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Washington, DC 20548

Comptroller General  
of the United States

May 1, 2025

The Honorable Kelly Loeffler  
Administrator  
U.S. Small Business Administration  
409 3rd St., SW  
Washington, DC 20416

### Priority Open Recommendations: Small Business Administration

Dear Administrator Loeffler:

Congratulations on your appointment. The purpose of this letter is to call your personal attention to three areas based on GAO's past work and 17 open priority recommendations, which are enclosed.<sup>1</sup> Additionally, there are 38 other GAO open recommendations that we will continue to work with your staff to address.

We are highlighting the following areas that warrant your timely and focused attention. Specifically:

**Improving oversight and communication related to lessons learned from the COVID-19 pandemic response.** From March 2020 through March 2022, the Small Business Administration (SBA) provided more than \$1 trillion in loans and grants to small businesses through pandemic relief programs. SBA moved quickly and under challenging circumstances to develop and launch these programs. However, rapid implementation increased the risk of improper payments—that is, payments that should not have been made or were made in incorrect amounts, including those resulting from fraud. GAO added SBA's emergency loans for small businesses to its [High-Risk List](#) in 2021.

Our prior work found potential weaknesses in SBA's communication with applicants and its oversight of pandemic relief programs, and our priority recommendations call for SBA to address these issues. For example, we recommended that SBA develop a comprehensive strategy for communicating with potential and actual program applicants during future disasters to help reduce applicant confusion. Subsequently, we recommended that SBA develop cross-program data analytics to better identify applicants attempting to defraud multiple programs and obtain external data to help verify applicant information and detect potential fraud.

While SBA has taken steps to address these recommendations, fully implementing them could help the agency more strategically manage fraud risks in ongoing and future programs.

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<sup>1</sup>GAO considers a recommendation to be a priority if, when implemented, it may significantly improve government operations—for example, by realizing large dollar savings; eliminating mismanagement, fraud, and abuse; or making progress toward addressing a high-risk or duplication issue.

**Addressing cybersecurity and IT management challenges.** SBA must take steps to more effectively implement key practices for its privacy program and manage risk to its IT systems. For example, we have recommended that SBA fully define and document a process for involving its senior privacy official in addressing workforce needs to ensure a well-qualified privacy workforce. We also recommended that SBA address critical risk management issues for an IT system that helps small businesses participate in its contracting assistance programs. Fully implementing these recommendations would help SBA better protect sensitive data and respond to [cybersecurity](#) and [IT management](#) risks, two governmentwide challenges that have been on GAO's High-Risk List since 1997 and 2015, respectively.

**Improving oversight of small business research programs.** Fraud, waste, and abuse compromise SBA programs that support small business research and development by limiting opportunities for legitimate small businesses to contribute to program goals for technological innovation, increased productivity, and economic growth.

We reported in September 2024 that almost 8 percent of the awardees we reviewed for fiscal years 2016 through 2021 had four or more indicators of fraud, waste, or abuse. We recommended that SBA take several actions to address fraud risks, including (1) leverage its oversight mechanisms to identify, share, and report fraud-related information with 11 participating agencies through the primary website for these programs; (2) provide guidance to participating agencies on conducting fraud risk assessments for the programs; and (3) improve data quality related to the verification of awardee information. Fully implementing these recommendations would help SBA better identify and share information to support agencies' fraud risk management activities and support its efforts to ferret out fraud, waste, and abuse.

Please see Enclosure 1 for additional details about the status and actions needed to fully implement all 17 open priority recommendations out of the 55 total recommendations that remain open. These include priority recommendations on improving disaster recovery efforts, meeting reporting requirements in a more timely manner, and supporting veteran-owned small businesses. We provide in Enclosure 2 additional information on SBA's recommendation implementation rate, as well as implemented, closed, and new priority recommendations since our May 2024 letter to Administrator Guzman.

Enclosure 2 also discusses SBA's inability to receive an audit opinion on its fiscal years 2020 through 2024 financial statements and relevant management challenges from our High-Risk List that apply to SBA. In response to legislation enacted in December 2022, this enclosure also includes information on any additional congressional oversight actions that can help agencies implement priority recommendations and address any underlying issues related to such implementation.

Copies of this letter are being sent to the appropriate congressional committees. The letter will also be available on the GAO website at [Priority Recommendations | U.S. GAO](#). We also plan to send separate letters specifically focused on open recommendations and key issues related to financial management and information technology. These letters will be sent to your Chief Financial Officer and Chief Information Officer, respectively.

If you have any questions or would like to discuss any of the issues outlined in this letter, please do not hesitate to contact me or Daniel Garcia-Diaz, Managing Director, Financial Markets and Community Investment, at [garciadiazd@gao.gov](mailto:garciadiazd@gao.gov). Contact points for our offices of Congressional Relations and Public Affairs may be found on the last page of this letter. Our

teams will continue to coordinate with your staff on addressing these priority recommendations and the remaining 38 open recommendations. I appreciate SBA's continued commitment and thank you for your personal attention to these important issues.

Sincerely,

**//SIGNED//**

Gene L. Dodaro  
Comptroller General  
of the United States

Enclosures – 2

cc: Wesley Coopersmith, Chief of Staff

Robin Wright, Chief Operating Officer, Office of the Administrator

Nathan Davis, Chief Financial Officer & Chief Risk Officer, Office of Performance,  
Planning, and the Chief Financial Officer

Douglas Robertson, Acting Deputy Chief Information Officer, Office of the Chief  
Information Officer

Thomas Kimsey, Associate Administrator, Office of Capital Access

Chris Stallings, Associate Administrator, Office of Disaster Recovery and Resilience

Lisa Shimkat, Acting Associate Administrator, Office of International Trade

Elias Hernandez, Associate Administrator, Office of Veterans Business Development

Frank Salomone, Associate Administrator, Office of Investment and Innovation

Larry Stubblefield, Deputy Associate Administrator, Office of Government Contracting &  
Business Development

Anna Maria Calcagno, Director, Office of Strategic Management and Enterprise Integrity,  
Office of Performance, Planning, and the Chief Financial Officer

## Enclosure 1

### Priority Open Recommendations to the Small Business Administration

#### Improving Oversight and Communication Related to Lessons Learned from the COVID-19 Pandemic Response

*Economic Injury Disaster Loan Program: Additional Actions Needed to Improve Communication with Applicants and Address Fraud Risks.* [GAO-21-589](#). Washington, D.C.: July 30, 2021.

**Year Recommendation Made:** 2021

**Recommendation:** The Associate Administrator of the Small Business Administration's (SBA) Office of Disaster Assistance should develop a comprehensive strategy for communicating with potential and actual program applicants in the event of a disaster. Such a strategy should provide guidelines for the types of information and timing of information to be provided to program participants throughout a disaster. The types of information to be addressed in the strategy could include processing steps and time frames applicants might experience through different stages of the loan process.

**Actions Needed:** SBA agreed with the recommendation. In March 2024, SBA stated that it anticipated completing a new disaster loan application portal that would include improved messaging features by fiscal year 2025. In March 2025, SBA stated that new senior leaders were being onboarded and briefed on key audit reports and recommendations. SBA also noted that it would provide an official update regarding its progress on this recommendation as soon as possible.

To fully implement this recommendation, SBA needs to complete and launch the portal and provide documentation of a comprehensive strategy for communicating with potential and actual disaster loan applicants. Enhancing communication in this way would help reduce applicant confusion and lessen the burden on SBA's resources.

**High-Risk Area:** [Improving the Delivery of Federal Disaster Assistance](#)

**Acting Director:** Courtney LaFountain

**Contact Information:** [lafountainc@gao.gov](mailto:lafountainc@gao.gov)

*Restaurant Revitalization Fund: Opportunities Exist to Improve Oversight.* [GAO-22-105442](#). Washington, D.C.: July 14, 2022.

**Year Recommendation Made:** 2022

**Recommendation:** The Associate Administrator for the Office of Capital Access should develop and implement a plan to respond to potentially fraudulent and ineligible Restaurant Revitalization Fund awards in a prompt and consistent manner. This plan should include coordinating with the SBA Office of Inspector General (OIG) to align efforts to address fraud.

**Actions Needed:** SBA disagreed with this recommendation, indicating that its planned efforts were sufficient. However, in April 2024, SBA stated that it had prioritized reviewing awards

flagged for potential fraud and conducted initial reviews of all flagged awards for which recipients submitted post-award reports. In March 2025, SBA described an analysis that it conducts monthly to identify and prioritize potentially fraudulent awards.

To fully implement this recommendation SBA would need to provide documentation of its procedures for prioritizing flagged awards and evidence of implementing these procedures. SBA also would need to provide documentation of procedures for referring suspicious activity to its OIG in a manner useful to OIG. Doing so would help SBA recover funds from potentially fraudulent or ineligible award recipients in a timely manner and help ensure the efficient use of OIG resources.

**Potential Financial Benefit If Implemented:** May Contribute to a Million or More Dollars in Potential Financial Benefits<sup>2</sup>

**Acting Director:** Courtney LaFountain

**Contact Information:** [lafountainc@gao.gov](mailto:lafountainc@gao.gov)

*COVID Relief: Fraud Schemes and Indicators in SBA Pandemic Programs.* [GAO-23-105331](#). Washington, D.C.: May 18, 2023.

**Year Recommendations Made:** 2023

**Recommendation:** The Administrator of SBA, in coordination with the Fraud Risk Management Board, should ensure that SBA has mechanisms in place and utilizes them to facilitate cross-program data analytics.

**Actions Needed:** SBA agreed with this recommendation. As of November 2024, SBA's Fraud Risk Management Board was developing a policy on program office actions for cross-program analysis results, inventory management, and operational parameters. Additionally, one SBA office began performing cross-program data analytics using taxpayer identification numbers for new loan approvals. In March 2025, SBA stated that new senior leaders were being onboarded and briefed on key audit reports and recommendations. SBA also noted that it would provide an official update regarding its progress on this recommendation as soon as possible.

To fully implement this recommendation, SBA would need to document its policy for performing cross-program data analytics and make it available to staff to support implementation. Doing so could enhance SBA's data analytics and ability to strategically manage fraud risks in ongoing and future programs.

**Recommendation:** The Administrator of SBA, in coordination with the Fraud Risk Management Board, should ensure that SBA has identified external sources of data that can facilitate the verification of applicant information and the detection of potential fraud across its programs. It should then develop a plan for obtaining access to those sources, which may involve pursuing statutory authority or entering into data-sharing agreements to obtain such access.

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<sup>2</sup>This potential financial benefit is not attributable to this recommendation alone but could result from the combined effect of implementing two or more recommendations.

**Actions Needed:** SBA agreed with this recommendation. As of November 2024, SBA was in the process of implementing efforts to identify and develop a plan for obtaining access to external data. SBA was in ongoing discussions with the Department of the Treasury to pursue verification tools and explore potential data sharing on fraud actors. In March 2025, SBA stated that new senior leaders were being onboarded and briefed on key audit reports and recommendations. SBA also noted that it would provide an official update regarding its progress on this recommendation as soon as possible.

To fully implement this recommendation, SBA needs to document its plan for obtaining access to external data sources, identifying key milestones for each area of effort, and tracking progress in achieving those milestones. Implementing this recommendation could enhance SBA's data analytics and ability to strategically manage fraud risks in ongoing and future programs.

**High-Risk Area:** [Emergency Loans for Small Businesses](#)

**Managing Director:** Johana Ayers

**Contact Information:** [ayersj@gao.gov](mailto:ayersj@gao.gov)

*COVID-19 Relief: SBA and DOL Should Improve Processes to Identify and Recover Overpayments.* [GAO-25-106199](#). Washington, D.C.: November 13, 2024.

**Year Recommendation Made:** 2025

**Recommendation:** The Administrator of SBA should ensure that the Office of Capital Access expands and documents the Paycheck Protection Program (PPP) guarantee purchase process to ensure that—prior to purchase approval—SBA has collected sufficient documentation to verify that lenders complied with program requirements.

**Actions Needed:** SBA partially agreed with the recommendation. In its September 2024 comments on the draft report, SBA stated it would ensure that the proper documentation has been collected to verify that lenders complied with program requirements for guarantee purchase requests that indicate potential fraud or noncompliance with PPP lender underwriting requirements.

To fully implement this recommendation, SBA would need to expand and document a process to verify that PPP lenders complied with program requirements for all loans submitted for guarantee purchase. Such a process would specify how SBA considers and mitigates risks introduced by participation of financial technology lenders. It would also specify how SBA verifies that PPP lenders and lender service providers complied with program requirements, including debt collection activities, before SBA approval of guarantee purchase requests. Without sufficient documentation to verify lenders' compliance with program requirements, SBA's ability to recover overpayments is limited.

**Potential Financial Benefit If Implemented:** May Contribute to a Hundred Million or More Dollars in Potential Financial Benefits <sup>3</sup>

**High-Risk Area:** [Emergency Loans for Small Businesses](#)

**Director:** M. Hannah Padilla

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## **Addressing Cybersecurity and IT Management Challenges**

*Privacy: Dedicated Leadership Can Improve Programs and Address Challenges.* [GAO-22-105065](#). Washington, D.C.: September 22, 2022.

**Year Recommendation Made:** 2022

**Recommendation:** The Administrator of SBA should fully define and document a process for ensuring that the senior agency official for privacy or other designated privacy official is involved in assessing and addressing the hiring, training, and professional development needs of the agency with respect to privacy.

**Actions Needed:** SBA agreed with this recommendation. SBA officials told us in March 2023 that the agency was updating its Privacy Program Plan, which would, among other things, delineate hiring, training, and professional development needs related to privacy. SBA initially expected to implement this plan by the second quarter of 2024. In March 2024, SBA said changes in staffing and budget allocations led it to extend its implementation timeline to the end of fiscal year 2024, using current staffing levels. SBA also described other actions taken to bolster its privacy workforce. In March 2025, SBA stated that new senior leaders were being onboarded and briefed on key audit reports and recommendations. SBA also noted that it would provide an official update regarding its progress on this recommendation as soon as possible.

To fully implement the recommendation, SBA needs to define and document in its policies or procedures how the senior agency official for privacy or other privacy officials are involved in addressing workforce needs with respect to privacy—including hiring, training, and professional development. Fully implementing the recommendation would help the agency more consistently and effectively identify staffing needs and ensure a well-qualified privacy workforce.

**High-Risk Area:** [Ensuring the Cybersecurity of the Nation](#)

**Director:** Jennifer Franks

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**Director:** Marisol Cruz Cain

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<sup>3</sup>This potential financial benefit is not attributable to this recommendation alone but could result from the combined effect of implementing two or more recommendations.



**Year Recommendations Made: 2025**

**Recommendation:** The Administrator of SBA should direct the Associate Administrator of SBA's Office of Government Contracting and Business Development to expeditiously address critical Unified Certification Platform (UCP) project risk management issues, including developing a project risk management strategy and risk mitigation plan.

**Actions Needed:** SBA partially agreed with this recommendation. In its October 2024 comments on the draft report, SBA noted that it intends to document a UCP project-level risk management strategy and risk management plan; expand the risk register to ensure risks are appropriately categorized, prioritized, and evaluated; and determine appropriate mitigation strategies for the risks. In February 2025, SBA stated that new senior leaders were being onboarded and briefed on key audit reports and recommendations. SBA also noted that it would provide an official update regarding its progress on this recommendation in May 2025.

To fully implement this recommendation, SBA would need to document a risk management strategy and risk mitigation plan that specifies key details, such as responsible parties and required tasks, resources, and timelines. Without such a strategy and plan, SBA will be unable to quickly or effectively address risks as it simultaneously operates the system and develops its more complex functionality.

**Recommendation:** The Administrator of SBA should direct the Associate Administrator of SBA's Office of Government Contracting and Business Development to expeditiously address critical UCP project cybersecurity issues, including developing a plan for managing project cybersecurity risks and documenting a traceability analysis for project security requirements.

**Actions Needed:** SBA partially agreed with this recommendation. In its October 2024 comments on the draft report, SBA outlined its planned process for assessing UCP security through testing and addressing critical findings. SBA also planned to document traceability between security requirements and how the system satisfies the requirements. In February 2025, SBA stated that new senior leaders were being onboarded and briefed on key audit reports and recommendations. SBA also noted that it would provide an official update regarding its progress on this recommendation in May 2025.

To fully implement this recommendation, SBA would need to document a plan for managing UCP project cybersecurity risks and document traceability between the security requirements and how UCP satisfies the requirements. Without such a plan and traceability, SBA faces an increased risk of operating an insecure system and likely will be unprepared to address the impacts of a cybersecurity incident.

**Recommendation:** The Administrator of SBA should direct the Chief Information Officer to consider the probability and impact of accepted UCP deployment risks if deciding to issue a final authorization to operate for the system.

**Actions Needed:** SBA partially agreed with this recommendation. In its October 2024 comments on the draft report, SBA outlined its procedures for approving an authorization to operate for IT systems and agreed that additional security measures would enhance the deployment risk assessment and validation for the UCP system. In February 2025, SBA stated



that new senior leaders were being onboarded and briefed on key audit reports and recommendations. SBA also noted that it would provide an official update regarding its progress on this recommendation in May 2025.

To implement this recommendation, SBA would need to document that it had fully considered the impact of deployment risks when authorizing the system. Establishing such procedures would help SBA better ensure that such risks do not affect small business certification services.

### **High-Risk Area:** [Improving IT Acquisitions and Management](#)

**Director:** Carol C. Harris

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**Acting Director:** Courtney LaFountain

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### **Improving Oversight of Small Business Research Programs**

*Small Business Research Programs: Opportunities Exist for SBA and Agencies to Reduce Vulnerabilities to Fraud, Waste, and Abuse.* [GAO-24-105470](#). Washington, D.C.: September 9, 2024.

#### **Year Recommendations Made:** 2024

**Recommendation:** The Administrator of SBA should ensure that the Associate Administrator for the Office of Investment and Innovation leverages its oversight mechanisms to identify, share, and report fraud-related convictions and findings of civil liability to SBIR.gov and address participating agencies' challenges in understanding and meeting the 15-day reporting requirement.

**Actions Needed:** SBA agreed with this recommendation. In March 2025, SBA stated it would continue to report final adjudicated fraud-related settlements, convictions, and findings of civil liability to SBIR.gov. SBA also noted that it intended to address reporting requirement challenges through a future update of the Small Business Innovation Research (SBIR)/Small Business Technology Transfer (STTR) Policy Directive.

To implement this recommendation, SBA needs to leverage monthly program manager discussions with participating agencies to ensure timely contributions to the website. Taking these steps would better position SBA to address information gaps in detecting potential fraud and meeting the reporting requirement, improving the website's utility as a deterrent against fraud.

**Recommendation:** The Administrator of SBA should ensure that the Associate Administrator for the Office of Investment and Innovation, to the full extent of the SBA's legal authority, provides guidance to participating agencies to conduct comprehensive SBIR/STTR program fraud risk assessments, including all key elements, in support of the Policy Directive's fraud, waste, and abuse prevention requirements and consistent with Fraud Risk Framework leading practices.

**Actions Needed:** SBA agreed with this recommendation. In March 2025, SBA stated it would provide this guidance to program managers through training during fiscal year 2025. SBA also noted that it would reinforce the guidance, to the extent of SBA's legal authority, through a subsequent SBIR/STTR Policy Directive update.

To implement this recommendation, SBA needs to issue guidance reinforcing fraud risk assessment requirements for participating agencies to ensure they have taken steps to prevent fraud, waste, and abuse in their SBIR/STTR programs. Implementing this recommendation would increase these agencies' awareness of the need to conduct fraud risk assessments that use available fraud risk information, among other key elements of a comprehensive assessment process.

**Recommendation:** The Administrator of SBA should ensure that the Associate Administrator for the Office of Investment and Innovation improves SBIR.gov data quality by updating guidance to require that abstracts are sufficiently complete and that applicant and awardee addresses are verified to support program eligibility determinations.

**Actions Needed:** SBA agreed with this recommendation. In March 2025, SBA stated it would continue to make system enhancements to SBIR.gov, such as by reworking the registration processes to require validation through SAM.gov. SBA also noted it would work with agencies to ensure mechanisms are in place to verify addresses where work is to be performed.

To implement this recommendation, SBA needs to provide guidance to agencies for ensuring they collect complete and accurate information for abstracts and addresses. Accurate and complete data enable participating agencies to verify applicant and awardee information—a key control for ensuring that ineligible entities do not receive SBIR/STTR awards. Implementing the recommendation would support agencies' use of these data for preventing fraud, waste, and abuse.

**Director:** Rebecca Shea

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## Improving Disaster Recovery Efforts

*Disaster Recovery: Additional Actions Needed to Identify and Address Potential Recovery Barriers.* [GAO-22-104039](#). Washington, D.C.: December 15, 2021.

### Year Recommendations Made: 2022

**Recommendation:** The SBA Associate Administrator of the Office of Disaster Assistance should, in coordination with the Federal Emergency Management Agency (FEMA) Administrator and the Housing and Urban Development (HUD) Assistant Secretary for Community Planning and Development, develop, with input from key recovery partners, and implement an interagency plan to help ensure the availability and use of quality information that includes (1) information requirements, (2) data sources and methods, and (3) strategies for overcoming information challenges—to support federal agencies involved in disaster recovery in identifying access barriers or disparate outcomes.

**Actions Needed:** SBA agreed with this recommendation. SBA officials told us in February 2024 that they were working with FEMA and HUD to develop such an interagency plan. According to FEMA officials, this plan was to be developed by December 2024. SBA officials also noted that they were renewing interagency agreements with FEMA and HUD to coordinate data sharing. In March 2025, SBA stated that new senior leaders were being onboarded and briefed on key audit reports and recommendations. SBA also noted that it would provide an official update regarding its progress on this recommendation as soon as possible.

To fully address the recommendation, SBA needs to work with FEMA and HUD to develop and implement an interagency plan that specifies the data needed and the sources and methods for obtaining the data. In addition, SBA must subsequently analyze the data to identify access barriers and ways to mitigate them. Implementing this recommendation could improve service delivery to disaster survivors and communities, improve the effectiveness of recovery efforts, and reduce federal fiscal exposure.

**Recommendation:** The SBA Associate Administrator of the Office of Disaster Assistance should coordinate with the FEMA Administrator and the HUD Assistant Secretary for Community Planning and Development to design and establish routine processes to be used within and across federal recovery programs to address identified access barriers and disparate outcomes on an ongoing basis.

**Actions Needed:** SBA agreed with this recommendation. SBA officials told us in February 2024 that they were working with FEMA and HUD to develop such processes, which were to be incorporated in an interagency plan (described above). SBA officials also noted other steps they took to address access barriers and disparate outcomes. For example, they said they simplified the disaster declaration process for rural communities under the Disaster Assistance for Rural Communities Act and established Portable Loan Outreach Centers to serve hard-to-reach areas or those with limited services. In March 2025, SBA stated that new senior leaders were being onboarded and briefed on key audit reports and recommendations. SBA also noted that it would provide an official update regarding its progress on this recommendation as soon as possible.

To fully implement this recommendation, SBA needs to work with FEMA and HUD to develop and implement the aforementioned interagency plan and analyze the collected data to identify access barriers and mitigation strategies. Implementing this recommendation could improve service delivery to disaster survivors and communities, enhance recovery efforts, and reduce federal fiscal exposure.

#### **High-Risk Area:** [Improving the Delivery of Federal Disaster Assistance](#)

**Director:** Chris P. Currie

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#### **Meeting Reporting Requirements in a More Timely Manner**

*Small Business Research Programs: Reporting on Award Timeliness Could Be Enhanced.*  
[GAO-23-105591](#). Washington, D.C.: October 12, 2022.

**Year Recommendation Made:** 2023

**Recommendation:** The Administrator of the Small Business Administration should develop, document, and execute a plan to (1) identify actions that could improve timely publication of its annual report to Congress, and (2) implement the actions identified.

**Actions Needed:** SBA agreed with this recommendation. In March 2024, SBA officials stated that the agency had assessed processes for producing the annual report. Since March 2024, SBA published the annual reports for 2020–2022. As of February 2025, SBA had not published the fiscal year 2023 report. In March 2025, SBA stated that new senior leaders were being onboarded and briefed on key audit reports and recommendations. SBA also noted that it would provide an official update regarding its progress on this recommendation as soon as possible.

To fully implement the recommendation, SBA would have to document processes for consistently publishing annual reports in a timely manner. Fully implementing this recommendation would help SBA meet its statutory responsibilities and give Congress timely information to inform its decision-making and oversight.

**Director:** Candice N. Wright

**Contact Information:** [wrightc@gao.gov](mailto:wrightc@gao.gov)

*Small Business Administration: Procedures for Reporting on Veteran-Owned Businesses Need Improvement.* [GAO-24-106071](#). Washington, D.C.: December 21, 2023.

**Year Recommendation Made:** 2024

**Recommendation:** The Administrator of SBA should ensure that the Associate Administrator of SBA's Office of Veterans Business Development develop and implement policies and procedures to ensure SBA's compliance with Section 603 of the Veterans Entrepreneurship and Business Development Act of 1999.

**Actions Needed:** SBA agreed with this recommendation. In June 2024, SBA described plans to implement policies and procedures for submitting an annual report to congressional committees. In March 2025, SBA stated that new senior leaders were being onboarded and briefed on key audit reports and recommendations. SBA also noted that it would provide an official update regarding its progress on this recommendation as soon as possible.

To fully implement this recommendation, SBA needs to develop and execute these policies and procedures. Doing so would help SBA meet its statutory responsibilities and provide Congress with information needed for effective oversight of SBA programs.

**Acting Director:** Courtney LaFountain

**Contact Information:** [lafountainc@gao.gov](mailto:lafountainc@gao.gov)

## **Supporting Veteran-Owned Small Businesses**

*Small Business Administration: Procedures for Reporting on Veteran-Owned Businesses Need Improvement.* [GAO-24-106071](#). Washington, D.C.: December 21, 2023.

**Year Recommendation Made:** 2024

**Recommendation:** The Administrator of SBA should ensure that the Associate Administrator of SBA's Office of Capital Access develop and implement policies and procedures to ensure SBA gives special consideration to veterans in its lending programs in accordance with the Small Business Act and SBA's implementing regulation.

**Actions Needed:** SBA agreed with this recommendation. In June 2024, SBA described incorporating specific guidance on giving special consideration to veterans in its lending platform and standard operating procedures. In March 2025, SBA stated that new senior leaders were being onboarded and briefed on key audit reports and recommendations. SBA also noted that it would provide an official update regarding its progress on this recommendation as soon as possible.

To fully implement this recommendation, SBA needs to provide documentation that it has completed these efforts to develop and incorporate policies related to veterans. Implementing such policies and procedures would help ensure that SBA complies with the statutory requirement and would provide better assurance that veterans receive the special consideration they are due.

**Acting Director:** Courtney LaFountain

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## Enclosure 2

### Key Information About the Status of GAO Recommendations and Improving Agency Operations

#### The Small Business Administration's Recommendation Implementation Rate

In November 2024, we reported that, on a government-wide basis, 70 percent of our recommendations made 4 years ago were implemented.<sup>4</sup> The Small Business Administration's (SBA) recommendation implementation rate was 96 percent.<sup>5</sup> As of March 2025, SBA had 55 open recommendations.

#### Implemented, Closed, and New Priority Recommendations

Our May 2024 letter to Administrator Guzman identified 13 priority recommendations.<sup>6</sup> Since then, two recommendations were implemented, we removed the priority recommendation designation of one recommendation, and we added seven new priority recommendations.

#### Implemented recommendations:

- **Disaster response planning.** In September 2024, SBA implemented our 2020 recommendation to identify and document risks associated with its disaster response and plans to mitigate these risks.<sup>7</sup> SBA finalized a framework for how the agency will engage communities in its disaster response, including identifying risks common in rural areas. SBA also began using Portable Loan Outreach Centers to serve rural and underserved communities. These steps improve SBA's ability to plan and implement disaster response efforts.
- **Annual reporting for 8(a) program.** In January 2025, SBA implemented our 2022 recommendation to assess and address delays in annual reporting for the 8(a) Business Development program.<sup>8</sup> Specifically, SBA developed a process map detailing the timeline, activity categories, steps, documents, data sources, risks, and mitigation strategies for creating each section of the report. SBA also posted annual reports for fiscal years 2009–2023 on its website. Implementing this recommendation helps SBA meet its statutory responsibilities and provides Congress more timely information to inform its decision-making and oversight.

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<sup>4</sup>GAO, [Performance and Accountability Report: Fiscal Year 2024](#) (Washington, D.C.: Nov. 15, 2024).

<sup>5</sup>We calculated the implementation rate based on the total number of recommendations we made 4 years ago that we have closed as implemented. However, we sometimes close recommendations as no longer valid when the circumstances have changed. SBA implemented 26 of 27 recommendations made 4 years ago. We closed the last recommendation as no longer valid. Last year, SBA's implementation rate was 100 percent.

<sup>6</sup>GAO, *Priority Open Recommendations: Small Business Administration*, [GAO-24-107299](#) (Washington, D.C.: May 31, 2024).

<sup>7</sup>GAO, *Small Business Administration: Disaster Loan Processing Was Timelier, but Planning Improvements and Pilot Program Evaluation Needed*, [GAO-20-168](#) (Washington, D.C.: Feb. 7, 2020).

<sup>8</sup>GAO, *Small Business Administration: Recent Changes to the 8(a) Program's Financial Thresholds Need Evaluation*, [GAO-22-104512](#) (Washington, D.C.: Aug. 30, 2022).

### Removed priority recommendation designation:

- In March 2025, we removed the priority recommendation designation from a 2013 recommendation for SBA to increase Office of International Trade field staff as required by the Small Business Jobs Act of 2010.<sup>9</sup> The act required that no fewer than three export finance specialists be staffed in each of the 10 SBA regions, for a total of 30 specialists. According to SBA, banking industry consolidation and technological advances since 2010 have facilitated its ability to support lenders and small business exporters remotely. As a result, SBA submitted a legislative proposal to Congress in March 2024 to reduce the act's staffing requirement to 20 specialists nationwide and remove the regional staffing requirement. Given these changes in the operating environment and SBA's efforts to update the act accordingly, we have removed the priority recommendation designation.

**New priority recommendations:** The seven new priority recommendations fall into the following areas: (1) improving oversight and communication related to lessons learned from the COVID-19 pandemic response; (2) addressing cybersecurity and IT management challenges; and (3) improving oversight of small business research programs (see Enclosure 1).

### Financial Statement Audit

As an auditor of the consolidated financial statements of the U.S. government, I have noticed that SBA was unable to receive an audit opinion on its fiscal years 2020 through 2024 financial statements. SBA's auditor reported several material weaknesses in internal control in fiscal years 2020 through 2024 related to SBA's COVID-19 relief programs. These limitations on the audit opinion and underlying internal control weaknesses, as well as related auditor recommendations, are important issues, and I encourage you to address them.

### High-Risk List

In February 2025, we issued our biennial update to our High-Risk List.<sup>10</sup> This list identifies government operations with greater vulnerabilities to fraud, waste, abuse, and mismanagement. It also identifies the need for transformation to address economy, efficiency, or effectiveness challenges. Four of our high-risk areas—[emergency loans](#) for small businesses; improving [IT acquisitions and management](#); ensuring the [cybersecurity](#) of the nation; and improving the delivery of [federal disaster assistance](#)—center on SBA.

Several other government-wide, high-risk areas also have direct implications for SBA and its operations. These include improving [strategic human capital management](#) and the [personnel security clearance process](#) and managing [federal real property](#).

In addition to SBA's high-risk areas, we urge your continued attention to the other government-wide, high-risk issues as they relate to SBA. Progress on high-risk issues has been possible through the concerted actions and efforts of Congress, the Office of Management and Budget, and the leadership and staff in agencies, including within SBA. In March 2022, we issued a

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<sup>9</sup>GAO, *Export Promotion: Small Business Administration Needs to Improve Collaboration to Implement Its Expanded Role*, [GAO-13-217](#) (Washington, D.C.: Jan. 30, 2013).

<sup>10</sup>GAO, *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness*, [GAO-25-107743](#) (Washington, D.C.: Feb. 25, 2025).



report on key practices to successfully address high-risk areas, which can be a helpful resource as your agency continues to make progress to address high-risk issues.<sup>11</sup>

### **Congress's Role on GAO Recommendations**

We also recognize the key role Congress plays in providing oversight and maintaining focus on our recommendations to ensure they are implemented and produce their desired results. Legislation enacted in December 2022 includes a provision for GAO to identify any additional congressional oversight actions that can help agencies implement priority recommendations and address any underlying issues relating to such implementation.<sup>12</sup>

Congress can use various strategies to address our recommendations, such as incorporating them into legislation. Congress can also use its budget, appropriations, and oversight processes to incentivize executive branch agencies to act on our recommendations and monitor their progress. For example, Congress can hold hearings focused on SBA's progress in implementing GAO's priority recommendations, withhold funds when appropriate, or take other actions to provide incentives for agencies to act. Moreover, Congress can follow up during the appropriations process and request periodic updates.

Congress also plays a key role in addressing any underlying issues related to the implementation of these recommendations. For example, Congress can pass legislation providing an agency explicit authority to implement a recommendation or requiring an agency to take certain actions to implement a recommendation.

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<sup>11</sup>GAO, *High-Risk Series: Key Practices to Successfully Address High-Risk Areas and Remove Them from the List*, [GAO-22-105184](#) (Washington, D.C.: Mar. 3, 2022).

<sup>12</sup>James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, Pub. L. No. 117-263, § 7211(a)(2), 136 Stat. 2395, 3668 (2022); H.R. Rep. No. 117-389 (2022) (accompanying Legislative Branch Appropriations Act, H.R. 8237, 117th Cong. (2022)).

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