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**Testimony before the
U.S. Senate Committee on Small Business & Entrepreneurship
Hearing On: “Blowing the Whistle: Inside the Grift that Keeps Giving”**

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Chair Ernst, Ranking Member Markey and members of the Committee, thank you for the opportunity to testify on the dangers that fraud poses to small businesses.

My name is Donald Sherman, and I am the President and CEO of Citizens for Responsibility and Ethics in Washington (CREW), a nonpartisan nonprofit organization dedicated to fighting corruption and promoting an accountable, transparent and ethical government. I have spent the majority of my career investigating waste, fraud and abuse throughout the federal government, from my work as counsel on the non-partisan staff of the House Ethics Committee, to my work as Chief Oversight Counsel to the late Elijah Cummings for the House Committee on Oversight and Government Reform, and as Senior Counsel with the Senate Homeland Security and Governmental Affairs Committee. My work at CREW has focused on restoring an ethical government, demanding accountability, preserving democratic institutions and reducing the corrosive influence of money in politics. I submit this statement today to highlight how fraud enforcement across the federal government has been gutted during President Trump’s second term in office and the impact that has on small businesses.

Small businesses help drive the American economy.

Small businesses are the lifeblood of the American economy, accounting for nearly 46 percent of private sector employment.¹ For example, these 36.2 million small businesses across the country created approximately 9 out of every 10 net new jobs from March 2023 to March 2024, leading to a net increase of 1.2 million new jobs.² As a result, supporting small businesses is a critical component of a successful American economy. Unfortunately, when the president and his administration routinely grant access and opportunity to the businesses that pay money to his companies, his political endeavors and his pet projects, big business gets a seat at the table that most small businesses cannot afford. For example, corporate giants like Blackstone, Visa, Meta, Apple and Tesla, which contributed to the president’s inauguration, ballroom or super PAC, were all named as part of the White House delegation traveling with President Trump to China.³ Despite the “devastating” impact of

¹ SBA No. 25-09 ADV: *New Advocacy Report Shows the Number of Small Businesses in the U.S. Exceeds 36 million*, Small Bus. Admin. (June 30, 2025), <https://advocacy.sba.gov/2025/06/30/new-advocacy-report-shows-the-number-of-small-businesses-in-the-u-s-exceeds-36-million/>.

² *Id.*

³ See Merve Gül Aydoğan Ağlarıcı, *Trump to Travel to China with 17 Major CEOs, including Musk and Cook: White House*, Anadolu Ajansı (May 11, 2026),

tariffs, including from China, on American small business including “uncertainty, rising costs, and cancellations,” they did not appear to have a comparable representation at the summit.⁴

Financial harms like fraud that impact any wide swath of Americans will inevitably and invariably also harm small businesses either as a unit or through their owners and employees. Further, the structure of small businesses leaves them more susceptible to fraud. According to a recent survey, 72 percent of small businesses were hit by fraud, scams or ransomware in 2025, costing them at least \$131 billion.⁵ This risk is caused in part by the limited resources small businesses have to invest in anti-fraud programs. Compared to larger businesses, small businesses are far less likely to have a variety of anti-fraud controls in place like external audits, fraud training, tiplines or staff dedicated to fraud prevention.⁶ They also have fewer checks and balances and less segregation of duties due to smaller staff size.⁷ Additionally, small businesses are more acutely impacted by fraud because they tend to have smaller budgets and revenues. This reality both makes financial losses more existential and makes recovery more difficult because they frequently lack the institutional resources to launch successful campaigns to recoup losses at scale.⁸

The government has long recognized these concerns, which is why it has historically provided training and information for small businesses to identify frauds and scams.⁹ Yet even government funding can become a locus of fraud, with fraudsters capturing funds intended to benefit small businesses, as happened with the Small Business Administration’s (SBA) Preferred Lender Program. The Preferred Lender Program is designed to help small businesses in need of financing, but has been targeted by fraudsters. For example, following a years-long investigation led by the Department of Justice (DOJ) and SBA Office of the Inspector General (OIG) 18 individuals were charged with defrauding the government of

<https://aa.com.tr/en/americas/trump-to-travel-to-china-with-17-major-ceos-including-musk-and-cook-white-house/3934290>; Monica Alba & Amanda Terkel, *Here's the List of Donors Paying for Trump's New White House Ballroom*, NBC News (Oct. 23, 2025), <https://www.nbcnews.com/politics/white-house/list-donors-trump-new-white-house-ballroom-east-wing-rcn-a239481>; *Trump's Inauguration Donor Pool Includes \$50 Million in Contributions from Corporations Under Investigation or Facing Federal Enforcement*, Pub. Citizen (Apr. 21, 2025), <https://www.citizen.org/news/trumps-corporate-inauguration-donor-pool-littered-with-federal-investigations-enforcement-lawsuits/>; Jessica Piper, *Elon Musk Gave Trump and the GOP \$15M Even as He Was Fighting with the President*, Politico (July 31, 2025), <https://www.politico.com/news/2025/07/31/elon-musk-donations-clf-slf-00487699>.

⁴ Alicia Wallace, *China Tariffs are No Longer 145%, but for Small Businesses in the Crossfire, 'It's Still Awful'*, CNN (May 19, 2025), <https://www.cnn.com/2025/05/19/economy/china-tariffs-small-businesses>; Neil Bradley & John G. Murphy, *Helping Small Businesses Navigate Tariffs: Seeking Relief, FAQs*, U.S. Chamber of Com. (Aug. 7, 2025) <https://www.uschamber.com/small-business/small-business-faq-what-you-need-to-know-about-tariffs>.

⁵ Press Release, *Press Release: New National Survey of Small Businesses: Fraud, Scams and Ransomware Impose a \$131 Billion “Hidden Tax” on Main Street*, Pub. Priv. Strategies Inst. (Apr. 9, 2026), <https://www.ppsi.org/fraud-scams-ransomware-press-release>.

⁶ Ass’n of Certified Fraud Exam’rs, *Occupational Fraud 2024: A Report to the Nations 44* (2024) <https://www.acfe.com/-/media/files/acfe/pdfs/rtnn/2024/2024-report-to-the-nations.pdf>.

⁷ *Id.*

⁸ *Id.* at 32.

⁹ *Preventing Fraud and Identity Theft*, Small Bus. Admin.,

<https://www.sba.gov/funding-programs/loans/covid-19-relief-options/preventing-fraud-identity-theft> (last visited May 11, 2026).

over \$25 million in taxpayer-funded COVID-19 relief funds and federally-guaranteed small business loans.¹⁰

For all of these reasons, it is essential that any administration takes a holistic approach to fighting fraud. Unfortunately, this administration, instead of tackling this challenge, has taken action after action that enables fraudsters and puts small businesses at risk. In this testimony I want to highlight three of these actions and the effects they've had on small business' ability to deter and prevent fraud: (1) removal of oversight mechanisms including inspectors general; (2) cuts to government operations; and (3) thereby creating a culture of impunity by pardoning fraudsters.

Trump's removal of oversight mechanisms and watchdogs like inspectors general undercuts the government's ability to weed out fraud.

Since the beginning of the president's second term, President Trump has systematically disrupted, weakened or outright eliminated the guardrails meant to protect against waste, fraud and abuse within the executive branch.¹¹ Most notably, days after returning to office, the president unlawfully fired 17 inspectors general (IGs), including SBA IG Hannibal Ware, who also served as chairperson of the Council of the Inspectors General on Integrity and Efficiency (CIGIE), which oversees the IG community itself.¹² As a result of both the administration's action and inaction, at the end of 2025, over half—55 percent—of the 38 presidentially appointed federal IG positions remained vacant, and of the total 72 federal IG positions, there were 29 vacancies across the federal government.¹³ As Chair Ernst said just last year when launching the inspector general caucus days before President Trump's mass firing of IGs, "Inspectors general serve a vital role in uncovering waste in Washington and must be empowered to continue looking out for taxpayers."¹⁴

To quote Ware in the aftermath of his firing, "IGs are not immune from removal. However, the law must be followed to protect independent government oversight for America."¹⁵ Within the last 20 years, Congress has passed two laws with bipartisan support to prevent

¹⁰ *14 Arrested on Complaints Alleging More Than \$25 Million in COVID-19 Relief and Small Business Loans Were Fraudulently Obtained*, U.S. Att'y's Off., C.D. Cal. (May 28, 2025), <https://www.justice.gov/usao-cdca/pr/14-arrested-complaints-alleging-more-25-million-covid-19-relief-and-small-business>.

¹¹ Dani Schulkin et al., *The Anti-Corruption Tracker: Mapping the Erosion of Oversight and Accountability*, Just Security (Apr. 14, 2026), <https://www.justsecurity.org/117267/anti-corruption-tracker/>.

¹² Danielle Caputo, *The Significance of Firing Inspectors General: Explained*, Campaign Leg. Ctr. (Jan. 31, 2025), <https://campaignlegal.org/update/significance-firing-inspectors-general-explained>; *Storch v. Hegseth*, 804 F. Supp. 3d 216, 225 (D.D.C. 2025) (finding it certain that plaintiffs "will succeed in arguing that their terminations violate the IGA").

¹³ Isabel Rogers, *By Leaving over 55% of Presidentially Appointed IG Posts Vacant, Trump is Opening the Door for Waste, Fraud and Abuse*, CREW (Feb. 4, 2026), <https://www.citizensforethics.org/news/analysis/by-leaving-over-55-of-presidentially-appointed-ig-posts-vacant-trump-is-opening-the-door-for-waste-fraud-and-abuse/>.

¹⁴ *Ernst Launches Inspector General Caucus*, Sen. Joni Ernst (Jan. 15, 2025),

<https://www.ernst.senate.gov/news/press-releases/ernst-launches-inspector-general-caucus>.

¹⁵ Council of the Inspectors General on Integrity and Efficiency, *Statement from the Honorable Hannibal Ware, Chairperson of the Council of the Inspectors General on Integrity and Efficiency* (Jan. 25, 2025) https://www.ignet.gov/sites/default/files/files/CIGIE%20Statement%20--%201_25_2025.pdf.

the precise type of action President Trump took.¹⁶ The bipartisan Inspector General Reform Act of 2008 established a requirement that Congress be notified in writing no later than 30 days before removal or transfer of an IG,¹⁷ and the Securing Inspector General Independence Act of 2022, provisions of which became law as part of the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, added a requirement that Congress be given a detailed account of the justification for the removal of an inspector general and the inspector general remain in place for 30 days while Congress considers that justification.¹⁸ To the best of our knowledge, none of those legal requirements were followed in any of these firings.

Now, more than a year into his second term, the clear signal that President Trump has sent to the IG community is that efforts to conduct oversight to root out waste, fraud and abuse will be resisted by this administration, and that attempts to sound the alarm on issues of concern or improper conduct by the administration could subject IGs and their staff to retribution. For example, last June, the president demoted Department of Education Acting IG René Rocque two weeks after she sent a letter to Congress reporting that her office “experienced unreasonable denials and repeated delays” in being provided “access to documents, staff, and information,” preventing the OIG from conducting its “statutory mission to oversee the Department’s programs and operations under the Inspector General Act.”¹⁹ In November, Federal Housing Finance Agency IG Joe Allen was fired after reportedly preparing a notification to Congress that the administration was not cooperating with the OIG’s oversight efforts.²⁰ And, in March, the Department of Homeland Security (DHS) IG sent a letter to Congress saying that DHS has been “systematically obstructing” investigations by withholding records,²¹ just days before DHS Secretary Kristi Noem was fired amidst a myriad of allegations of improper or wasteful government spending, including the questionable purchase of two luxury Gulfstream jets.²²

It is obvious that the Trump administration's efforts are intended to have a chilling effect on investigations and oversight—an effect that will lead to more government waste. In fact, in testimony submitted to this committee, the Government Accountability Office found that the SBA had implemented most pandemic-related fraud risk recommendations but had fallen short with respect to improving referrals to the SBA OIG, a critical step in identifying fraudulent loans.²³ Yet, despite over \$3.7 billion in monetary accomplishments provided to

¹⁶ Roll Call 661, Inspector General Reform Act of 2008, H.R. 928, 110th Cong. (Sept. 27, 2008) <https://clerk.house.gov/Votes/2008661>; Securing Inspector General Independence Act of 2021, S. 587, 117th Cong. <https://www.congress.gov/bill/117th-congress/senate-bill/587>.

¹⁷ Pub. L. No. 110-409, 122 Stat. 4302 (2008).

¹⁸ Pub. L. No. 117-263, 136 Stat. 2267 (2022).

¹⁹ Letter from René L. Rocque, Acting DOE IG, to House Committees (May 23, 2025), https://democrats-edworkforce.house.gov/imo/media/doc/ed_oig_letter_to_house_committees.pdf; Luke Broadwater, *In the Trump Administration, Watchdogs Are Watching Their Backs*, N.Y. Times (July 17, 2025), <https://www.nytimes.com/2025/07/17/us/politics/inspectors-general-trump.html>.

²⁰ Douglas S. Pasternak, *Undoing Accountability: An Update on Trump’s Attacks on Inspectors General*, Pub. Citizen (Mar. 11, 2026), <https://www.citizen.org/article/undoing-accountability/>.

²¹ Eric Bazail-Eimil, *Internal DHS watchdog: Noem is Obstructing Our Work*, Politico (Mar. 4, 2026), <https://www.politico.com/news/2026/03/03/dhs-noem-obstruction-00810919>.

²² Marc Caputo & Brittany Gibson, *How the Ice Finally Broke Under Kristi Noem*, Axios (Mar. 5, 2026), <https://www.axios.com/2026/03/06/kristi-noem-dhs-trump-inside-firing>.

²³ U.S. Gov’t Accountability Off., GAO-26-108820, *Small Business Administration: Opportunities to Improve Management of Fraud Risks, Improper Payments, and Contracting Programs* (2025).

American taxpayers in FY 2025, the FY 2027 congressional budget justification for the SBA proposes a 10% cut to the OIG.²⁴ With all due respect to those public servants now serving, including new SBA IG William Kirk, the Trump administration's hostility toward IGs has called into question whether anyone filling OIG positions will be fully willing and empowered to conduct robust oversight, or whether they will be intimidated or blocked from effectively performing their duties.

The Trump Administration's cuts to the federal government enables fraud.

Fighting fraud at the federal level is a coordinated effort, with multiple agencies responsible for safeguarding legal protections, raising awareness and pursuing civil or criminal actions. The Trump administration's decimation of the federal workforce has devastated fraud enforcement.

Reductions in force and changing priorities have severely hindered federal fraud enforcement. Across the government in 2025, almost 350,000 workers quit, retired, or were laid off, leading to a net reduction of over 10 percent of the federal workforce, with rates even higher at agencies that play key roles in preventing, detecting, and deterring fraud like the SBA (net loss of around 3,000 employees or 33% of staff), the Consumer Financial Protection Bureau (CFPB) (a net loss of around 500 employees or 29% of staff) and the Securities and Exchange Commission (SEC) (a net loss of around 900 employees or 18% of staff).²⁵ At the CFPB these reductions have led to the dismissal of 22 public enforcement actions and the abolishment or modification of 23 other settled actions, some of which included a reduction in relief for victims of fraud.²⁶ The effect at the SEC has been similarly stark, with the agency bringing almost 30 percent fewer enforcement actions in 2025 and a significant decrease in collection of financial fines and disgorgement.²⁷ The enforcement decrease of cryptocurrency cases by the agency, including high-profile fraud cases, has, according to a New York Times investigation, benefitted multiple firms with financial ties to Trump.²⁸

The hollowing out of the Justice Department is of particular concern. Around 10,000 employees left the DOJ over the course of 2025.²⁹ Despite a stated priority to pursue cases of fraud, the DOJ closed over 900 cases of federal program or procurement fraud and over 100 cases of health care fraud in the first six months of the Trump administration, declining about three times as many cases of major fraud against the U.S. compared to prior

(https://files.gao.gov/reports/GAO-26-108820/index.html?_gl=1*1ci6lgv*_ga*MTIxNjO3NjE3MS4xNzc3OTI4MDY5*_ga_V393SNS3SR*czE3Nzc5MjgwNjkkbzEkZzAkdDE3Nzc5MjgwNjkkajYwIGwwIGgw).

²⁴ Small Bus. Admin., *FY 2027 Congressional Budget Justification, FY 2025 Annual Performance Report* 9, 91 (2026) (<https://www.sba.gov/sites/default/files/2026-04/5%20SBA%20FY%202027%20CBI%20Final.pdf>).

²⁵ Drew DeSilver, *Federal Workforce Shrank 10% in Trump's First Year Back in Office*, Pew Rsch. Ctr. (Mar. 13, 2026), <https://www.pewresearch.org/?p=293637>.

²⁶ Minority Staff of S. Comm. on Banking, Hous., & Urban Affs., *The Price of Gutting the CFPB* 3, 7 (2026) (https://www.banking.senate.gov/imo/media/doc/cfpb_year_in_review_report.pdf).

²⁷ Hannah Levintova, *Trump's SEC Is Going After Fewer Wall Street Crimes*, Mother Jones (Apr. 12, 2026), <https://www.motherjones.com/politics/2026/04/trump-sec-financial-crimes-enforcement-drop-wall-street/>.

²⁸ Ben Protess et al., *The S.E.C. Was Tough on Crypto. It Pulled Back After Trump Returned to Office.*, N.Y. Times (Dec. 14, 2025), <https://www.nytimes.com/2025/12/14/us/politics/sec-crypto-firms-trump-investigation.html>.

²⁹ DeSilver, *supra* note 25.

administrations.³⁰ Moreover, a new fraud division has been criticized by DOJ veterans for shifting attorneys from long-established enforcement teams into a new one that takes criminal referrals from the White House and may be weaponized to pursue Trump's perceived enemies.³¹

Trump has used the pardon power to bail out convicted fraudsters, harming victims.

Traditionally, the pardon power has been a crucial but underused constitutional mechanism to address injustices in the criminal justice system and show mercy to those who have admitted responsibility for their wrongdoing.³² It is one of the most important powers that a president has. But as with anything, it can—and has—been weaponized and perverted by the current administration.

Since returning to office, Trump has aggressively issued pardons and commutations to pursue a political agenda.³³ Among his second term pardons and commutations are numerous convicted fraudsters where, through the use of clemency, he has wiped out over \$1.5 billion in restitution, fines and forfeitures, including money owed to fraud victims.³⁴ One of the most egregious examples is his pardon of Trevor Milton, the founder of Nikola, who was sentenced to four years in prison for defrauding investors, and who prosecutors argued should pay more than \$660 million in restitution.³⁵ After he was sentenced in December 2023, Milton and his wife donated more than \$3.6 million to Trump and other Republican candidates and committees during the lead up to the 2024 election.³⁶ Although a pardon could still require its recipient to fulfill their restitution obligations, Milton's March 2025 pardon did not, thereby relieving him of paying restitution to his victims, at least some of whom likely own or work at small businesses.³⁷ Milton's company, Nikola Motor Company, also received \$4.1 million in Paycheck Protection Program coronavirus small business funds.³⁸

³⁰ Ken B. Morales & David Armstrong, *Trump's Justice Department Dropped 23,000 Criminal Investigations in Shift to Immigration*, ProPublica (Mar. 31, 2026),

<https://www.propublica.org/article/trump-doj-immigration-bondi-declinations-criminal-investigations>.

³¹ Ben Penn, *DOJ Moves Fraud Attorneys to New Division, Reversing Plans*, Bloomberg L. (Apr. 7, 2026),

<https://news.bloomberglaw.com/us-law-week/doj-poaches-fraud-attorneys-for-new-division-in-reversal-of-plan>; Ben Penn, *New DOJ Fraud Chief Position Has Ex-Officials Questioning Motive*, Bloomberg L. (Jan. 9, 2026), <https://news.bloomberglaw.com/us-law-week/new-doj-fraud-chief-position-has-ex-officials-questioning-motive>.

³² See, e.g., *Rethinking the Use of the Clemency Power*, Harv. C.R.-C.L. L. Rev. (Feb. 12, 2020),

<https://journals.law.harvard.edu/crcl/rethinking-the-use-of-the-clemency-power/>.

³³ Ruth Marcus, *Donald Trump's Pardon Economy*, New Yorker (Apr. 27, 2026),

https://www.newyorker.com/magazine/2026/05/04/donald-trumps-pardon-economy?_sp=639f98b3-8b1c-49c9-ab0f-d9689ff11ed8.1777298231409.

³⁴ Liz Oyer, *Trump's Year-One Pardons Have Erased Over \$1.5 Billion in Penalties for Fraud and Other Crimes*, Lawyer Oyer (Jan. 20, 2026), <https://www.lawyeroyer.com/p/trumps-year-one-pardons-have-erased>.

³⁵ Press Release, *Trevor Milton Sentenced To Four Years In Prison For Securities Fraud Scheme*, U.S. Atty's Off., S.D. N.Y. (Dec. 18, 2023),

<https://www.justice.gov/usao-sdny/pr/trevor-milton-sentenced-four-years-prison-securities-fraud-scheme>; Beth Reinhard & Aaron Schaffer, *Trump's Pardons Wipe Out Payments to Defrauded Victims*, Wash. Post (Dec. 19, 2025), <https://www.washingtonpost.com/politics/2025/12/19/donald-trump-pardons-trevor-milton-nikola/>;

Marcus, *supra* note 33.

³⁶ Marcus, *supra* note 33.

³⁷ *Id.*

³⁸ Robert Frank, *Billionaire Trevor Milton's Nikola Motor Received \$4 Million from PPP Coronavirus Small Business Fund*, CNBC (Apr. 22, 2020),

There are numerous more examples of pardoned fraudsters, many of whom have connections to Trump, including Robert Harshbarger, Adriana and Andres Camberos and Joseph Schwartz.³⁹ Schwartz's conduct is particularly egregious. Through his company Skyline Healthcare, Schwartz bought out individual nursing homes.⁴⁰ These homes were then left understaffed and missed multiple payments all while Schwartz siphoned money from a variety of sources and paid himself \$5 million as a "ghost employee."⁴¹ At its peak, Skyline Healthcare owned or ran more than 100 facilities in 11 states, overseeing the care of more than 7,000 elderly Americans.⁴² But after the chain collapsed, more than a dozen Skyline-operated nursing homes shut their doors, throwing residents, vendors, employees and state regulators into chaos.⁴³ For example, small businesses in South Dakota were adversely impacted including being left with unpaid bills.⁴⁴

Schwartz ultimately admitted to failing to pay to the IRS around \$39 million in withheld employee payroll taxes and court records demonstrate the significant toll his fraud took on patients and workers.⁴⁵ After spending heavily on lobbyists, Schwartz received a pardon for his crime in November 2025.⁴⁶

While we know that the pardon lobbying business is booming, especially for those boasting connections to Trump, what we don't know is how many fraudsters, convinced that the

<https://www.cnn.com/2020/04/22/coronavirus-nikola-motor-received-4-million-from-ppp-small-business-fund.html>.

³⁹ *Id.*; *The Real Fraud: Trump Pardoned the Nation's Biggest Health Care Fraudsters*, Protect Our Care (Apr. 2026) (<https://www.protectourcare.org/wp-content/uploads/2026/04/The-Real-Fraud-Trump-Pardoned-the-Nations-Biggest-Health-Care-Fraudsters-Final.pdf>); Press Release, *Owner Of Florida Health Care Companies Sentenced for Employment Tax Crimes*, U.S. Dept of Just., Off. of Pub. Affs. (Apr. 11, 2025), <https://www.justice.gov/opa/pr/owner-florida-health-care-companies-sentenced-employment-tax-crimes>; Press Release, *Federal Jury Convicts Siblings of Fraud; Defendants Made Tens of Millions of Dollars from Lying to Manufacturers in Years-Long Scheme*, U.S. Atty's Off., S.D. Cal. (Nov. 13, 2024), <https://www.justice.gov/usao-sdca/pr/federal-jury-convicts-siblings-fraud-defendants-made-tens-millions-dollars-lying-0>.

⁴⁰ Jeremy Kohler, *A Nursing Home Owner Got a Trump Pardon. The Families of His Patients Got Nothing.*, ProPublica (Mar. 30, 2026),

<https://www.propublica.org/article/joseph-schwartz-trump-pardon-skyline-nursing-home-patients>.

⁴¹ *Id.*

⁴² Laura Strickler, Stephanie Gosk & Shelby Hanssen, *A Nursing Home Chain Grows Too Fast and Collapses, and Elderly and Disabled Residents Pay the Price*, NBC News (July 19, 2019),

<https://www.nbcnews.com/health/aging/nursing-home-chain-grows-too-fast-collapses-elderly-disabled-residents-n1025381>.

⁴³ *Id.*

⁴⁴ Angela Kennecke, *Small SD Business Left with Skyline's Unpaid Bill Outraged by Federal Award to Owner's NJ Homes*, Keloland (Aug. 11, 2020),

<https://www.keloland.com/news/investigates/small-sd-business-left-with-skylines-unpaid-bill-outraged-by-federal-award-to-owners-nj-homes/>.

⁴⁵ Press Release, *Former Owner of Collapsed Nursing Home Empire Admits \$38 Million Tax Fraud Scheme*, U.S. Atty's Off., D.N.J. (Nov. 18, 2024),

<https://www.justice.gov/usao-nj/pr/former-owner-collapsed-nursing-home-empire-admits-38-million-tax-fraud-scheme>; Jeremy Kohler, *Trump Pardoned a Nursing Home Owner Who Owed Almost \$19 Million to a Grieving Family*, ProPublica (Apr. 20, 2026), <https://www.propublica.org/article/trump-joseph-schwartz-pardon-lawsuit>.

⁴⁶ Kohler, *supra* note 40.

president is sympathetic to their cause given his organization's prior conviction for tax fraud, are proactively seeking reprieves from their crimes.⁴⁷

Trump's use of the pardon power is also concerning for the collateral consequences it is having in undermining civil enforcement and deterring prosecutors from pursuing new cases. For instance, after Trump pardoned Ozy Media co-founder Carlos Watson and venture capitalist Devon Archer for securities fraud, the SEC dropped their civil enforcement actions against both of them without requiring penalties or repayments to investors who had been harmed.⁴⁸ Multiple experts have also expressed concern that these pardons could have a chilling effect on future prosecutions, with prosecutors now potentially factoring in how closely-aligned a potential defendant is with Trump.⁴⁹ This puts a target squarely on the backs of small businesses, who are more susceptible to fraud in the first place.

Real opportunities for reform.

There is direct action that Congress can take to better fight fraud and push back on this administration's failures. It starts with taking a robust approach to oversight and protecting IGs in charge of uncovering waste, fraud and abuse, investigating the impact of reductions in force across the government on rooting out fraud, and demanding answers from the president regarding why he seems so inclined to pardon convicted fraudsters. Congress should also remove the president from the comptroller general appointment process given his firings of IGs and other attacks against federal workers. As Chair of the Inspector General Caucus, Chair Ernst can work with good government groups and the previously removed inspectors general to identify other ways to bolster the independence of the IG community in order to root out waste, fraud and abuse.

Legislation like the *Protecting Our Democracy Act*,⁵⁰ the *Anti-Corruption and Public Integrity Act*,⁵¹ the *Presidential Pardon Transparency Act*⁵² and other bills designed to block the exchange of donations for pardons⁵³ are also a key component of fighting fraud, especially as fraudsters with financial connections to Trump receive clemency, raising red flags that the system is being abused. The cuts across the federal government and the drop in white-collar enforcement over Trump's second term have had a direct impact on preventing and prosecuting fraud, and Congress should act to protect federal workers and reclaim the power of the purse in order to reinvigorate this work.

The fact that this Committee is having a hearing today focused on fraud at the state and local level without acknowledging the massive dismantling of oversight and fraud prevention

⁴⁷ Marcus, *supra* note 33; Dareh Gregorian & Adam Reiss, *Trump Organization Fined \$1.6 Million for Long-Running Tax Fraud Scheme*, NBC News (Jan. 13, 2023), <https://www.nbcnews.com/politics/donald-trump/trump-organization-faces-sentencing-tax-fraud-scheme-rcn-a65013>.

⁴⁸ Ben Miller, *SEC Enforcers Ease Up on Fraudsters After Trump Criminal Pardons*, Bloomberg L. (Apr. 9, 2026), <https://news.bloomberglaw.com/bankruptcy-law/trumps-criminal-pardons-have-sec-enforcers-following-suit>.

⁴⁹ Phillip Bantz, *How Trump's Pardons Could Sway Prosecutorial Discretion*, Law360 (June 5, 2025), <https://www.law360.com/articles/2349941/how-trump-s-pardons-could-sway-prosecutorial-discretion>.

⁵⁰ S. 2838, 119th Cong. (2025) (<https://www.congress.gov/bill/119th-congress/senate-bill/2838>).

⁵¹ S. 5315, 117th Cong. (2022) (<https://www.congress.gov/bill/117th-congress/senate-bill/5315>).

⁵² S. 318, 117th Cong. (2021) (<https://www.congress.gov/bill/117th-congress/senate-bill/318>).

⁵³ See, e.g., S. 3191, 119th Cong. (2025) (<https://www.congress.gov/bill/119th-congress/senate-bill/3191>); S. 2300, 119th Cong. (2025) (<https://www.congress.gov/bill/119th-congress/senate-bill/2300>).

efforts at the federal level is concerning. If this Committee truly wants to protect small businesses from fraud, it must start by acknowledging that the Trump administration's approach to fighting fraud has been selective at best and directly enabling at worst. I urge this Committee to protect and empower small businesses by taking a holistic view of how fraud impacts their operational ability. Ignoring the issues created by the Trump administration's haphazard, venal tack on fraud only exacerbates them, increasing the risk that small businesses and other victims suffer.