Improved Government Information-Sharing and Controls Would Strengthen Program Integrity and Better Protect the Public

This Fraud Alert from the Pandemic Response Accountability Committee (PRAC) identifies 69,323 questionable Social Security Numbers (SSNs) used to obtain $5.4 billion from the **Small Business Administration's (SBA) COVID-19 Economic Injury Disaster Loan (COVID-19 EIDL) program and Paycheck Protection Program (PPP)**. These programs provided nearly $1.2 trillion in assistance to small businesses and their employees affected by the COVID-19 pandemic.

The PRAC's team of data scientists identified the potential fraud and identity theft by using the PRAC's Pandemic Analytics Center of Excellence (PACE) to analyze information from over 33 million COVID-19 EIDL and PPP applications. The PRAC used publicly available Social Security Administration (SSA) information to identify a targeted selection of SSNs used on applications, both disbursed and undisbursed, that may have been invalid or not assigned prior to 2011. Using the legal authorities included in the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act), the PRAC then requested SSA provide us with verification information for these SSNs.[1] In response, SSA informed us that 221,427 of the SSNs used on applications in this targeted selection were either not issued by SSA or that identifying information in SSA's records did not match the name and/or date of birth information provided by the COVID-19 EIDL or PPP applicant, suggesting potential identity fraud in the use of those SSNs.[2] The PRAC determined that $5.4 billion in COVID-19 EIDL or PPP loans was disbursed to applicants using 69,323 of those SSNs between April 2020 and October 2022. The PRAC further determined that 175,768 of the SSNs were used in COVID-19 EIDL and/or PPP applications that were not disbursed by SBA for reasons we discuss below (see Table 1 for analysis).

221,427 SSNs at-risk for identity fraud

69,323 SSNs used across paid PPP and EIDL applications

$5.4 billion in potential identity fraud

$5.4 billion
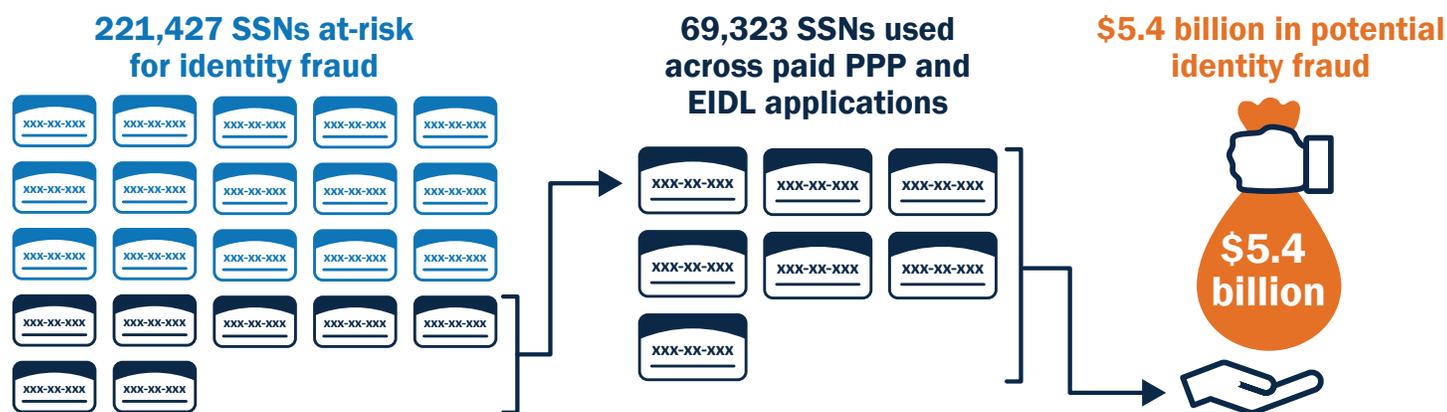
1 The PRAC did not request or obtain SSN data from SSA in connection with this analytics review. Rather, as described below, we requested that SSA simply verify information that applicants had provided to SBA in COVID-19 EIDL and PPP applications, which SSA performed and then provided us with the results.

2 We would expect some false positives in the 221,427 questionable SSN population based on fuzzy matching logic where two records are not exact matches but have a high likelihood of referring to the same individual. Performing an automated match is subject to error, including unrecognized nicknames or misspellings, transposed numbers, and data entry and clerical errors. We observed examples where records were flagged as an incorrect name when an individual's first name and last name were transposed. We cannot estimate the exact proportion of false positives without an in-depth understanding of the verification algorithm used by SSA. To maintain the security of SSA's SSN verification process, SSA does not release the agency's matching logic concerning how it verifies SSNs.

Background

SBA's COVID-19 Economic Injury Disaster Loan and Paycheck Protection Programs

SBA's COVID-19 EIDL and EIDL Advance programs provide funding to help small businesses recover from the economic impacts of the COVID-19 pandemic. To date, SBA has provided over $378 billion in COVID-19 EIDL loans and COVID-19 EIDL advances (grants). The program closed to new applications on January 1, 2022.

PPP provided SBA-backed loans to businesses to keep their workforce employed during the COVID-19 crisis. The program ended on May 31, 2021, after more than 11 million PPP loans were approved totaling about $800 billion.

COVID-19 EIDL and PPP were more susceptible to fraud due to the elevated urgency for agencies to provide timely relief to applicants in response to the COVID-19 pandemic. SBA's initial approach to implement these programs quickly made billions of dollars available to millions of borrowers affected by the pandemic, but used few program controls to verify applicants' eligibility prior to disbursing funds. For example, SBA launched PPP on April 3, 2020, one week after enactment of the CARES Act, with limited controls in place to ensure program integrity. Although SBA subsequently added certain fraud prevention controls in 2021, the initial implementation of PPP prioritized the speed of disbursing funds rather than scrutiny of applicant eligibility, a trade-off that contributed to widespread fraud.[3] Certain PPP CARES Act provisions were intended to provide expeditious relief to small businesses and workers and streamlined some of the requirements that lenders use to screen borrowers. The statute provided that lenders could rely on borrowers' self-certifications of eligibility (e.g., an individual certified that they run a company with 50 employees and an average monthly payroll of $350,000); however, this did not prohibit SBA or lenders from using additional information to verify program eligibility. For example, PPP lenders were required to comply with Bank Secrecy Act (BSA) requirements.[4] Yet, applicants were not checked against the U.S. Department of the Treasury's already-existing Do Not Pay (DNP) service in 2020.

Improving Government Information-Sharing

The ability to perform the type of SSN check the PRAC conducted was not readily available to SBA when it faced a deluge of applications in 2020 for COVID-19 EIDL and PPP relief, as described in more detail throughout this Alert. Nevertheless, the results of this Fraud Alert demonstrate the benefit of a consent-based verification process to authenticate basic applicant information—such as name, date of birth, and Social Security Number—to ensure applicant eligibility and to prevent program and identity fraud. Such an internal control, which we believe is a best practice, can be facilitated by legislative language requiring federal agencies to use a consent-based verification process when making applicant eligibility determinations and by authorizing SSA to verify information for this purpose.[5] As the PRAC, the SBA Office of Inspector General (OIG), and the Government Accountability Office have all previously reported, the speed of federal agencies' disbursal of pandemic relief funds increased the risk of fraud in COVID-19 EIDL and PPP. For example, by April 16, 2020, just 14 days after SBA launched the program, PPP lenders approved more than 1,661,000 loans totaling nearly $342.3 billion.[6] Moreover, by April 24, 2020, SBA approved more than 38,000 COVID-19 EIDL loans totaling more than $7.9 billion. That number grew to over 707,000 loans totaling nearly $55.8 billon by May 30, 2020. The urgency for agencies to respond to the pandemic with financial assistance underscores the need for improved information-sharing across the federal government to better verify program eligibility before approving applications for government benefits rather than attempting to claw back funds after benefits are improperly disbursed.

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3   For PPP loans processed in 2021, SBA employed a combination of upfront controls during the loan application stage to validate application data submitted by lenders, verify program eligibility, and help lenders verify the identity of applicants before approving loan applications.

4   This included having an Anti-Money Laundering compliance program in place with risk-based procedures for conducting customer due diligence, such as developing a customer risk profile and conducting ongoing monitoring to detect and report suspicious transactions to maintain and update customer information—including identifying and verifying beneficial ownership.

5   For example, in the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018, (*Public Law 115-174*, Title II, Section 215, codified at 42 U.S.C. 405b), Congress directed SSA to modify or develop a database (known as Consent Based Social Security Number Verification or eCBSV) for the purpose of accepting and comparing fraud protection data provided electronically by a financial institution. The statute provides in Section 405b(A): "The purpose of this section is to reduce the prevalence of synthetic identity fraud, which disproportionally affects vulnerable populations, such as minors, by facilitating the validation by permitted entities of fraud protection data, pursuant to electronically received consumer consent, through use of a database maintained by the SSA Commissioner."

6   See SBA OIG report titled, "*Implementation of Inspection of SBA's Implementation of the Paycheck Protection Program,*" January 14, 2021

In January 2021, SBA OIG reported that it had cross-referenced applications with DNP as of August 2020 and found that 57,473 SBA-backed PPP forgivable loans worth $3.6 billion were paid to potentially ineligible recipients. Utilizing Treasury's DNP system gives agencies a higher degree of certainty that a recipient is legitimate and eligible before making an award or releasing federal funds, and SBA began checking PPP applicants against Treasury's DNP system as of January 2021. SBA also made improvements to its COVID-19 EIDL program controls in April 2021 to scrutinize applicant eligibility more closely.[7] SBA OIG has reported on SBA's implementation of additional internal controls for COVID-19 EIDL, including the addition of requiring a borrower's consent (form 4506-T) to obtain Internal Revenue Service (IRS) tax transcripts to verify eligibility prior to approving and disbursing payments. SBA OIG continues to assess the implementation of controls for COVID-19 EIDL and PPP.[8]

What We Found

The PRAC identified $5.4 billion in potential identity fraud associated with 69,323 questionable and unverified SSNs used across disbursed COVID-19 EIDL and PPP applications—that is, applications that successfully received a loan and/or grant. Eligibility for these disbursements could have been questioned further by SBA before the loan and/or grant had been disbursed if the COVID-19 EIDL and PPP loan programs required SBA—or SBA otherwise had access to information necessary—to verify the accuracy of SSNs and the associated information on borrower applications, such as the applicants' full names and dates of birth.[9] SSA is a recognized source for this information for a variety of federal programs. However, the process to implement new SSN verification agreements among agencies and address legal questions regarding the permissibility of information-sharing can be lengthy.[10] Consequently, the time required to establish these types of agreements creates delays and challenges in achieving effective program administration and oversight, particularly in an emergency. Having such information-sharing agreements in place before an emergency would ensure timely access to verification information and improve federal program integrity, protect taxpayer funds from improper payments and fraud, better ensure benefits are paid only to those who are truly eligible, and reduce the incidence of identity fraud in government programs, thereby helping protect victims of identity theft.

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7   The Consolidated Appropriations Act of 2021, enacted on December 27, 2020, ended the CARES Act provision that authorized SBA to rely on applicant self-certification of eligibility and allowed SBA to obtain tax return transcripts (via borrower consent form 4506-T) from the IRS to help verify eligibility: *SBA Procedural Notice: Changes to 4506-T Tax Transcript Verification Procedures during the COVID-19 Emergency. The agency implemented this requirement on April 28, 2021, for the COVID-19 EIDL program.*

8   See SBA OIG report titled, "*OIG Final Report 22-22 Follow-up Inspection of SBA's Internal Controls to Prevent COVID-19 EIDLs to Ineligible Applicants,*" September 29, 2022.

9   As noted previously, the SSN verification process is susceptible to false positives, as we ourselves noted in this review, and therefore an SSN being flagged for potential fraud would not necessarily mean that an applicant is ineligible for a loan or benefit program, or engaged in fraud, but rather that the application should undergo further screening before making an eligibility determination.

10   According to SSA, SSA conducts over two billion SSN verifications annually. These exchanges include verifications specifically authorized under statutorily mandated programs (e.g., E-Verify) and consent-based processes (e.g., eCBSV). They also include disclosures made in accordance with the Privacy Act, Section 1106 of the Social Security Act, and SSA's privacy regulations at 20 C.F.R. 401.150 by which SSA will provide information to another federal agency when the information is necessary to determine eligibility in a health or income maintenance program which is compatible with SSA's Social Security programs.

SSNs Used to Obtain $5.4 Billion in Loans and Grants Were Flagged for Potential Identity Fraud by Triggering At Least One SSA Verification Code

The 69,323 SSNs associated with the $5.4 billion triggered at least one of the following four SSA identity verification codes:

1. the SSN was not issued by SSA;[11]

2. the SSN was associated with a different name according to SSA's records;

3. the SSN was associated with a different date of birth at SSA; and

4. the SSN was not verified by SSA for another reason.

SSA advised the PRAC that given the sensitive nature of its verification process for these high-level identity fraud categories, it limits publicly releasable information regarding that process.

These 69,323 SSNs were used in connection with 99,180 disbursed COVID-19 EIDL loan and/or grant applications and disbursed PPP loan applications submitted between April 2020 and October 2022. The number of SSNs and applications are not a one-for-one match given that a distinct SSN could have been used across multiple COVID-19 EIDL and/or PPP applications, disbursed and undisbursed. Therefore, an application can be associated with multiple verification codes. See Table 1 below.

Table 1. Disbursed COVID-19 EIDL and PPP Loans Associated with SSNs with Verification Codes Indicating Potential Fraud (April 2020 through October 2022)

SSA Identity Verification Codes*	Disbursed COVID-19 EIDL Applications	Disbursed PPP Loan Applications	Amount Disbursed ($s in Billions)
SSN not issued by the SSA	9,789	2,420	$0.4
SSN with incorrect name	33,135	26,729	$3.4
SSN with incorrect date of birth	10,174	17,567	$1.7
SSN not verified – other reason	22	15	$0.002

Source: PRAC analysis of SSA's verification of the targeted selection of SSNs resulting from SSA's Enumeration Verification System (EVS).

* Note: SSA informed the PRAC that a significant number of SSNs in the PRAC's targeted selection were associated with deceased individuals. We have not included those SSNs and the associated loans in this Fraud Alert because we are in the process of determining whether those individuals were alive at the time the COVID-19 EIDL or PPP application was submitted.

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11   SSNs that have not been issued and cannot be matched to an individual may be indicative of synthetic identities. According to the Federal Trade Commission, a synthetic identity is a combination of real and fictitious information—for example, a fake SSN with a genuine name— to create new identities.

Additional SSNs Flagged for Potential Identity Fraud for Attempted but Undisbursed Loans Could Be Used in Future Fraud Attempts

Across the PRAC's targeted selection of SSNs used to apply for COVID-19 EIDL and PPP loans, the SSA verification process flagged 221,427 distinct SSNs that triggered at least one of the four SSA identity verification codes referenced above. As noted previously, 69,323 of these 221,427 SSNs were associated with disbursed loans and/or grants totaling $5.4 billion. We further determined that 175,768 of the 221,427 SSNs were associated with COVID-19 EIDL and/or PPP applications that were attempted and not disbursed. These SSNs could be used in a future attempt to obtain benefits from other government programs, and therefore warrant further scrutiny. As we have previously reported, there has been a substantial rise in identity theft and identity fraud in recent years.[12]

According to SBA, the attempted but undisbursed loan and/or grant applications associated with our targeted selection of SSNs were not disbursed for a variety of reasons. For COVID-19 EIDL: (1) they were determined to be duplicate applications; (2) they were declined due to ineligibility or incomplete documentation; or (3) the applicants indicated they were not interested in pursuing the loan after the initial application. Reasons for not disbursing PPP loans are not as clear because, unlike COVID-19 EIDL, PPP lenders did not track denials, nor did SBA require them to do so.

Next Steps

The PRAC's Fraud Task Force will work with SBA OIG, our other law enforcement partners, and the Department of Justice's COVID-19 Fraud Enforcement Task Force to further investigate the $5.4 billion we identified in potential fraud and identity theft. In addition, the PRAC will provide SBA with the results of our analysis for further management review and action. Given the potential negative impacts on individuals who may be victims of identity fraud, we urge SBA to:

1. In preparation for future emergencies, assess lessons learned across COVID-19 EIDL and PPP policies, procedures, and internal controls to help improve program integrity and prevent identity fraud.

Additionally, we urge SBA and SSA to work together to:

2. Further examine the potential identity fraud we have identified using collaborative verification methods to determine which instances are likely fraud, with SBA taking appropriate action to recover fraudulently obtained funds.

3. Determine where individuals' SSNs were fraudulently used, with SBA informing identity theft victims and making them aware of available identity fraud redress options.

4. Explore information-sharing agreement(s) that will allow these agencies to conduct verifications across all SBA-funded grant, loan and benefit programs which are vulnerable to identity fraud.

Further, the PRAC's data scientists continue to use the PACE to assess the potential use of questionable SSNs and examine potential identity fraud in other pandemic programs.

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12   The Federal Trade Commission received 1.4 million identity theft reports related to government documents or benefits in 2020—a 2,920 percent increase from the previous year.

Our Approach and Analysis

How We Identified the Targeted Selection of SSNs

The PRAC's data scientists launched this effort by using the Pandemic Analytics Center of Excellence (PACE) to examine the underlying data for 21 million COVID-19 EIDL applications and 12.5 million PPP loans that the PRAC obtained from SBA's systems in early 2022, pursuant to our CARES Act authority. Using publicly available SSA information and the first three borrower contact fields[13] in the COVID-19 EIDL application data, our data scientists created a targeted selection[14] of 2.7 million SSNs out of approximately 25 million SSNs that fell under two rule sets:

1. potentially invalid SSNs[15] and,

2. SSNs potentially "not issued" prior to June 2011.[16]

We did not have access to the government information necessary to verify the targeted selection of SSNs and therefore required SSA's assistance to complete our analysis. After extensive discussions and collaboration covering legal disclosure authorities, technical data exchange requirements, financial reimbursement, and a written disclosure agreement, we received verification results from SSA in November 2022.[17]

What Did We Ask SSA to Verify?

For the 2.7 million SSNs in our targeted selection, we asked SSA to verify the following:

- Is the SSN valid?
- Does the name associated with the SSN on the loan match SSA records?
- Does the date of birth associated with the SSN on the loan match SSA records?
- Is the SSN used on the loan associated with a deceased individual?

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13 These represent Contact 1, 2, and 3 information from COVID-19 EIDL applications which includes SSN, first name, last name, and date of birth. COVID-19 EIDL applications include 5 fields of contact information from Contact 1 through Contact 5. We used 3 fields for our targeted selection as Contact 4 and Contact 5 information is rarely populated.

14 According to Generally Accepted Government Auditing Standards that address sampling techniques, when a representative sample is not needed, a targeted selection may be used if isolated risk factors or other criteria exist to target a selection.

15 A SSN is considered invalid based on SSA's definition outlined on its website, "Definition of Invalid SSN" and "SSAFactSheet–IssuingSSNs.pdf"

16 "Not issued" refers to SSNs with area number ranges (the first three digits in the SSN) that were not assigned to a particular state prior to June 2011, as indicated on SSA's website. Based on this information and associated dates, we were initially concerned that a significant portion of these SSNs could have belonged to minors. We subsequently discovered instances where such area numbers and associated SSNs were issued to individuals, both minors and adults.

17 For example, we were not able to obtain verification information from SSA until after SSA spoke to the Department of Justice's Office of Legal Counsel regarding the PRAC's legal authority to obtain such verification information.

How We Identified the Group of SSNs that Triggered One or More of the Four Verification Codes

From the verification results returned by SSA, the PRAC data scientists identified 221,427 distinct SSNs that triggered at least one of four SSA verification codes and their associated transactions. Here's how our work evolved:

- We identified COVID-19 EIDL applications, disbursed as well as attempted and undisbursed, associated with the flagged 221,427 SSNs returned by SSA.

- Subsequently, we identified PPP loans associated with the same flagged subset of SSNs.[18]

- Lastly, we derived the distinct SSNs, transaction counts, and payment amounts associated with disbursed applications (summarized in Table 1 on page 4).

In total, across the targeted selection of SSNs studied, we identified 221,427 distinct SSNs flagged for potential identity fraud that were used to apply for COVID-19 EIDL or PPP loans.

- 69,323 of these SSNs were associated with disbursed loans and/or grants (Table 1).

- 175,768[19] of these SSNs were associated with COVID-19 EIDL and/or PPP applications that were attempted and undisbursed.

The PRAC is working with Treasury Department's DNP on a review of SSNs from our targeted selection that SSA's records indicated were associated with deceased persons.[20] We will share more information on the results of this analysis once complete.

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18   To identify the PPP applications associated with the targeted selection of SSNs, we matched 221,427 SSNs only against self-reported SSNs within PPP data. For PPP applications, contact name was not required to be split into first and last name, and date of birth information is not well populated (populated in approximately 13 percent of applications).

19   Of the 175,768 SSNs used in applications that were attempted but not disbursed, 152,104 SSNs are not associated with any disbursed COVID-19 EIDL or PPP applications, and 23,664 are used in both disbursed and undisbursed applications.

20   SSA can only provide the death indicator information for fully verified SSNs. The SSNs associated with deceased individuals would have a fully verified status from SSA.

Need for SSA Assistance

We asked SSA to verify information that was not available to us—that is, the true name and date of birth associated with the SSNs included in pandemic loan applications—and that was not readily available to SBA when reviewing program applicants' eligibility for COVID-19 EIDL and PPP. Overall, the collaboration process was lengthy and challenging for both the PRAC and SSA. However, once the legal and technical issues were resolved, SSA expedited its data exchange process and promptly provided the PRAC with the requested information. Our experience highlights the value of having consent-based SSN verification authorities and requirements included in legislation establishing benefit programs to improve benefit administration and enhance program integrity. While we required the information to verify our *detection* of potential fraud and improper payments, program officials—such as those responsible for making COVID-19 EIDL and PPP eligibility decisions—require the information for the *prevention* of fraud and improper payments. Although SBA did not attempt to obtain expedited access to SSA verification information, the time that would have been required for SBA to reach an agreement with SSA for the information-sharing or collaboration likely would have exceeded the timeframes in which SBA was expected to process COVID-19 EIDL and PPP actions given the urgency of pandemic response. For historical context, prior to PPP, the SBA's largest total in lending in one year was $30 billion; in fiscal year 2020, it processed nearly $50 billion in a single day according to SBA-OIG.

In the future, clearer statutory guidance on when such information can be shared can help alleviate the need for time-consuming negotiations among agencies before the next crisis occurs. While an SSN is not a definitive identity verification measure, it is a relevant and reliable source of information for program administration across government benefit and lending programs, such as COVID-19 EIDL and PPP, to provide a higher degree of assurance that an applicant is legitimate and eligible. Further, it is information that is readily available at SSA. However, until better information-sharing practices are established governmentwide, federal agencies will remain hampered in their ability to effectively administer programs, ensure program integrity, detect and prevent fraudulent and improper payments, and better protect the public from identity theft. To build on our previous reporting of this issue, we continue to review best practices across government information-sharing and internal controls, and our ongoing work will highlight how they can be applied to effectively manage future emergency relief and response efforts as well as improve overall program integrity.[21]

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21   See PRAC report titled, *"Small Business Administration Paycheck Protection Program Phase III Fraud Controls,"* January 21, 2022. See PRAC report titled, *"Lessons Learned in Oversight of Pandemic Relief Funds,"* as of June 8, 2022. See PRAC report titled, *"Key Insights: Identity Fraud Reduction and Redress in Pandemic Response Programs,"* June 13, 2022.

About the Pandemic Response Accountability Committee

The CARES Act provided the PRAC with funding and unique legal and hiring authorities to perform its oversight responsibilities, and the American Rescue Plan Act of 2021 included additional funding that allowed the PRAC to create its advanced data analytics platform, the Pandemic Analytics Center of Excellence.

The PRAC promotes transparency by reporting accessible and comprehensive spending data on its website, PandemicOversight.gov; collaborates across the oversight community to identify cross-cutting issues and risks; and detects fraud, waste, abuse and mismanagement of relief spending to hold wrongdoers accountable.

Through our diverse and innovative staff, the PRAC is building both a model and a legacy for oversight that supports Inspectors General in the wake of this current crisis and in preparation for future ones.

PRAC's Commitment to Quality and Integrity

We conducted this review using agile oversight principles that require we adhere to the professional standards of independence, due professional care, and quality assurance and follow procedures to ensure accuracy of the information presented. The PRAC relied on SSA's verification results. To maintain the security of SSA's SSN verification process, SSA does not release the agency's matching logic concerning how it verifies SSNs. We believe the evidence obtained provides a reasonable basis for the results of our analysis.

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To report allegations of fraud, waste, abuse, or misconduct regarding pandemic relief funds or programs please go to the PRAC website at PandemicOversight.gov.

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