

GAO Highlights

Highlights of [GAO-22-105442](#), a report to congressional committees

Why GAO Did This Study

In 2020 and 2021, restaurants, bars, and other food service businesses experienced substantial revenue loss and unemployment resulting from the COVID-19 pandemic. In March 2021, Congress appropriated \$28.6 billion to SBA for a Restaurant Revitalization Fund to assist the industry.

The CARES Act includes a provision for GAO to monitor federal efforts to respond to the COVID-19 pandemic. Among its objectives, this report examines recipient characteristics, SBA's internal controls and fraud risk management practices, and SBA's efforts to monitor recipients.

GAO reviewed SBA documentation, analyzed SBA data on the program's applicants and recipients, and interviewed SBA officials and representatives of industry associations.

What GAO Recommends

GAO makes seven recommendations to SBA, including to assess pre-award controls and address deficiencies, strengthen post-award reporting, take additional steps to identify fraudulent or ineligible awards, and develop and implement a plan to address potentially fraudulent award recipients in a timely manner. SBA agreed or partially agreed with two recommendations. SBA disagreed with five recommendations, including to assess pre-award controls and implement a plan to address fraudulent or ineligible awards. GAO maintains that all of the recommendations are valid, as discussed in this report.

View [GAO-22-105442](#). For more information, contact William B. Shear at (202) 512-8678 or ShearW@gao.gov

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RESTAURANT REVITALIZATION FUND

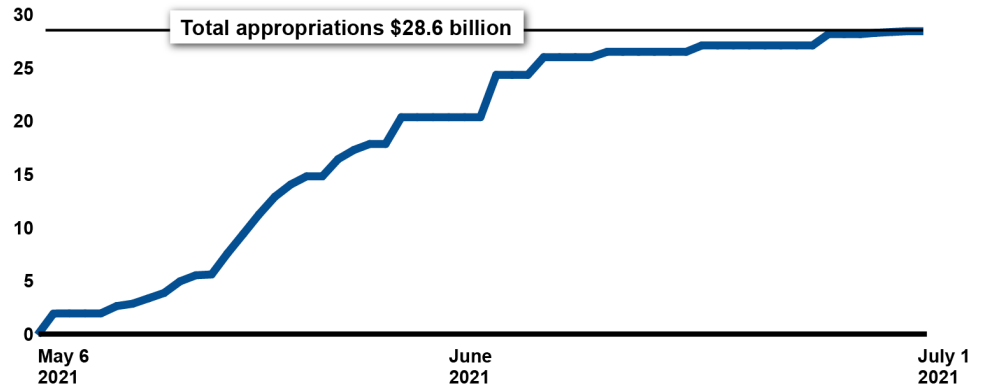
Opportunities Exist to Improve Oversight

What GAO Found

The Restaurant Revitalization Fund was established in March 2021 to support eligible entities suffering revenue losses from the COVID-19 pandemic. The Small Business Administration (SBA) began accepting applications and awarding funds in May 2021. SBA stopped accepting applications in July 2021 with the program oversubscribed and almost all its funds disbursed.

Restaurant Revitalization Fund Award Disbursements, May 3–July 1, 2021

Dollars (in billions)



Source: GAO analysis of Small Business Administration data. | GAO-22-105442

Just over 100,000 businesses received funding (40 percent of eligible applicants). The median award was about \$126,000. Most recipients (72 percent) reported they were owned by women, veterans, or members of socially and economically disadvantaged groups. About 43 percent had 2019 revenue of \$500,000 or less.

SBA emphasized pre-award controls to detect fraudulent or ineligible applications but has not assessed their effectiveness. While SBA prevented over 30,000 suspicious applications from receiving awards, GAO identified systemic control weaknesses. For example, SBA considered applications made through external vendors to be low-risk, but over 4,000 recipients who applied through such a channel have been flagged for suspected fraud or ineligibility, including an alleged fraudster who received \$8 million. Assessing controls and addressing deficiencies would help SBA better ensure program integrity.

SBA requires recipients to report annually on fund use, but has taken limited steps to enforce reporting requirements and identify fraudulent or ineligible awards. The first reports were due in December 2021, but 32 percent were overdue as of June 2022. And SBA has not proactively used data analytics or information from enforcement entities to identify potentially fraudulent award recipients. SBA does not immediately investigate all potentially fraudulent awards, and instead waits for recipients to submit final reports (which might not be until April 30, 2023). Taking additional steps to identify and address potentially fraudulent awards in a timely manner could help SBA recover funds.