



# Report in Brief

April 30, 2025

## Background

In March 2020, the President declared the COVID-19 pandemic a national emergency and signed into law the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act) to respond to the pandemic and its impact on the economy, public health, state and local governments, individuals, and businesses.

The U.S. Economic Development Administration's (EDA's) role in disaster recovery is to facilitate the timely and effective delivery of federal economic development assistance. EDA provides investments through its Economic Adjustment Assistance program to support a wide range of activities, including revolving loan funds (RLFs).

Through the RLF program, EDA provides grants to eligible recipients (also referred to as "RLF operators") to operate a lending program that offers low-interest loans primarily to small businesses in the geographic areas that these organizations support that cannot get traditional financing (for example, from banks).

EDA sent invitations to existing RLF operators to apply for RLF program supplemental financial assistance awards. By the end of September 2023, RLF operators used these awards to issue 5,484 loans, totaling approximately \$595 million in CARES Act RLF funding.

## Why We Did This Review

Our objective was to determine whether costs claimed by CARES Act RLF grant recipients were allowable, allocable, and reasonable. Specifically, we determined whether (1) RLF recipients of CARES Act awards ensured that funds were loaned to eligible borrowers and (2) borrowers used the RLF loans for the intended purpose.

## U.S. Economic Development Administration

### EDA Needs to Improve Oversight of CARES Act Revolving Loan Funds to Ensure Loans Are Made to Eligible Borrowers and Used as Intended

OIG-25-019-A

## WHAT WE FOUND

Overall, we found that loan costs claimed by the RLF operators were not allowable, allocable, and reasonable. Specifically, we found that the four operators awarded 11 of the 19 loans (58 percent), totaling \$4,020,050, to ineligible borrowers that did not meet the eligibility criteria in the operators' respective RLF operational plan, and borrowers did not use the RLF funds for the purpose intended by the CARES Act. As a result, we are questioning \$4,020,050 in loan funds. In addition, we found RLF operators with 20 percent or more loans that were delinquent, in default, or written off, and EDA did not identify this as an area of concern.

## WHAT WE RECOMMENDED

We recommend that the Assistant Secretary of Commerce for Economic Development instruct the Director of Performance and National Programs, Trade Adjustment Assistance, to:

1. Review and make a determination regarding the allowability of the \$4,020,050 in questioned costs with the respective RLF operators' loans that were made to ineligible borrowers and not used for their intended purposes.
2. Take appropriate actions for all noncompliances identified, such as suspending or terminating the RLF operator's grant if not in compliance with federal regulations and their RLF plans.
3. Ensure EDA provides oversight of the RLF operators to ensure loans are made to eligible borrowers and used for their intended purposes.
4. Develop procedures to ensure that the Risk Analysis System identifies areas of concern (such as high delinquent, default, or write off rates) and require that appropriate corrective actions are taken to address these areas of concern.