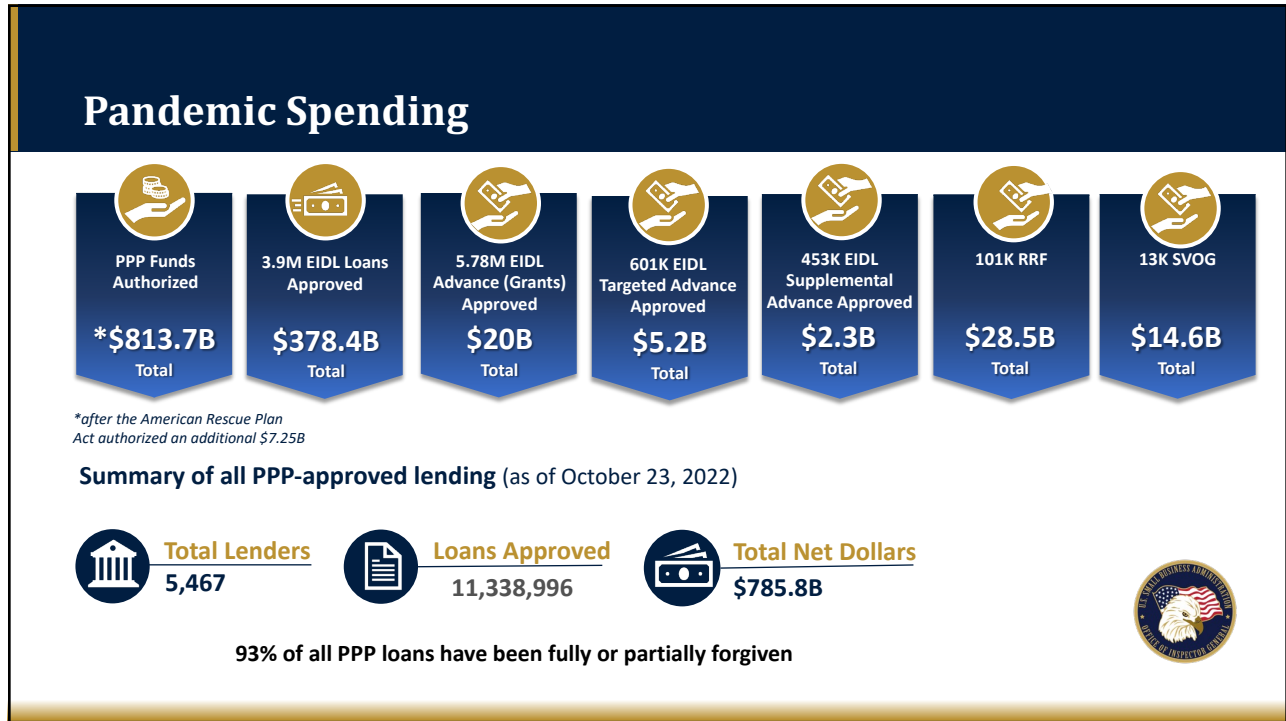
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## 1 Early Warning Signs



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## Early Warning Signs – Spring of 2020

- Unprecedented Scale
- \$376B in initial funding for COVID-19 EIDL
- IG Ware makes internal call for preparation
- Immediate evaluate of SBA policy decisions
- Batch Processing of Loan Applications

**Internal Storming in  
runup to program  
start date.**



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 **Early Warning Signs – Spring of 2020**

**Scammers Quick to Exploit**

- Brazen ads posted on Social media
- Methodologies posted on the Dark Web
- Themes of ID Theft emerging
- Reports of international money transfers

**Agency continues to block data access!**



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 **Early Warning Signs – Spring of 2020**

- Lessons from past disasters
- Volume overwhelming SBA systems
- Guardrails lowered – No tax returns for businesses
- Explosion of Hotline Complaints
- Fraud reports from Financial Institutions

**SBA OIG begins requesting raw data from SBA.**




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## Mounting Pressure for Data





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## Mounting Pressure for Data Access

- Coordinating with ID on calls for access
- Two months of resistance
- Elevates to IG Ware - Memo to the Administrator
- DOJ sending separate requests
- June 2020 – access finally granted to Data Warehouse

**Singular focus through coordination at all levels!**



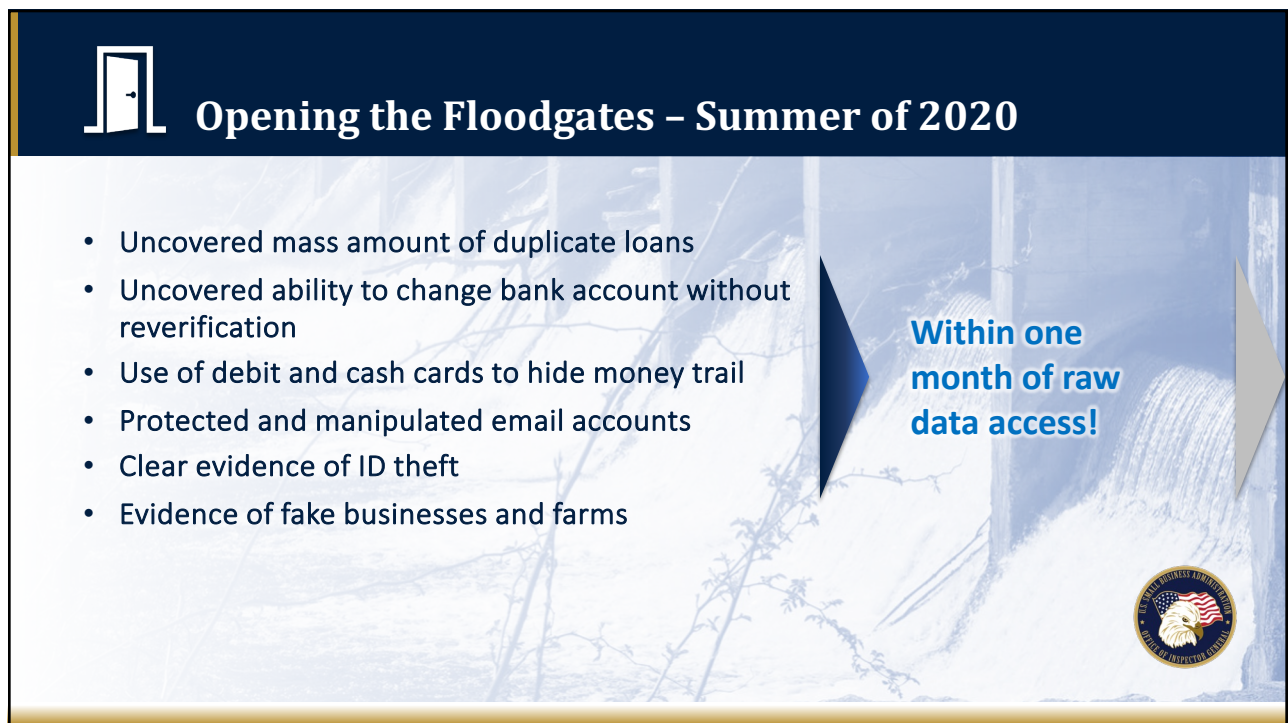
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**Floodgates Opened!**

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**Opening the Floodgates – Summer of 2020**


- Uncovered mass amount of duplicate loans
- Uncovered ability to change bank account without reverification
- Use of debit and cash cards to hide money trail
- Protected and manipulated email accounts
- Clear evidence of ID theft
- Evidence of fake businesses and farms

**Within one month of raw data access!**

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## Opening the Floodgates – Summer of 2020

- IG briefs SBA Administrator in late July 2020
- Confirmed with SBA that bank account changes were going unverified
- SBA OIG Report 21-02 released in Oct 2020
  - Mass potential fraud
  - Questioned costs of \$75B
  - Evidence of additional schemes for further analysis

**Continued push for greater data access.**



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## Speed through Collaboration



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## Speed through Collaboration

- Partners in the business of oversight
- Early and sustained cross-divisional approach
- Coordinating with DOJ and law enforcement partners
- Leaning in on our values
  - Integrity
  - Commitment
  - Excellence

**Realizing the challenges were many going forward!**



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## Sounding the Alarm



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# SBA OIG IS IN THE NATIONAL SPOTLIGHT



Full Measure

MSNBC

THE FLEEING OF AMERICA

COVID RELIEF PROGRAMS POTENTIALLY DEFRAUDED

MSNBC


11 Hour

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## Sounding the Alarm

- Informing SBA and the Public
  - SBA Informed of Early Findings
  - Anticipating Congressional and Media Inquiries
  - Ensuring the seriousness and scope was communicated

**Intentional Media Engagement!**



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## Sounding the Alarm

**Amplifying the Message**

- Congressional Testimony
- Major media appearances
- Preparing to estimate total potential fraud

**Lead up to the Fraud Landscape!**



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## Sharpening our Toolkit



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## Sharpening our Toolkit

- **Estimating total potential fraud (PPP/ COVID-EIDL)**
- **Building on the cross-divisional approach**
- **Challenge of validating Big Data**
  - Sample validation alone is insufficient
  - Case work from Investigations
  - Separating conservative fraud indicators

**Fraud Landscape  
only possible  
with all Divisions  
involved!**



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## Sharpening our Toolkit

- **Link Analysis rather than Duplicates**
- **Machine Learning – Hotline Complaints**
- **Subpoenaed Data – PPP lenders**
- **Telling the story of specific fraud schemes**
  - Romance Scams
  - ID Theft
  - Fake Businesses
  - Kickback Schemes
  - Fraud Networks



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## Sharpening our Toolkit

### Cross-Divisional Takeaways:

- Improved processes (Data Analytics QA Process)
- Continued knowledge sharing
- Importance of Big Data
- Partnering in the business of oversight

**Different  
Specialists;  
Same  
Business!**



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Questions?



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 <p><b>Contact OIG</b></p> <p><u>By Telephone</u> (202) 205-6586</p> <p><u>By Mail</u> Office of Inspector General 409 3<sup>rd</sup> Street Washington, D.C. 20416</p>	 <p><b>Follow OIG</b></p> <p><u>Sign Up for Email Updates</u> <a href="https://public.govdelivery.com/accounts/USSSBA/subscriber/new?topic_id=USSBA_220">https://public.govdelivery.com/accounts/USSSBA/subscriber/new?topic_id=USSBA_220</a></p> <p>   @ U.S. Small Business Administration Office of Inspector General</p>	 <p><b>Report Fraud, Waste, or Abuse</b></p> <p><u>Online</u> <a href="https://sbax.sba.gov/oigcss/">https://sbax.sba.gov/oigcss/</a></p> <p><b>Victims of ID Theft related to EIDL can email</b> <a href="mailto:disastercustomerservice@sba.gov">disastercustomerservice@sba.gov</a> to report the fraud.</p>
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