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STATE AUDITOR



STATE OF VERMONT
OFFICE OF THE STATE AUDITOR

TO: Adam Greshin, Commissioner Finance and Management
FROM: Doug Hoffer, State Auditor
DATE: May 1, 2020

RE: Risk Alert – state governmental entities seeking Small Business Administration Payroll Protection Program loans

Commissioner Greshin,

It's come to our attention that some sheriff departments sought and received loans through the Small Business Administration's (SBA) Payroll Protection Program (PPP). We've also heard that other state governmental entities, such as the Special Investigative Units established by 24 V.S.A. §1940, may have received PPP loans or are considering applying for these loans. We are concerned that these governmental entities are likely not eligible for the PPP loans and that there are others we are not aware of that have sought these loans.

Generally, governmental entities and businesses owned by governmental entities are not eligible for SBA loans (13 C.F.R. 120.100 and 13 C.F.R. 120.110(j)). Under the PPP established by the Coronavirus Aid, Recovery, and Economic Security Act, some entities that typically aren't eligible for SBA loans, such as not-for-profits and gambling operations, were made eligible for PPP. However, it appears that governmental entities remain ineligible.

If ineligible, not only will the state governmental entities be required to return the funds, but they have diverted money from the businesses for whom the loans are intended. The U.S. Department of Justice has commenced a review of the PPP loan program to scrutinize whether certain borrowers should have received funding.

My office alerted Annie Noonan of the Vermont States Attorneys and Sheriffs' Department of this risk. Ms. Noonan and Sheriff Roger Marcoux, former president of the Vermont Sheriffs' Association, plan to communicate this risk to all the sheriff departments and advise the departments to discuss and verify eligibility with the banks they used to apply for the PPP loan.

With regard to the other governmental entities, we suggest that the Department of Finance and Management determine the best mechanism to communicate this issue to state-created governmental entities, including considering whether the Governor's press conference is an appropriate venue.

I hope this is helpful. Please let me know if you would like to discuss this issue further.