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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

April 17, 2006

VIA FACSIMILE & FIRST-CLASS MAIL

The Honorable David M. Walker
Comptroller General of the United States
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Re: GAO Report: Factors Affecting the U.S. Small Business Administration's
Hurricane Katrina Disaster Relief Efforts

Dear Mr. Walker:

In response to Congressional concerns regarding the Small Business Administration's ability to fulfill its mandate and provide relief to the victims of Hurricanes Katrina, Rita, and Wilma, the GAO is currently conducting a review of the SBA's efforts to provide disaster loans to businesses and homeowners. We are writing today to request that this study include a review of the SBA's staffing policies with respect to its loss-verification process.

As part of the disaster loan application approval process, the SBA employs individuals responsible for verifying the validity of an applicant's claim. Known as loss-verification, these employees provide an essential component in identifying fraudulent claims and ensuring that only valid claims of loss be considered for loans.

The Committee has received reports that the SBA directed a portion of its limited resources to hire, train, and pay a number of loss verification staff who were dismissed without ever performing the services for which they were hired. It would be helpful for the GAO to determine if these reports are true and, if they are, to analyze why the SBA did this and how it can be avoided in the future.

It would also be helpful for the GAO to investigate the SBA's presolicitation notice to contract with loss verifiers and its subsequent decision to not issue the contract after all. Specifically, on January 27, 2006, the SBA issued a Presolicitation Notice (Reference Number 6700050Q0063) for loss verification services for Hurricanes Katrina and Rita in Alabama, Louisiana, Mississippi, and Texas. This notice was for proposals for contractors to perform Disaster Loan loss-verification services for homes and businesses damaged by the hurricanes. We welcomed the SBA's announcement, despite the fact that it came more than three months after our initial request to consider using local


lenders for disaster loans, but were surprised by its timing and then even more surprised by the subsequent abrupt decision to not issue the contract.

These incidents seem to reflect a pattern of mismanagement and confusion that we hope will not be duplicated when responding to future disasters. We have enclosed our correspondence to SBA on this notice as well as their response for your review.

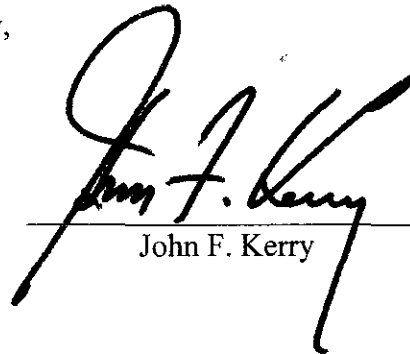
Therefore, we respectfully request that the GAO expand its current review of factors affecting the SBA's Hurricane Katrina disaster relief efforts to include an analysis of the SBA's utilization of financial and staffing resources with respect to the Program's loss verification process, as well as the presolicitation notice it issued in January on contracting out loss verification services. With respect to loss verification staff, we request that the GAO evaluate the number of employees hired, trained, and subsequently relieved of employment without performing the tasks for which they were hired, as well as the cost incurred by taxpayers as a result of these staffing decisions.

Through investigating this and all other claims of Administration mismanagement, we can ensure that the SBA is devoting all available resources to helping disaster victims in the most efficient and fiscally responsible way possible and mitigate repeating the mistakes made in the response to Hurricane Katrina.

Sincerely,



Mary L. Landrieu



John F. Kerry