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August 28, 2019

The Honorable Chris Pilkerton
Acting Administrator and General Counsel
U.S. Small Business Administration
409 3rd Street SW
Washington, D.C. 20416

Dear Acting Administrator Pilkerton:

Thank you for your office's July 15, 2019, response to my June 11, 2019, letter regarding the Historically Underutilized Business Zones (HUBZone) program.

As noted in my letter, an April 2019 *Washington Post* article found that HUBZone funds are going to some of Washington, D.C.'s wealthiest areas, while its poorest communities are being left behind – a disparity that the *Post* article contends “extends nationally.” In light of that report, my letter posed several questions seeking to ensure that the Small Business Administration (SBA) is properly overseeing the HUBZone program, whose purpose is to spur economic development in distressed communities. In response, your office wrote that SBA has no role in determining which firms are awarded contracts under the program, and it described, among other things, the agency's role in the certification and recertification processes.

After reading that response, I have additional questions. They are:

1. In response to my question about what steps, if any, SBA is taking to improve the program's ability to target and spur economic development in the neediest communities, you wrote that SBA “does not have a role in determining which firms are awarded contracts” and “can only impact community economic development outcomes only [*sic*] in the aggregate.”
 - a. To what extent does SBA, with its 68 district offices, collaborate with state and local governments, regional development organizations, and private-sector entities such as local chambers of commerce to advance the mission of the HUBZone program?
 - b. In light of the assertions above, how specifically is SBA pursuing ways to leverage the “opportunity zones” created by the 2017 tax law with the contracting opportunities of HUBZones, as stated in your letter?

2. Your response lists the HUBZone program's "robust protest component" among the ways to combat fraud, waste, and abuse, yet it results in only 25-40 adjudications per year. If SBA dismisses a protest on a technicality, does it take any steps to investigate the allegation(s) at issue? Outside of the certification processes, how does SBA proactively detect fraud, waste, and abuse in the HUBZone program?
3. Your response describes a first level of review during the initial certification of firms that "consists of analysis of an on-line application, documentation corroborating assertions contained in the on-line application, and independent Internet research."

A March 2019 SBA Office of Inspector General (OIG) review (Report No. 19-08) found no evidence that HUBZone analysts had conducted other internet research or used publicly available mapping software to check principal office locations for two ineligible firms. According to the report, the analysts did not conduct additional research on these firms because they were deemed low-risk. But the report also noted that the HUBZone Program Office did not establish criteria for determining risk levels. The OIG recommended SBA update and implement HUBZone guidance in response to its findings.

Please describe the steps SBA is taking to implement OIG's recommendation, and whether SBA expects to complete final action on this recommendation by October 31, 2019, as noted in the OIG report.

4. The Government Accountability Office, in a 2015 report (GAO-15-234), found that SBA "lacks key controls for its recertification process," and it recommended that SBA's Administrator "conduct an assessment of the recertification process and implement additional controls" What is the status of SBA's actions regarding this recommendation, which remains open?

Thank you for your continued attention to this issue. Please provide your response in writing by September 20, 2019.

Sincerely,



Michael B. Enzi
Chairman
Committee on the Budget