



**U.S. SMALL BUSINESS ADMINISTRATION**  
WASHINGTON, D.C. 20416

**TESTIMONY OF KAREN G. MILLS**

**ADMINISTRATOR**

**U.S. SMALL BUSINESS ADMINISTRATION**

**BEFORE THE**

**U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON SMALL BUSINESS**

**ACCOUNTABILITY UPDATE**

**JULY 28, 2010**

Chairwoman Velazquez, Ranking Member Graves, members of the Committee: It's an honor to be with you again. Thank you for working closely with us to improve oversight and reduce risk, while removing fraud, waste, and abuse.

The SBA has a three-pronged risk-management framework for our contracting and business development programs: upfront certification, robust monitoring, and pursuing and removing ineligible firms.

HUBZone is a great example.

First, we reengineered the certification process, requiring more stringent documentation. We now require a statement under penalty of perjury that both applicants and renewing firms are eligible.

Second, we dramatically increased monitoring: from less than 100 site visits in 2008, to over 800 in 2009, to more than 1,000 slated for this year.

Third, we're removing ineligible firms. For example, we investigated the 29 firms GAO identified. After reviewing the facts, 16 were decertified, 8 voluntarily decertified, and 5, in fact, remained eligible for HUBZone.

We're also pursuing HUBZone fraud cases with the Department of Justice and the Inspector General, and we continue to suspend and debar firms suspected of fraud. In fact, just yesterday we suspended four more firms and two individuals.

An environment of integrity across all of our contracting programs is crucial.

The President included more funds<sup>1</sup> in SBA's proposed budget exactly for this purpose.

He also created an Interagency Task Force, led by OMB, SBA and Commerce. We'll soon provide formal recommendations, including some that will help equip our agency partners with tools they need to help in the shared mission of reducing fraud, waste and abuse.

At the same time, we're committed to working more closely with Congress to make sure small businesses can continue to grow and create the jobs we need now.

Two examples:

This Administration supports parity – or equal treatment – throughout small business contracting and business development programs: 8(a), HUBZone, service-disabled veteran, and women-owned.

But a recent court decision interpreted the law to give a preference to HUBZone. Without clarity on this issue, billions of dollars could be redirected away from programs like 8(a), which help thousands of minority-owned small businesses.

Already, we fear that the current confusion is causing a chilling effect in small business contracting.

We support bipartisan legislation co-sponsored by 12 members of this Committee to provide a fix for this problem at this crucial time.

Secondly, there's still a credit gap. Too many good small businesses still can't find access to capital.

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<sup>1</sup> \$2 million was requested in the President's FY2011 budget.

The increased guarantee and reduced fees from the Recovery Act have put more than \$30 billion in the hands of small businesses at a cost of only about \$680 million.<sup>2</sup>

Taxpayers got a big bang for the buck, but we ran out of funds two months ago. As a result, SBA lending has plummeted 60 percent.

Yesterday, I was at a service-disabled-veteran and minority-owned small business in Jacksonville. Andy Harold got a Recovery loan to support a contract for electronics work on a simulator that trains our troops whose vehicles get flipped over on the battlefield. He hired 10 people because of that loan.

Now is not the time to pull back. We need to continue helping firm's like Andy's that create jobs and so much more.

Overall, we will continue to be vigilant in reducing fraud, waste, and abuse in all of our programs. To do that, we are committed to transparency and a strong, ongoing partnership with GAO, our IG, and this Committee.

I welcome any questions and comments about our efforts in any of the areas I've mentioned today.

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<sup>2</sup> About 69,000 SBA Recovery loans have been given. Borrowers report they have created hundreds of thousands of jobs.