

May 9, 2024

The Honorable Isabella Casillas Guzman  
Administrator  
U.S. Small Business Administration  
409 3rd Street, SW  
Washington, D.C. 20416

Dear Administrator Guzman,

I am writing to you today regarding the U.S. Small Business Administration's (SBA) Information Technology Working Capital Fund (IT WCF).<sup>1</sup>

It is vital the SBA use its IT WCF for authorized purposes only and make appropriate investments to modernize IT infrastructure throughout the agency. The SBA has not done so, reportedly spending significant funds on IT projects within some divisions, such as the Office of Capital Access, even as other offices appear to lack the capacity to perform basic IT functions, like importing data from Excel spreadsheets.<sup>2</sup>

The SBA has had declining performance in its efforts to manage IT and implement the Federal Information Technology Acquisition Reform Act (FITARA), despite the establishment of its IT WCF.<sup>3</sup> FITARA was enacted in 2014 to improve agencies' IT acquisitions, better enable Congress to monitor agencies' IT efforts, and hold them accountable. FITARA tracks agency performance and assigns a letter grade based on how effectively each agency reduced duplication and achieved cost savings. Over the last three years, the SBA has scored no higher than a "C" on this measure, continuing its decline in performance since July 2020.<sup>4</sup>

I am very concerned about a March 2024 SBA Office of Inspector General (OIG) report, which states the SBA's overall information security program is, simply put, "not effective."<sup>5, 6</sup> The SBA was unable to meet the minimum baseline for an effective security program in eight of

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<sup>1</sup> Authorized under the Modernizing Government Technology (MGT) Act, [Pub. L. No. 115-91, Title X, Subtitle G, §1077\(b\)\(1\)](#).

<sup>2</sup> "[General Services Administration's Federal IT Dashboard](#)" *Small Business Administration Investment Details*.

<sup>3</sup> Carl Levin and Howard P. 'Buck' McKeon National Defense Authorization Act for Fiscal Year 2015, Pub. L. No. 113-291, div. A, title VIII, subtitle D, 128 Stat. 3292, 3438-3450 (Dec. 19, 2014).

<sup>4</sup> "[FITARA Dashboard](#)" MeriTalk, 2024.

<sup>5</sup> The Federal Information Security Modernization Act (FISMA) of 2024 requires each office of inspector general, or independent external auditor, to independently evaluate the effectiveness of the information security program and practices of its agency.

<sup>6</sup> "[Fiscal Year 2023 Federal Information Security Modernization Act](#)" Report 24-07, *Small Business Administration, Office of Inspector General, March 7, 2024*.

the nine areas. Specifically, the SBA was cited as having ineffective management when it came to risk, supply chain risk, IT configurations, and identity and access policies. It also had ineffective data protection and privacy, security training for personnel, information security continuous monitoring capabilities, and contingency planning. The SBA's OIG found that the SBA did not update its implementation procedures for data loss prevention as required, increasing the risk that personally identifiable information is compromised. This utter lack of capability when it comes to IT security is deeply concerning considering the ample amounts of personally identifiable information the SBA possesses on small business owners who engage with its programs. The SBA needs to do better, especially given the fact that thousands of Social Security Numbers were used to commit fraud and identity theft in the Paycheck Protection Program (PPP) and COVID-19 Economic Injury Disaster Loan (COVID-19 EIDL) programs.<sup>7, 8</sup>

The SBA's OIG recently reported on the significant IT investment internal control issues at the SBA and determined the SBA has not taken meaningful action to resolve them.<sup>9</sup> The SBA OIG found that the SBA governance board did not even meet as required to oversee IT investments, failed to report performance against established baselines, lacked critical system capabilities, and did not act to correct underperforming investments.

Additionally, the SBA has not complied with Executive Order (EO) 13960, Promoting the Use of Trustworthy Artificial Intelligence in the Federal Government, which directs federal agencies to list where and how they use Artificial Intelligence (AI).<sup>10</sup> The SBA has touted its "artificial intelligence tools for fraud review on all loans in the 7(a) and 504 Loan Programs," "sophisticated automated reviews," "advanced data analytics," "machine learning functionality," and "artificial intelligence and machine learning solutions."<sup>11, 12, 13</sup> The SBA also launched an updated Lender Match tool that verifies borrowers and screens for fraud.<sup>14</sup> In a recent interview, you stated that the SBA has embraced AI.<sup>15</sup> Despite this, the SBA has not been transparent and reports that it has not used AI.<sup>16</sup>

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<sup>7</sup> ["Fraud Alert: PRAC Identifies \\$5.4 Billion in Potentially Fraudulent Pandemic Loans Obtained Using Over 69,000 Questionable Social Security Numbers"](#) Report 2023-02, Pandemic Response Accountability Committee (PRAC), January 30, 2023.

<sup>8</sup> ["Ernst, Paul Demand SBA Inspector General Assess \\$5.4 Billion in Small Business Loan Fraud"](#) January 30, 2023.

<sup>9</sup> ["SBA's IT Investment Governance Framework"](#) Report 24-10, Small Business Administration, Office of Inspector General, March 29, 2024.

<sup>10</sup> ["Promoting the Use of Trustworthy Artificial Intelligence in the Federal Government"](#) Executive Order 13960, Executive Office of the President, December 08, 2020.

<sup>11</sup> ["Loan Program Modernization to Expand Access to Capital for Small Businesses"](#) Press Release 23-31, Small Business Administration, May 11, 2023.

<sup>12</sup> ["SBA Releases Report on Anti-Fraud Control Measures in Pandemic Relief Programs"](#) Press Release 23-41, Small Business Administration, June 27, 2023.

<sup>13</sup> ["U.S. Small Business Administration FY 2025 Congressional Budget Justification"](#) March 11, 2024.

<sup>14</sup> ["SBA Launches Enhanced Lender Match Platform"](#) Press Release 24-15, Small Business Administration, March 4, 2024.

<sup>15</sup> ["The AI Impact, Small Business"](#) Mica Soellner, Punchbowl News.

<sup>16</sup> ["AI Inventory - SBA's Use of Artificial Intelligence"](#) Small Business Administration, Accessed on March 27, 2024.

It is very concerning the SBA is not prioritizing investments in securing their systems but instead are forging ahead with unnecessary projects. Please respond to the following no later than May 23, 2024:

1. Pub. L. No. 115-91, Title X, Subtitle G, §1077(b)(I) requires the SBA Administrator to provide (A) a list of each information technology investment funded, including the estimated cost and completion date for each investment; and (B) a summary by fiscal year of obligations, expenditures, and unused balances for its IT working capital fund.<sup>17</sup> Please provide this information for the SBA's IT WCF from 2020 to present.
2. Why has the SBA not complied with Executive Order (EO) 13960 and reported no instances of its use of AI, while touting its use of "AI tools for fraud reviews," "advanced data analytics," "sophisticated automated reviews," and "machine learning functionality?"
3. What future role does the SBA envision the IT WCF playing in improving the agency's FITARA score?
4. How have vacancies in the SBA's Chief Information Officer (CIO) role and Architecture Review Board lead position impacted SBA IT acquisitions?
5. Does the SBA plan to implement a more centralized process for approving and managing enterprise IT acquisitions?

Thank you for your consideration on this important matter.

Sincerely,



Joni K. Ernst  
Ranking Member

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<sup>17</sup> Pub. L. No. 115-91, Title X, Subtitle G, §1077(b)(I)