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SBA Fraud Response: Precision, Not Blanket Suspensions

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Is there waste and fraud in small business capital and technical assistance programs? Yes. For example, a DOJ investigation resulted in multiple guilty pleas in a bribery scheme involving the 8(a) program.¹ Separately, an 8(a) firm was suspended after an employee described the firm as operating as a pass-through for larger contractors.²

These cases demonstrate that fraud can and does occur—**they also show that investigative and enforcement mechanisms can work. The question is not whether to combat fraud. It's how.**

The Trump Administration responded with sweeping actions affecting thousands of firms. In June, SBA launched a full audit of the SBA 8(a) program following the USAID bribery scheme; Treasury and DoD initiated parallel reviews of 8(a) contracts after the second case.

In January, the Administration suspended more than 1,000 firms from the 8(a) program, including 153 in Washington, DC.³ Separately, SBA suspended over 118,000 borrowers in California and Minnesota over allegations of pandemic-era fraud.⁴

Several things can be true at once: fraud exists, pandemic programs were exploited, and enforcement tools are already in place. But broad, program-wide enforcement sweeps risk conflating targeted wrongdoing with systemic failure.

Congress must stand up for Main Street and safeguard the American taxpayer at the same time. That requires a disciplined, risk-based approach to oversight—one that strengthens controls and programs without inflicting unnecessary collateral damage on legitimate firms.

Here's how to do that:

1. **Treat findings as evidence for improvement—not justification for program-wide penalties.** Guilty pleas and substantiated findings should inform better pre-award screening, stronger eligibility verification, and clearer guidance. Allegations, by contrast, are not adjudications, and allegations alone do not establish program-wide fraud.⁵ Oversight should focus on strengthening weak controls, not casting suspicion across entire programs that deliver measurable value to small businesses and federal agencies alike. Improving programs are the best way to stop future fraud before it happens.
2. **Use risk-based, case-by-case enforcement—not blanket sweeps.** Decisions should be guided by credible evidence and defined risk indicators, not population-level actions. Broad suspensions based on limited findings risk category error and have a chilling effect on contracting officers and participating, or prospective, firms. Non-compliance—which can often be rooted in capacity constraints—is not synonymous with

criminal intent. Publicly labeling firms as fraudulent before adjudication can cause lasting reputational harms.

3. **Innovate on fraud prevention with pre-award analytics and post-award monitoring.** Fraud prevention is most effective before funds are disbursed or contracts are awarded. GAO has repeatedly recommended that agencies utilize cross-program data analytics and fraud risk assessments to target high-risk transactions and actors. ⁶ Cross-program analytics can help identify anomalies in ownership changes, subcontracting patterns, rapid growth, or affiliation risk. Post-award monitoring should be driven by specific risk indicators, not imposed uniformly on all participants. A targeted model strengthens integrity while preserving access for compliant firms. ⁷
4. **Provide contracting officers with practical tools, training, and guidance.** Contracting officers are often the first line of defense against fraud and abuse in government contracting, but they need clear, usable support to do that job effectively. ⁸ Congress should ensure SBA and federal procurement agencies provide standardized training on monitoring requirements, reporting mechanisms, and identifying high-risk contracting behaviors, such as pass-through arrangements. Strong oversight depends not only on enforcement after the fact, but on equipping front-line officials with the guidance and resources needed to prevent problems before they escalate.
5. **Strengthen communication and compliance support.** Many firms struggle with complex certification, subcontracting, and reporting requirements. Clear, consistent guidance and accessible technical assistance reduce inadvertent non-compliance and allow enforcement resources to focus on intentional fraud. Preventing errors is more efficient than punishing them after the fact.

Fraud risk management and small business access are not competing goals. Effective oversight targets high-risk actors, relies on evidence, and resolves cases swiftly. Sweeping actions that blur the line between allegation and adjudication may project toughness, but they do not address the underlying weaknesses within programs.

Congress should insist on an approach that is precise, transparent, and data-driven—one that removes bad actors while preserving opportunity for the small businesses that play by the rules.

ENDNOTES



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- 6.** Lafountain, Courtney. *Opportunities to Improve Management of Fraud Risks, Improper Payments, and Contracting Programs*. GAO-26-108820, United States Government Accountability Office, 10 Dec. 2025. <https://www.gao.gov/products/gao-26-108820>. Accessed 23 Feb. 2026.
- 7.** Lafountain, Courtney. *Opportunities to Improve Management of Fraud Risks, Improper Payments, and Contracting Programs*. GAO-26-108820, United States Government Accountability Office, 10 Dec. 2025. <https://www.gao.gov/products/gao-26-108820>. Accessed 23 Feb. 2026.
- 8.** Sehgal, Mona. *Federal Contractors: Actions Needed to Improve Quality of Performance and Integrity Data*. GAO-24-106911, United States Government Accountability Office, 25 Sept. 2024. <https://www.gao.gov/products/gao-24-106911>. Accessed 23 Feb. 2026; Shear, William B. *Small Business Subcontracting: Some Contracting Officers Face Challenges Assessing Compliance with the Good Faith Standard*. GAO-24-106225, United States Government Accountability Office, 9 Nov. 2023. <https://www.gao.gov/products/gao-24-106225>. Accessed 23 Feb. 2026.