

**PANDEMIC RESPONSE AND ACCOUNTABILITY:
REDUCING FRAUD AND EXPANDING ACCESS
TO COVID-19 RELIEF THROUGH EFFECTIVE
OVERSIGHT**

HEARING

BEFORE THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
ONE HUNDRED SEVENTEENTH CONGRESS

SECOND SESSION

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CONTENTS

Opening statements:	Page
Senator Peters	1
Senator Portman	3
Senator Johnson	17
Senator Hassan	19
Senator Carper	22
Senator Hawley	24
Senator Padilla	27
Senator Scott	30
Senator Lankford	33
Senator Rosen	36
Prepared statements:	
Senator Peters	39
Senator Portman	41

WITNESSES

THURSDAY, MARCH 17, 2022

Hon. Jason S. Miller, Deputy Director for Management, Office of Management and Budget	5
Hon. Gene L. Dodaro, Comptroller General of the United States, U.S. Government Accountability Office	7
Hon. Michael E. Horowitz, Chair, Pandemic Response Accountability Committee, and Inspector General, U.S. Department of Justice	8
Hon. Larry D. Turner, Inspector General, U.S. Department of Labor	10

ALPHABETICAL LIST OF WITNESSES

Dodaro, Hon., Gene L.:	
Testimony	7
Prepared statement	51
Horowitz, Hon. Michael E.:	
Testimony	8
Prepared statement	97
Miller, Hon. Jason S.:	
Testimony	5
Prepared statement	45
Turner, Hon. Larry D.:	
Testimony	10
Prepared statement	111

APPENDIX

Drug Adverse Event Comparison Chart	130
Matt Weidinger, American Enterprise Institute Statement for the Record	131
Responses to post-hearing questions for the Record:	
Mr. Miller	145
Mr. Dodaro	163
Mr. Horowitz	167
Mr. Turner	171

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THURSDAY, MARCH 17, 2022

U.S. SENATE,
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 10:20 a.m., in room SD-342, Dirksen Senate Office Building, Hon. Gary Peters, Chairman of the Committee, presiding.

Present: Senators Peters, Carper, Hassan, Rosen, Padilla, Ossoff, Portman, Johnson, Lankford, Romney, Scott, and Hawley.

OPENING STATEMENT OF CHAIRMAN PETERS¹

Chairman PETERS. The Committee will come to order.

Today we will examine the Federal Government's efforts to conduct oversight on vital pandemic relief spending. Over the past two years, Congress has authorized historic levels of emergency relief to address the public health and economic challenges caused by the Coronavirus Disease 2019 (COVID-19) pandemic. This important emergency relief helped ensure that families could make ends meet, and businesses could continue to pay their employees during lockdowns. It also helped ensure that much-needed personal protective equipment (PPE) could be secured, and that lifesaving vaccines could be developed, to help get our nation closer to bringing the pandemic under control.

The Federal Government's efforts to tackle this pandemic have been a monumental task, and our Federal agencies have been working literally around the clock to help keep Americans safe, and make sure that this critical aid reached the families, small businesses and health care providers who needed it the most.

There is no question that there were challenges in getting these programs off the ground, and that criminals wishing to take advantage of these resources made fraudulent attempts to access these funds.

That is why I was proud to work with Senator Johnson to ensure that these important emergency relief bills included important oversight mechanisms, like the Pandemic Response Accountability

¹ The prepared statement of Senator Peters appears in the Appendix on page 39.

Committee (PRAC), to ensure these funds were being used as Congress intended and to prevent waste, fraud and abuse.

Along with the PRAC, each of the agencies represented here today have taken exhaustive efforts to ensure the effective use of the nearly \$7 trillion in COVID-19 relief funding that was passed by Congress, that provided critical aid to Michiganders and Americans across the country.

Over the last two years, these key oversight bodies and agency inspectors general (IGs), have issued more than 350 reports and more than 500 recommendations to improve our nation's pandemic response. This included efforts to uncover inefficiencies, such as outdated systems and infrastructure, and develop innovative practices to detect and prevent fraud and identity theft, while improving transparency for all American people.

The PRAC's Pandemic Analytics Center of Excellence (PACE) has facilitated access to more than 150 million records that would otherwise have not been available to inspectors general and law enforcement, and the broader inspectors general community has made nearly 1,300 indictments and 1,000 arrests for pandemic-related fraud.

While I am very grateful for these successes and that our Federal Government got relief funds out the door as quickly as possible, the swift release of funding also exposed the potential for mismanagement and lack of internal controls that left many programs vulnerable, especially to fraud.

For example, instead of a thorough examination of an applicant's eligibility, many programs substituted this requirement with quicker self-reported information, which contributed to funds mistakenly being sent to deceased individuals, ineligible applicants, or fraudulent criminal schemes.

In fact, the unemployment insurance (UI) program has consistently ranked as one of the highest-risk Federal benefits programs for known or suspected fraud, and the Department of Labor Office of Inspector General (DOL OIG) estimates more than \$87 billion may have been paid improperly.

Most shockingly, even before the release of COVID-19 relief funding, some estimates note unemployment insurance often has an improper payment rate above 10 percent, including for 14 of the last 17 years.

While some measures have been taken to remediate these very well-known problems, tracking down and recouping money that has already been improperly spent has proven to be a difficult and ineffective solution.

Congress and the Administration must better understand the underlying causes that led to the fraud across these programs, and put the government on stronger financial footing for any future spending priorities.

I look forward to hearing today from our panel of experts who are going to discuss their roles in preventing improper payments and reducing fraud across these Federal spending programs.

Ranking Member Portman, you are recognized for your opening comments.

OPENING STATEMENT OF SENATOR PORTMAN¹

Senator PORTMAN. Thank you, Chair Peters, and thanks to our witnesses. I look forward to hearing from you.

As Chairman Peters has said, we have spent an awful lot of money on COVID. In fact, over the past two years we have spent more than \$5 trillion of taxpayer money to address the COVID-19 crisis. It has gone for some necessary things—expanding unemployment benefits, supporting small businesses at a time they needed it, and other challenges. Five times we did this on a bipartisan basis, and I was proud to be part of that effort. In fact, the biggest of those bills I was one of the five Republicans, along with five Democrats who helped put it together.

Unfortunately, as the new Administration came in, they decided to go it alone and not to take a bipartisan approach, and at the time I was very concerned about that, in part because it was not going to be something that we could do together, as we had previously, but also because most of the money that was spent had nothing to do with COVID.

At the time some like Larry Summers, former Treasury Secretary, said this could “set off inflation pressures of a kind we have not seen in a generation.” Many of us echoed those concerns with the \$1.9 trillion spending package, again that was done on a partisan basis, and unfortunately it looks like those warnings have largely come true. Inflation is at 7.9 percent, a 40-year high. That is one issue. We are where we are.

But against this backdrop, we have also learned that billions of dollars spent to help American families were stolen, stolen by individual criminals, stolen by transnational criminal organizations (TCOs), many of whom used fraudulent schemes to exploit the pandemic for their own financial gain. Many of these criminals, by the way, were, as I said, transnational, meaning overseas, from places like China, Nigeria, Russia, and elsewhere.

It is hard to know exactly how much money was stolen. Perhaps we will learn more about today, as I know many of you have analyzed this situation. The estimates range from \$87 billion to \$400 billion. To put this in context, the low estimate there, \$87 billion, of course, is larger than the entire annual budget for the Department of Homeland Security (DHS), over which we have oversight.

We could send almost six times the recently authorized amount of aid to Ukraine with this money that was stolen from the American people. We are talking about probably the biggest frauds ever committed against the American people, even though we do not know exactly how COVID relief funds were spent or exactly how much was stolen, we have, or course, a request to spend a lot more on COVID now. I am not suggesting we do not have additional needs, but it sure would be nice to know how we spent the money that the taxpayers sent us to protect and why so much of it did not get to the right place before we have billions more going out the door.

One of the biggest sources of fraud involved the unemployment insurance programs. As you know, these benefits were designed to help Americans who lost their jobs because of the pandemic. I

¹The prepared statement of Senator Portman appears in the Appendix on page 41.

thought it was necessary to help those individuals, but billions of these dollars went to criminals, who used stolen identities and lacked safeguards to steal the money away from Americans who needed it. Unfortunately, we did not have the infrastructure set up to be able to protect those funds.

Another major source of fraud involves the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL) program. These are two programs that worked well for many small businesses to be able to survive the pandemic. Like the unemployment insurance funds, however, these small business loans became easy targets for criminals, both here and abroad. Money that was supposed to be used to employ American workers instead funded organized crime, and purchased luxury cars and mansions for criminals. We now know more about this from some of the fraud schemes that have been revealed, and again, we will probably hear more about this today.

The purpose of this hearing, as I see it, is to examine the government's oversight of this massive spending. Specifically, we need to understand how this fraud occurred, what we can do to get the money back—some of it has been recovered, and I want to hear more about that—and, of course, most importantly, how we can prevent this from happening in the future? If we are going to spend billions more, let us figure out how to try to avoid this fraud being perpetrated on American taxpayers.

At the beginning of the pandemic, Congress established the Pandemic Response Accountability Committee to provide oversight of the pandemic relief. This group of 21 inspectors general were appropriated \$120 million and tasked with preventing fraud and mitigating risks associated with the pandemic-relief funds. The Government Accountability Office (GAO), the Office of Management and Budget (OMB), and the Department of Labor's (DOL) inspector general also had a role to play in overseeing these funds and these programs. Each of the witnesses today brings a unique perspective from these agencies, and I appreciate their work and appreciate them being here.

I look forward to hearing what they have to say about their role in the oversight of these funds, and about their plans to help fix the structural problems that allowed this fraud to occur in the first place. Again, I thank them for their service and for testifying today, and I look forward to the discussion.

Thank you, Mr. Chairman.

Chairman PETERS. Thank you, Ranking Member Portman.

It is the practice of the Homeland Security and Government Affairs Committee (HSGAC) to swear in witnesses, so if each of you would please stand and raise your right hand.

Do you swear that the testimony that you will give before this Committee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. MILLER. I do.

Mr. DODARO. I do.

Mr. HOROWITZ. I do.

Mr. TURNER. I do.

Chairman PETERS. Thank you. You may be seated.

Our first witness is Jason Miller. Mr. Miller serves as the Deputy Director for Management at OMB. In his role, he coordinates governmentwide management initiatives to empower the Federal workforce for a more equitable and effective Federal Government. Mr. Miller is also chair of the President's Management Council (PMC), where he leads the development and implementation of the President's management agenda.

Previously, Mr. Miller served as the Deputy Assistant to the President and Deputy Director of the National Economic Council in the Obama Administration.

Mr. Miller, welcome to the Committee. You may proceed with your opening comments.

TESTIMONY OF THE HONORABLE JASON S. MILLER,¹ DEPUTY DIRECTOR FOR MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET

Mr. MILLER. Thank you, Chairman Peters, Ranking Member Portman, and Members of the Committee. I appreciate the opportunity to speak to you alongside my colleagues from the oversight community. My testimony will focus on OMB's role overseeing relief spending in cooperation with the oversight community, actions taken, and importantly, considerations for the future.

Implementation of the American Rescue Plan (ARP) and other pandemic relief efforts helped jumpstart our economic recovery. Moody's estimated that without ARP real gross domestic product (GDP) in 2021 would have grown by three percent. Instead, it grew by 5.7 percent, the fastest since 1984. Last month, the economy added 678,000 jobs, bringing total job growth since January 2021 to 7.4 million and the unemployment rate to 3.8 percent.

It is also true that the unparalleled scope and speed of pandemic relief have highlighted real challenges, including in program design and integrity, benefit systems, and equitable delivery. The speedy processing of benefits at the outset of the pandemic came with costs, affecting program design and internal controls.

The pandemic revealed cracks in under-resourced benefits delivery systems. The 53 different unemployment insurance systems run by States and territories were overwhelmed by the historic surge of claims that jammed their underfunded and outdated information technology (IT) architecture, resulting in backlogs and a rise in improper payments, including fraud. As the pandemic disproportionately harmed underserved communities, early relief efforts often failed to reach those most in need.

To tackle these challenges, the Administration is focused on delivering timely relief to the intended beneficiaries while strengthening government's ability to act as a trustworthy steward of taxpayer funds. The Administration's collaboration with the oversight community has proven essential. In December, OMB institutionalized the Administration's commitment to the role of inspectors general through governmentwide guidance, instructing agencies to restore and respect IGs' integrity and independence, to ensure IGs can exercise their vital role.

¹ The prepared statement of Mr. Miller appears in the Appendix on page 45.

Through ARP implementation we have focused on getting it right at the front end, working toward prevention to mitigate risk. New joint, gold-standard meetings offer a good example. OMB and the White House ARP implementation team convened agency officials, IGs, and leadership of the PRAC to jointly review new or expanded ARP programs before launch.

The Administration has taken concrete steps to strengthen relief implementation. The Small Business Administration (SBA) quickly recalibrated the PPP program in early 2021 to better assist the smallest of small businesses and companies. OMB released governmentwide guidance for ARP, based on lessons learned from 2020, requiring robust controls and rigorous new reporting requirements.

The Department of Labor used ARP funds to tackle immediate challenges, including grants to 50 States and territories to fight fraud and improve accessibility, tiger teams to work hand-in-hand with State UI officials to fix problems.

DOL changed policy to require States to give Mr. Turner and his team access to State UI claim and wage data to help detect and prevent fraud. The Department of Justice (DOJ) and others in the enforcement community are undertaking an unprecedented effort to prosecute and recover stolen funds. DOJ reported last week they have filed criminal charges against over 1,000 defendants, opened over 248 civil investigations into more than 1,800 individuals and entities, together involving billions of dollars in suspected fraud.

I want to call out four areas for further consideration.

First, cross-cutting vulnerabilities require cross-cutting solutions. The rise of identity theft, targeting Federal benefits, is ongoing. The President launched the Initiative on Identity Theft Prevention and Public Benefits last year, and we are working toward additional steps through a forthcoming Executive Order (EO) to better prevent and detect identity theft, based upon lessons learned.

Second, victims of identity theft deserve increased attention. They face a complex recovery process to resolve resulting harms.

Third, Congress should consider heightening penalties for criminals who commit egregious pandemic-related fraud by amending the Emergency and Disaster Assistance Fraud Penalty Enhancement Act of 2007.

Fourth, cross-cutting efforts and capabilities enabled by the PRAC warrant consideration for ongoing capabilities and it is a model for future oversight of major investment initiatives.

Thank you for your attention to these issues. I look forward to working with the Committee and the oversight community to further strengthen implementation of Federal programs.

Chairman PETERS. Thank you, Mr. Miller.

Our next witness is Gene Dodaro. Mr. Dodaro is the eighth Comptroller General of the United States and head of the U.S. Government Accountability Office. As Comptroller General, Mr. Dodaro helps oversee the development and issuance of hundreds of reports and testimonies each year to various committees and to individual Members of Congress. He has also personally testified before Congress several times on the long-term outlook for Federal spending as well as other important national issues.

Mr. Dodaro, it is great to see you back again before this Committee. You may proceed with your opening comments.

TESTIMONY OF THE HONORABLE GENE L. DODARO,¹ COMPTROLLER GENERAL OF THE UNITED STATES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. DODARO. Thank you very much, Mr. Chairman, Ranking Member Portman, and Members of the Committee. I am very pleased to be here to talk about our work on COVID-19 relief spending.

As has been mentioned, great urgency was given to providing quick relief to deal with public health issues and economic repercussions of the pandemic. However, tradeoffs were made that limited progress in ensuring transparency and accountability over this money. Controls that should have been in place before payments were made were either reduced or eliminated. Also, monitoring efforts, post-payment reviews, and other efforts were not instituted as fast as possible after the payments were made, to try to assess the integrity of the programs and have recovery efforts underway.

These shortcomings were exacerbated by already-existing problems in financial management in the Federal Government. Chief among these is a serious improper payment program—the government has a payment problem—and lack of focus on prevention of audits, not after-the-fact pay-and-chase.

With regard to improper payments, since 2003, reported estimates total over \$2.2 trillion. In fiscal year (FY) 2021 alone it was \$281 billion, a jump from \$75 billion in the prior year. This involves 16 agencies, 86 Federal programs. Twenty-six, or 30 percent of them, have over a 10 percent improper payment rate. This is not a complete estimate. Some of them are not reporting. Some of the estimates are not rigorous.

With regard to the fraud prevention issue, we worked with the Congress in 2016 to help Congress pass the Fraud Prevention Act that was supposed to have agencies focus more on preventing fraud. This was slow to be implemented. Therefore, we were not in a good position when the emergency pandemic came around to prevent the fraud that occurred.

We are recommending today 10 different legislative solutions that Congress could pursue to address both what we found during the pandemic and these underlying, persistent, serious, fundamental financial management issues that the government has.

No. 1, chief financial officers (CFOs) ought to be given more responsibility for improper payments estimates to certify their accuracy. To monitor corrective actions right now it is the program people who administer the programs that are providing the estimates, so we need more rigor in the estimates, more transparency, and corrective action plans. They ought to be mandated to be reported in agency financial statements every year.

Any new program, in my opinion, over \$100 million, ought to automatically be determined to be susceptible to improper payments. There should have to be proved it is low risk, not proved that there is a problem, and this would ensure improper payment estimates are made in the first year of the program. Right now it is two or three years down the road before these estimates are

¹The prepared statement of Mr. Dodaro appears in the Appendix on page 51.

made and problem are already entrenched into the program activities.

Second, with regard to fraud, we need to reinstitute the reporting requirements that the agencies have to report on the status of their fraud prevention efforts. This would provide better visibility and more assertive congressional oversight over their efforts, because only if the agency officials can prevent fraud is the most meaningful way that this could be addressed. Also I believe that what is now called the PACE Committee ought to be permanently instituted and focused on all Federal spending, not just COVID spending. I recommended this back in 2015, after the Recovery Act. Unfortunately, Congress and the administration did not follow that. This effort that was put in place was too late. It was a year after the efforts. It was only limited to the pandemic, so that could be fixed.

Also, internal control plans ought to be put in place immediately for emergencies, so they are already in place. We know what the problems are. They could be tailored later if there was a unique need for the emergency, but they ought to be put in place. Normal controls is not sufficient, as we have seen here, and OMB should do this. Congress should mandate that it be done.

Also, we need to reinstitute the requirement for the inspectors general to audit periodically all Federal spending that is displayed through USAspending.gov.

I have other suggestions but my time is up. I am happy to answer questions at the appropriate time. I appreciate the invitation to participate today. Thank you.

Chairman PETERS. Thank you, Mr. Dodaro.

Our next witness is Michael Horowitz. Mr. Horowitz serves as the Inspector General of the Department of Justice and as the Acting Chair of the Pandemic Response Accountability Committee. In his IG role, Mr. Horowitz is responsible for combating waste, fraud, and abuse in DOJ programs, and he simultaneously leads the PRAC, a committee of 22 Federal inspectors general that oversee Federal pandemic-related emergency spending.

Prior to his time at DOJ, Mr. Horowitz worked as a partner at a private law firm. His practice specialized in white-collar defense, internal investigations, and regulatory compliance.

Mr. Horowitz, welcome back to the Committee. You may proceed with your opening comments.

**TESTIMONY OF THE HONORABLE MICHAEL E. HOROWITZ,¹
CHAIR, PANDEMIC RESPONSE ACCOUNTABILITY COMMITTEE,
AND INSPECTOR GENERAL, U.S. DEPARTMENT OF JUSTICE**

Mr. HOROWITZ. Thank you, Mr. Chairman, Ranking Member Portman, Members of the Committee. I appreciate the invitation to speak to you today.

This Committee played an instrumental role in creating the Pandemic Response Accountability Committee, in March 2020, to oversee what is now over \$5 trillion in pandemic relief spending across 426 Federal programs at 40 agencies.

¹ The prepared statement of Mr. Horowitz appears in the Appendix on page 97.

Given the magnitude of these responsibilities and the amounts involved we have sought to develop, and I believe have developed, a new model for conducting oversight in a crisis at the inspector general community, and that has involved promoting transparency by providing the public with accessible and comprehensive data about spending, and that is on our website, PandemicOversight.gov.

We have collaborated across the oversight community to identify cross-cutting issues and risks. We have been detecting and preventing fraud, waste, abuse, and mismanagement by using leading-edge data insights that we have been able to obtain through our data analytic tools, the PACE, as the Chairman referenced. We have been able to hold wrongdoers accountable by marshaling the investigative and analytical resources of the oversight community.

One of our foundational responsibilities is transparency by providing information to the public about pandemic-related spending. Information is power, and that is what we are trying to do for the American public is to see how their money has been spent. Information also brings accountability. You cannot have accountability without transparency.

Unfortunately, we have faced challenges in putting forward all of the information that we think should be out there. We have detailed that in two different reports, one in 2020, one in 2021, where we have identified significant agency weaknesses in providing complete data and gaps in reporting information from recipients.

Our reports include recommendations on how to address that. We have had significant discussions with leadership at OMB and the Administration about how to address that. We appreciate OMB's release of a memorandum addressing some of these issues by outlining the need for detailed and accurate award descriptions, a problem we have seen; enhanced transparency of spending through the use of disaster and emergency funding codes, something that has been missing; and a commitment to work with PRACs and IGs to strengthen payment integrity, as the Comptroller General just indicated.

We have also reported other lessons learned through our work. First, agencies cannot rely solely on self-certifications of individuals that they are eligible for benefits. Second, underserved communities should be prioritized for funding where that is needed, as we saw in many instances here. Additionally, agencies should use existing data to verify eligibility, like the Do Not Pay system. Further, relief guidance needs to be gotten out quickly for new programs. Finally, programs need to fully disclose where their money went and how it was spent.

Briefly, let me turn to collaboration. It is something we recognized we need to do at the outset. We have done that in the past and continue to do it with GAO and their leadership. We have also moved forward in a very significant way in working with our State and local counterparts, something that, frankly, we had not done much of in the Federal IG community and something that has been very central to the work that we have done.

We have also been able to develop a very strong working relationship with OMB leadership and the ARP implementation team. I have outlined that in my written statement, and we very much

appreciate that working relationship and think, frankly, it is the model for how effective oversight should occur, going forward in the future.

Finally, let me touch on the accountability efforts that we have undertaken, and that we have done through the use of data. You cannot oversee \$5 trillion in spending with just people. You need the data. That is where our Pandemic Analytic Center of Excellence comes in. It is critical to our efforts. It is something that has led to our providing nearly 200 requests and addressing requests from law enforcement in looking at oversight issues and fraud issues.

As has been mentioned, the oversight community, the Federal inspector general community, their work has resulted in over 1,200 indictments and complaints, nearly 1,000 arrests, almost 500 convictions. It is critical for the community to have these capabilities. I appreciate the Comptroller General's support for those efforts. As he noted, he supported it back in 2015. It went away. We had to spend a year and more taxpayer money recreating that database because it went away in 2015. We look forward to working with OMB and hopefully their support for that effort.

We are going to use all of our tools—criminal, civil, administrative, suspension and debarment, forfeiture—to try and recover the funds that have been stolen that have been referenced, and we are doing that and we are making every effort.

I look forward to continuing to work with the Committee on these efforts and appreciate your support for our work.

Chairman PETERS. Thank you, Mr. Horowitz.

Our final witness is Larry Turner. Mr. Turner is the Inspector General for the U.S. Department of Labor, where he helps detect and deter waste, fraud, and abuse in DOL programs. Mr. Turner oversees critical programs on unemployment insurance, worker safety, pension and health care benefits, and other essential needs. Mr. Turner also leads investigations into organized crime influence and labor racketeering corruption in employee benefit plans, internal union affairs, and labor management relations.

Mr. Turner, welcome to the Committee. You may proceed with your opening remarks.

**TESTIMONY OF THE HONORABLE LARRY D. TURNER,¹
INSPECTOR GENERAL, U.S. DEPARTMENT OF LABOR**

Mr. TURNER. Thank you, Chairman Peters, Ranking Member Portman, and distinguished Members of the Committee. Thank you for the opportunity to testify today.

Although the OIG is responsible for overseeing all DOL programs, my testimony today will focus on our oversight of unemployment insurance during the pandemic. The views expressed in my testimony are based on the independent work of the OIG and are not intended to reflect DOL's positions.

Mr. Chairman, the OIG has remained committed to assisting DOL and Congress in improving the efficiency and integrity of the UI program. In our view, strengthening the program to prevent and detect fraud are key objectives to ensure that unemployed

¹The prepared statement of Mr. Turner appears in the Appendix on page 111.

workers quickly receive needed benefits while safeguarding taxpayer dollars.

For many years, the OIG has highlighted significant concerns with DOL's and States' ability to deploy UI benefits expeditiously and efficiently while ensuring integrity and adequate oversight. The pandemic exacerbated these challenges, creating the perfect storm. As the OIG report States, we were not prepared to process the historic volume of claims, resulting in significant delays in benefits. The Pandemic Unemployment Assistance (PUA) program initially relied on claimant self-certification without evidence of eligibility, and the unprecedented infusion of Federal funds gave forces a high-value target to exploit. That, combined with easily attainable stolen identities and weaknesses previously identified by the OIG, allowed criminals to defraud the program.

Consistent with the OIG recommendation, UI reported an improper payment rate of 18.7 percent for 2021. Applying the rate to the \$872 billion in estimated pandemic UI payments, at least \$163 billion in benefits could have been paid improperly, with a significant portion attributed to fraud.

Indeed, following the passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, fraud against the UI program exploded. The OIG has received more than 143,000 complaints, and has independently opened more than 38 investigative matters concerning UI fraud. That represents 1,000 times increase in the volume of UI investigative matters.

The OIG took immediate action to respond to this crisis. We hired additional investigators, deployed Federal and contract staff to audit the program, established a pandemic rapid response team, and strengthened our data analytics program. We also worked with DOJ to create a national UI task force, leveraged Council of the Inspectors General on Integrity and Efficiency (CIGIE) and PRAC resources, and implemented outreach and education programs with the States.

In addition, we collaborated with the PRAC, DOJ, and the U.S. Secret Service (USSS) to recover fraudulent funds, and we engage with international law enforcement partners to pursue transnational organized criminal groups targeting the UI program.

To date, our efforts have resulted in the execution of more than 850 search warrants, 749 indictments, and \$830 million in monetary results. From our oversight perspective, we issued an advisory report at the start of the pandemic, identifying six initial areas of concern for DOL and the States to consider when implementing the CARES Act. Since then, we have released nine reports and alerts. For example, we identified more than 3 million claims, totaling nearly \$17 billion in potential fraud, including payments to deceased individuals and Federal inmates.

In response to our recommendations, DOL has instituted efforts to improve the UI program. However, several OIG recommendations remain unimplemented in the following areas: OIGs need to access UI data, States' need for adequate staffing and modernize IT systems timely and effective guidance to States, and controls for improper payments.

Mr. Chairman, I would like to also highlight two challenges the OIG faced, the first being the lack of direct access to UI data. For

many years, the OIG has requested access to data to proactively monitor the program for systemic weaknesses and potential fraud. Given the magnitude of the issues we saw in the beginning of the pandemic, we took the unprecedented step of using IG subpoenas to obtain UI data directly from the States. The data allowed the OIG to identify billions in potential UI fraud. However, the IG subpoena process took months and delayed our ability to detect fraud early in the pandemic.

The second challenge we faced was resource limitations. The OIG received \$38.5 million in much-needed supplemental funding to oversee DOL's pandemic responses. However, in light of the unexpected fiscal year 2022 appropriation, which held the OIG at its fiscal year 2021 levels, additional funding would allow the OIG to address the issues I have discussed today.

Mr. Chairman, thank you for the opportunity to testify about our work overseeing the UI program. I also want to thank the dedicated OIG employees who continue to work tirelessly in support of our oversight mission. I look forward to answering any questions you or the Members of the Committee may have. Thank you.

Chairman PETERS. Thank you, Mr. Turner.

Mr. Horowitz, the Pandemic Response Accountability Committee, as we are referring to it, without question had a Herculean effort over these last two years, as you mentioned in your testimony. I would like you to tell the Committee, in your opinion, has the PRAC been successful in its mission to date, and then if you let the Committee know what more can the PRAC and the rest of the oversight community do to stop fraud and identity theft and the bad actors out there? Be specific about that as well.

Mr. HOROWITZ. Certainly. I do think we have been very effective in addressing this Herculean task. As you know, when we were created back in March 2020, we were only overseeing about \$2 trillion of Federal funds. It grew to over \$5 trillion.

The key to our ability to do that has been our ability, thanks to this Committee's support, the data analytics platform that we have built, the PACE. As I mentioned, nobody can oversee that kind of funding without the ability to get good data. It is what IG Turner just mentioned. You need access to information and you have to have the systems be able to run against it. Through doing that, we have identified, for example, multi-dipping across programs, because we have seen individuals applying with the same fraudulent information across programs. We have seen the use of payment to individuals on Do Not Pay lists and other lists. It has really enabled us to identify, find the fraud, as well as find weaknesses in department programs. It has been critical.

There is one bill I would mention that I think would make a difference. It is the Administrative False Claims Act of 2021, which you are co-sponsoring along with Ranking Member Portman. Senator Hassan and Senator Lankford of this Committee are also co-sponsoring it. It would allow us to pursue administratively claims of up to \$1 million, not have to go through the district court process. We think that is likely to be a substantial effort. We are hoping the Senate will pass that. The bill is on the floor.

We have also considered and are thinking about questions related to the statutes of limitations. As you know, in prior crises

Congress extended the statute of limitations with regard to bank frauds from five years to 10 years. It turns out that the fraud here, even though lenders were giving out the money, the fraud here is often, for example, with the Payment Protection Program really of the Small Business Administration, not the banks. There is a real question of whether that extended statute of limitations applies. Loans that were given out in March 2020 would have a statute of limitations, potentially, depending on the facts, to March 2025, and given the amount of fraud, that may be an area that is worth considering as well.

Chairman PETERS. Very good.

Mr. Turner, as you well know, probably one of the most high-profile areas for the improper payments and pandemic fraud were in the 54 State and territorial unemployment insurance programs, and as you stated in your testimony today, as well as some of the reports your office has published, there were serious challenges for the DOL OIG to get data from these State workforce agencies to conduct the audits and investigations that you needed to do. I have heard similar concerns about timely and complete access to important data from other IGs as well.

Could you please discuss for the Committee the impact on IGs when you are unable to get timely and complete access to this critical data?

Mr. TURNER. Yes, Chairman. I would be more than happy to do so. One of the challenges and one of our issues when we cannot get direct access to the information is that it slows the process. Even once you have identified problem areas, it just slows the process down when you actually have to go other ways to get the information.

For us, one of the tools that we have to use was our IG subpoenas, because we did not have direct access to labor data coming from the States. There are 54, as you mentioned, States and territories we had to look at. By us not being able to get that information directly it meant months that the pay problems, fraud problems were able to exist. We tried to go through the DOL to expedite this problem, but DOL had a challenge with the CARES, the doctrine with the CARES in terms of some of the information. Part of that problem was that it did not allow them to provide us investigative audit information. We were able to get investigative information but not audit.

We pushed back, because we wanted to get from the Department all the information right away, and the Department would not allow us to do that. We went to subpoenas, and when we went to the IG subpoenas we did two rounds of IG subpoenas, because that allowed us to get the information we needed in a more direct fashion. In being able to do that, we were able to identify \$17 billion of problem areas that came from stolen identification, with Social Security numbers. Part of that was through multi-states, multi-claims, through deceased people, as well as through several other areas, to include cemeteries were some of the areas that were identified.

Those are some of the challenges that we faced.

Chairman PETERS. Great. Thank you.

Mr. Horowitz, although I know you can only speak on behalf of the PRAC and your role as the IG at DOJ, could you provide this Committee any perspective on how successful the DOJ and the Federal Bureau of Investigation (FBI) have been in obtaining arrests and convictions for pandemic-related fraud? Then on top of that, do you believe that the new chief prosecutor that was announced by the White House earlier this month can improve the government's efforts to address fraud, like we are hearing from UI and the Paycheck Protection Program?

Mr. HOROWITZ. Yes, certainly, Mr. Chairman. The importance of coordination here cannot be overstated. For example, part of the Department's Fraud Task Force. We have separately created, at the PRAC, our own Fraud Task Force to bring together the IG community with our partners in law enforcement. We work very closely with the FBI to ensure that kind of coordination and to provide them with access to certain information that we have through the PACE, that they may actually not have access to. It has been a very important collaborative, strong working relationship.

I think it is very important, having been an Assistant U.S. Attorney (AUSA) myself in my prior stint at the Justice Department, having that kind of coordination at the headquarters level is critical. These are issues that are not limited to one district in the country or one State in the country. They are cross-cutting. They are international, in many instances. It is very important to have that relationship, that connectivity. We have a very strong working relationship. I have already gotten a reach-out a couple of times by the new prosecutor that was named the other day. I was at a meeting with the Attorney General (AG) and the Deputy AG to talk about these issues last week.

They are including us, me not just as the IG at Justice but as the chair of the PRAC.

Chairman PETERS. Great. Thank you.

Ranking Member Portman, you are recognized for your questions.

Senator PORTMAN. Thank you, Mr. Chairman, and again, thanks for the work you all are doing in a very difficult situation.

I want to start with Inspector General Turner and focus on the unemployment insurance fraud that you talked about. You said that we know that at least \$163 billion in pandemic UI benefits were paid improperly, and a significant portion was attributable to fraud. You said that fraud cases have exploded by about 1,000 percent. Could you describe your efforts to date to try to recover some of those improper payments, approximately how much have we been able to recover so far, and what is our plan to try to recover more of that \$163 billion-plus in the future?

Mr. TURNER. Let me say that, I can start off by answering your second question first. We have \$830 million in terms of the monetary gains that we have found so far that we have been able to recover. It is a challenge because I think we believe that it has to be a proactive effort initially to stop and prevent fraud before it actually happens.

The concern, in terms of how we get it back, we go back to when we started the program. When we first started 20 years we have identified several problems within the program. A lot of it is lack

of staffing and lack of modernization. That has allowed some of the fraud to occur. Although we talk about 18.71 percent as being the fraud rate, therefore of the \$872 billion, that is what we believe—and that is just the IG figure of the \$163 billion that you are talking about—we believe that it is going to be somewhat difficult to get that back.

No. 1 is because a lot of the funds have been expended before we actually are able to get it back because so many of the fraudsters have already spent it in high-dollar-value items, whether it be homes, whether it be vehicles, or whatever. Some of that is hard to get back. A lot of it is also tied up in the courts in terms of restitution. Some of the ones that we have identified it is going to take years to actually see what that total amount of recovery will be.

Senator PORTMAN. Thank you for doing everything you can to get that taxpayer money back. Eight hundred thirty million bucks is a lot of money. On the other hand, it pales in comparison to the \$163 billion, does it not?

Mr. TURNER. Yes, it does, and every dime of government money, we take that serious in trying to recoup all that we can.

Senator PORTMAN. Yes. Let us know how we can be more helpful, and part of the problem, you said, is it is converted to assets. Those assets can be seized, as well, and, it seems to me that, particularly with regard to some of the foreign nationals that we should have a governmentwide approach to this, getting more help from, in that case, the Department of Justice.

Chairman Horowitz, PRAC has identified a lot of gaps in existing data sources—you talked about this a little bit—so the lack of transparency means less accountability. What are the key gaps in the existing data sources that you see? In your October 2020 report you identified 13 corrective actions, all Executive Branch it looks to me, to mitigate these gaps. Tell us how many of those 13 recommendations have been implemented.

Mr. HOROWITZ. So on this issue, Senator Portman, the gaps are many, as you indicated. We have outlined them in our two reports. Let me highlight two of them.

There is a significant issue with coding and putting sufficient information in about naming what the money went for. Our second report lays out thousands of grants that have either program names associated with it or things like codes of initials. Nobody looking at that, not us as oversight professionals, the public looking to see where money went, would have any idea where that money went from looking at that reporting data.

That is not what I think Congress intended when they set up the Data Act and other mechanisms for reporting through USAspending.gov, to report out for the public to learn how their money was being spent. So that is one significant issue. Even when there are reports of where the money is spent, we are finding thousands of instances where, I have referred to it as “gibberish,” is there. You cannot make heads or tails of what the money is for.

Another major problem we found is going beyond the first level of spending, to figure out where the money actually went to and how it was actually being used. You can see, oftentimes, how agencies distributed the money in the first instance, but in many of these programs, as you know, through the grant programs the

money goes even further downstream, and there is no information about that flow.

Finally, the information reporting back from recipients. What did they do with the money? How did they spend it? One of the big questions we hear all the time is, so the PPP program, \$800 billion in the Paycheck Protection Program. How did that impact employment? We do not know. The agency does not know because the information is not being collected.

Senator PORTMAN. Huge gaps, and understanding we needed to get money out the door quickly there is no reason not to have that kind of coding and to understand where the money is going and then to follow the money to see whether it is working.

In terms of the amount stolen, \$87 billion to \$400 billion, that is a pretty big range. We just learned from the IG at the Department of Labor it is \$163 billion there alone, at least, so it is more than \$87 billion. Can you give us your best guess, as the PRAC chair and as someone who has been looking at this for a long time and has some perspective on it, how much was stolen?

Mr. HOROWITZ. Senator, I wish I could answer that right now. A couple of reasons that is a challenge. First of all, we do not have all the data just yet. Second, we have lots of cases ongoing, and, of course, there is a difference between an improper payment, of which there are billions and hundreds of billions of dollars, and a fraud. We have to sort that out through the investigative process.

I cannot give precision at all. I am not even sure I can give a wild guess yet at what the fraud number will be. It will be very large. The improper payment number, as the Comptroller General indicated, is disturbingly large. We know about, just for example, \$3 billion went out the door right away to deceased payees through the Internal Revenue Service (IRS) and the initial loan check distributions. Fifty thousand-plus PPP loans went to individual entities on the Do Not Pay list.

Senator PORTMAN. Chairman Horowitz, give me your best educated guess. Is it less than \$400 billion or more than \$400 billion? That is the top of the range.

Mr. HOROWITZ. Senator, I am going to be careful in giving a guess. It is certainly in the three-digit billion number. How big it is, I am just not prepared to—

Senator PORTMAN. You are prepared to say it is over \$100 billion but not prepared to say whether it is \$400 billion or \$300 billion?

Mr. HOROWITZ. I think in light of, obviously, the UI numbers that IG Turner just mentioned, if you are talking \$87 billion-plus of potential fraud in that program—

Senator PORTMAN. 163.

Mr. HOROWITZ [continuing]. \$163, I am sorry, billion-plus in that program, you are obviously already north of that number. I know from SBA IG the Payment Protection Program, the EIDL program, is the other place where we are finding very substantial fraud.

Senator PORTMAN. Yes. When we get the Administrative False Claims Act done, and we are working to get that done in the Senate soon, and again with regard to these 13 corrective actions that you proposed, I would like to know if you would get back to us how many of those have been implemented and how many have not.

These are all administrative Executive Branch functions, so we can help, perhaps, to put some focus on that.

Thank you, Mr. Chairman.

Mr. HOROWITZ. Absolutely.

Chairman PETERS. Thank you, Ranking Member Portman.

Senator Johnson, you are recognized for your questions.

OPENING STATEMENT OF SENATOR JOHNSON

Senator JOHNSON. Thank you, Mr. Chairman. I think we are probably only looking at the tip of the iceberg here, and I think you are kind of indicating that as well. I think part of the big problem is the fact that Congress took a shotgun approach to COVID relief as opposed to targeting our relief. I personally think it was hundreds of billions of dollars that went to people that in the end did not need it.

A lot of them did not commit fraud. We just set such a low hurdle rate. For example, in the PPP program, again, if you were concerned about the economic uncertainty, you qualified and we just forgave the loan. I thought it was madness. I spoke out about it at the time. But, a lot of this falls on Congress' shoulders here in terms of the amount of fraud that eventually will be uncovered, and we probably will not uncover the vast majority of it.

I do not see how anybody can take a look at our response to COVID and call it a success. Nine hundred sixty-five thousand Americans dead. The human toll of the economic devastation from the widespread shutdowns, I argued against those at the time. What we have done to our children. I want that to sink in—what we have done to our children, the delayed learning.

I will tell you. Whether you agree with masks or not, I will tell you where masks would not work—on a child—and yet we have subjected them to two years of wearing masks, delayed speech, could not see their teacher's face, the smiles of their classmates. We need to really do oversight on what our response was, what a miserable failure it was, so it never happens again.

Mr. Horowitz, you have done a lot of investigations. I sent 35 oversight letters, and I think one thing you have to recognize about me—and I think you would agree with this—I have never used the “everything and the kitchen sink” approach. I have tried to really target my response to get information that we would actually use. My oversight letters have been very focused on issues, asking for information that I believe the American people deserve.

I want to ask you, if you would get the response I have been getting, which is basically we are not going to respond other than refer you to our website, does that happen to you in your investigations?

Mr. HOROWITZ. Actually, on occasion, we have had problems, and I agree, we push back, and we push back hard, and oftentimes I have been in front of this Committee, on multiple times, including when you were Chair, to talk about those issues. I agree, you deserve and are entitled to answers. We are, as you know, very responsive to you and your staff as well as other Members here, because it is important for Congress to be able to get the information it needs to do the oversight it needs to do.

Senator JOHNSON. A brief list of some of the things I have asked questions about. By the way, I think our biggest blunder was we did not put enormous time and effort and resources into exploring and researching early treatment. In fact, we sabotaged early treatment. But I have written letters. How much did we expend? What were our efforts? I do not get anything.

We have requested the emails from Dr. Fauci, unredacted, 4,000 pages. We do not get them. We have been given access to about 400, in dribs and drabs, 50 pages at a time. We do not actually get them. We have to review them on camera.

I have asked questions, what did the Food and Drug Administration (FDA) do in August 2021, when they extended the emergency use authorization (EUA) for the vaccine that is available in the United States, and granted full licensure on one that is not available? What was that all about. It is confusing. I get no answer whatsoever.

We have we not acknowledge and explore natural immunity? Why have we not factored that into these idiotic and pointless vaccine mandates?

One of the more recent ones was information on the Defense Department's (DOD) DMED database, that showed a three-to tenfold increase in different diagnoses of cancers and things like myocarditis, and neurological problems.

The DOD, by the way, did respond to a PolitiFact request, before they responded to me in a very inadequate way. But what they said is, "Oh, we recognized a glitch in our system."

What we have is from whistleblowers, doctors, military doctors, who were seeing vaccine injuries. They did an analysis, the previous five years versus 2021. They saw a tenfold increase in these diagnoses.

What the DOD told us is, "Oh, we were wrong for the previous five years," and all of a sudden they have given us some data where those things shot up ten-fold. What is pulling off here? They are not showing us the data.

But I think one of the more troubling ones—and why don't you put up my chart¹ here—very early on in the process—again, I was a big supporter of Operation Warp Speed (OWS). I am not anti-vax in any way, shape, or form, but I think you have to take a look at the data coming in. The data coming in was concerning to me. I was asking questions back in March, April, May 2021, when the Vaccine Adverse Event Reporting System (VAERS) were showing 2, 3, 4, 5,000 deaths. Today we are up to over 25,000 deaths reported in the VAERS system, 1.168 million adverse event.

What this chart shows is a comparison—for example, ivermectin. You are not supposed to say that word. By the way, in New Hampshire, I guess, their Assembly just approved over-the-counter use of ivermectin, because it is pretty safe. Fifteen deaths, on average, over 26 years on the VAERS system. Hydroxychloroquine, 70 deaths. Annual flu vaccines, 78 deaths. Remdesivir now 721 deaths. COVID vaccines, 25,158 deaths.

¹ The chart referenced by Senator Johnson appears in the Appendix on page 130.

Again, now I realize VAERS does not prove causation. Twenty-nine percent of those deaths are occurring on days zero, one, or two following vaccination. It is something I would be concerned about.

I write the FDA. I write the Center for Disease Control and Prevention (CDC). I write National Institute of Health (NIH). What is happening here? I asked them about their other surveillance systems. I get no information whatsoever. It is not that I do not get information, the American people do not get information.

The reason the American people have lost faith in our health care agencies is because they have been completely non-transparent. They have not provided the information that we are getting from other public health agencies from around the world. We have had to look to Israel. We have had to look to the United Kingdom (UK) to find out what is happening here.

I guess the plea I am making to this Committee, the Chairman of the Permanent Subcommittee on Investigations (PSI), in which I am Ranking Member, is this needs to be investigated. If the agencies do not respond to us, we need to issue subpoenas. Congressional oversight is almost a joke nowadays. You can do an investigation at the Department of Justice. You can do pretty good investigations in the IG's office. Congress? The agencies just thumb their nose at us, and doing so they are thumbing their nose at the American people.

This is outrageous. It cannot continue. Mr. Chairman, I am calling on you, as Chair of this Committee, to start strengthening our ability to get information out of these agencies. It is outrageous what has been happening, our lack of information, our lack of transparency, the lack of honesty coming out of our health care agencies.

This is a scandal. The fraud, the hundreds of billions of dollars probably sent to people that did not need it is a scandal. This impacted people's lives. We need answers, and we need answers now.

Thank you, Mr. Chairman.

Chairman PETERS. Thank you, Senator Johnson.

Senator Hassan, you are recognized for your questions.

OPENING STATEMENT OF SENATOR HASSAN

Senator HASSAN. Thank you so much Mr. Chair and Ranking Member Portman for this important hearing, and thank you to all the witnesses for your critically important work to prevent waste, fraud, and abuse of taxpayer dollars and to improve management of pandemic relief programs.

I want to start with a question to you, Inspector General Horowitz, and then to Comptroller General Dodaro. To date, the GAO and inspector general community have made hundreds of recommendations to Federal agencies on how to improve their response to the pandemic and ensure that relief funds have the maximum benefit. However, as of December 2021, agencies have implemented less than one in five GAO recommendations.

Inspector General Horowitz, you talked a little bit about some of this with Senator Portman, but in your review as chair of the Pandemic Response Accountability Committee, what more can agencies do to address IG and GAO recommendations that could help them curb waste, fraud, and abuse of COVID-19 relief funds?

Mr. HOROWITZ. Senator, as you indicated IGs have issued hundreds of reports now to date. They include hundreds of recommendations in them about how to improve programs, and you are right, the track record of agencies in implementing them has been uneven, I would say at best. Some perhaps do better than others.

But one of the things we do now, in the IG community, is make that information public. On oversight.gov and on IG websites we are trying, through making the information public where agencies stand in implementing them, in an aging list. You can see how long it has taken them to do. Our strongest tool in that, to get that done, is not only speaking and elevating it within the agency but frankly talking now more frequently with OMB leadership, so that they can do, with the tools they have available to them, to try and push agencies to more promptly implement these recommendations.

Senator HASSAN. Thank you. Comptroller General Dodaro, what recommendations should agencies prioritize to maximize the effectiveness of their pandemic response in a cost-efficient way?

Mr. DODARO. I have sent letters to every head of every department and agency in the Federal Government with a priority list of recommendations. Those have been provided to the Congress. They are public on our website. I have met with all the new leadership of the departments and agencies, urged them to do that. In some agencies we have regular meetings to focus on the progress in implementing our recommendations, and other agencies, not so much, particularly the Department of Health and Human Services (HHS).

I am disappointed at the pace. Like Mr. Horowitz said, we have been working with OMB, and I have regular meetings with the White House coordinator, Gene Sperling, on this, to try to enlist their support to get the agencies to move faster in implementing these recommendations.

I do believe additional congressional attention to this matter would be very helpful. I have also used the high-risk list. When I was here last March I mentioned that I put the emergency loan programs of the Small Business Administration on the high-risk list, because it is not only our recommendations, they failed their audit the last two years. They have not been able to get a clean audit and show the proper accounting of this money. I have also added HHS's leadership and coordination in January as a high-risk issue. Clear roles and responsibilities are not there. There is not a lot of clear communication. These have been problems for decades.

I am doing everything that I can, but I could always use extra help.

Senator HASSAN. Right. We can return to that priority list and see if we can focus on it to, because I think that is important for us all to be speaking with one voice, to prioritize the best ways to have the most efficient and most impactful results.

Let me turn to you, Inspector General Turner. Single sign-on technology allows users to create one username and password to securely access many different websites. This is not just convenient for consumers but it can also prevent fraud when single sign-on technology verifies users' identities.

For example, during the pandemic some States managed access to pandemic relief applications through single sign-ons using identity verifications. States that used these tools experienced a significant decrease in fraudulent claims and were able to prevent billions in improper unemployment insurance payments.

Inspector General Turner, how could the Department of Labor work with State partners to implement these identity verification tools across the country?

Mr. TURNER. Senator, that seems like something that the State workforce agencies would be able to share, in terms of best practices, and I think that is something that we could probably pass onto them as well as the Department could. The Department, part of reducing the possibility of fraud is also sharing best practices across the government. There are like 53 different entities, so they have their own way of doing business, and sometimes you have some that do a better job than others. But I think if they could kind of share that information, and that is something I will pass on to the Department.

Senator HASSAN. Thank you. I want to turn to Mr. Miller on some of this same issue. Last September, the Technology Modernization Fund (TMF) awarded \$187 million to the General Services Administration (GSA) to expand its single sign-on service, login.gov. Part of those funds are intended to shore up login.gov's identity verification capabilities.

How could these identity verification tools help the Federal Government prevent improper payments, not just of COVID-19 relief funds but of payments that the government makes daily?

Mr. MILLER. Thank you, Senator, for that question, and login.gov is an important tool but it needs to be strengthened going forward. This is something that we are working on. Looking actively at, to Mr. Turner's point, when you looked at those 53 different systems some of them were not using identity verification for reasons like they could not afford identity verification tools. The end cost of that was substantially larger than the cost of identity verification on the front end.

The second thing on this is right now we largely leave agencies and States to their own devices to determine how best to do these. We need stronger tools in place on identity verification. That is why we are investing in login as a potential option, and it is a topic that we are working hard on at OMB.

Senator HASSAN. Thank you. Mr. Chair, if I could, I want to follow up for one short bit on that, because some Federal agencies such as IRS, the Department of Veteran's Affairs (VA), and Social Security Administration (SSA) already partner with private single sign-on companies to verify customer identities and prevent fraud. How can OMB work with the GSA as well as GAO to ensure that its efforts to expand identity verification through login.gov does not overlap or duplicate the existing agency efforts here?

Mr. MILLER. One thing that we want to make sure that we are putting in place is clear standards and guidelines for agencies as they are moving forward, so that we have strong identity verification tools while also ensuring that those tools are allowing access and protecting individuals' privacy.

Senator HASSAN. Thank you very much. Thanks for the extra time, Mr. Chair.

Chairman PETERS. Thank you, Senator Hassan.

Senator Carper, you are recognized for your questions.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. Thanks very much. Welcome. Some of you are not strangers to this Committee, and we are delighted to see those who might be here for the first time or those who have been before us many times. Thank you all for the great work that you do and for your leadership.

I am just wondering, Mr. Turner, do you remember when you were sworn in as the Inspector General of the Department of Labor?

Mr. TURNER. That would have been December 7, 2021.

Senator CARPER. Does that date have any special meaning to you, when you think of it, besides for being sworn in that day? Any other special meaning?

Mr. TURNER. Not that I can think of.

Senator CARPER. It is Pearl Harbor Day, the anniversary of Pearl Harbor, when we lost so many. I am a retired Navy captain, so for my family it is something that is real.

For the people in Delaware it is also real in another way. It is the day that Delaware ratified the Constitution. It became the first State to ratify the Constitution. For one whole week we were the entire United States of America (USA), and then we opened it up and let in Maryland, Pennsylvania, and the rest. I think it has turned out OK, for the most part, but it is still early.

When you look at the Preamble of the Constitution—this is where I am going with this—it starts off, as you recall, “We, the people of the United States, in order to form a more perfect union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty.”

We are talking about here the response of our country, our people over the last two years to really, in a way that is consistent with the Preamble of the Constitution, promote the general welfare and secure the blessings of liberty to ourselves and our posterity.

It is important work, and it is consistent with what our Founding Fathers, the framers of the Constitution, had in mind.

I have a couple of questions. I probably will not have time to ask all of them, unless the Chairman wants to require everybody else to yield their time to me, which is probably not likely.

But my first question would be of you, Mr. Miller. Over the last couple of years, through two administrations, Congress has approved about \$4.5 trillion, I am told, to support COVID response and recovery efforts. So far, agencies have obligated \$4.2 trillion. I am not sure how far back we have to go in our nation’s history where that is actually more money than we would spend in a given year through the Federal Government. It is probably not all that far. It is a huge amount of money, and requires a lot of oversight. We want to thank all of you and the folks who work for you, with you, for leading the oversight effort and for testifying today.

Mr. Miller, we learned a lot about Federal and State technology systems, staffing, resources, and communication processes during the pandemic. We are still learning. My constituents would tell me that we learned a lot about what did not work as well as what did. In your testimony you outlined a number of steps the Administration is taking to improve communications and access across the Federal Government, in execution across the Federal Government.

With that said, State and local governments are responsible for implementing, as you know, many of these programs. How is the Administration ensuring they have the necessary support and sufficient communications with Federal agencies? That would be my question for you, Mr. Miller.

Mr. MILLER. Great. Thank you for that question, Senator. Yes, State, local, tribal, territorial (SLTT) governments are critical in successful implementation. Open communication channels, both at an agency level and an administration level and a program level are important. Certainly this is something that Treasury has done, and it is well underway, in terms of implementing the programs over the course of pandemic relief. We are also taking steps on this as we are implementing the Bipartisan Infrastructure Law, where that specific set of investments is almost entirely reliant on States, localities, tribal, and territorial governments.

One additional way, in partnership with the oversight community, that we are trying to make sure that we have strong collaboration and coordination, is not with those executing the programs but with those who are auditing and investing in the programs, so that they have the information that they need to protect program integrity and support States and localities in executing these programs.

Senator CARPER. All right. Thank you for that response. My second question would be, Mr. Turner, for you. The question deals with improving the unemployment insurance program, something that some of us on this Committee have given a lot of time and attention to.

Mr. Turner, I have a wonderful constituent services team. They work hard every day to advocate for Delawareans seeking help, but including Federal assistance. The top issue we hear about is delays in processing unemployment insurance claims. That may be at the top of the charts in terms of complaints that we hear from our constituents. These delays predate the COVID pandemic, but the pandemic has certainly exacerbated this particular issue.

You noted in your testimony ongoing challenges with States having sufficient staffing and systems resources to manage UI claims. You also noted an earlier, unsuccessful attempt by the Department of Labor to help States modernize their legacy IT systems through Federal funding. Why did this not work, and what lessons has the Department of Labor learned from this effort?

Mr. TURNER. Let me first say thanks for the question. First, we have been identifying, for the last 20 years, the Labor OIG, some of the problems that are existing now with COVID. These are problems with lack of IT modernization. As a matter of fact, around 2010, there was \$7 billion that was dedicated and funded for States to modernize their systems, and in most cases they did not. In some cases, I think of the \$7 billion that was set aside for that only

\$4 billion was actually used. About \$2 billion was used to pay benefits, which was allowed, but I think it should have gone toward the modernization. Those were some of the challenges.

But when we look at the work we have done the last 20 years, to include 10 years ago, we find some of those same problems, and those problems actually added to the explosion in terms of lack of support for claimants, during COVID.

Those have been some of the challenges. Also, I think the biggest thing was that a lot of the States were not adjusting to the new UI care packages, in a sense, because some of them were different. I will give you an example. The gig from the PUA, that was different because this was talking about, in some cases, gig workers, self-employed workers. There were different requirements for those workers. In some cases there was not the safeguards that had been in the normal UI program.

Senator CARPER. OK. Mr. Chairman, if I could, for the record, I will state the question and then ask you to respond, Mr. Turner, for the record. How can Congress and the Administration work together to effectively help States address staffing and systems shortfalls moving forward? The last thing for the record, a question. There has been a good deal of conversation about data gaps that are challenging effective oversight. What steps is the Administration willing to take to address these gaps and how can Congress help?

Again, our thanks to all of you. I hope you feel welcomed here. We very much welcome you, and I think you know that, and your teams, the folks that are sitting behind you and those that you represent. God bless you. Thank you. Happy St. Patrick's Day, even if you are not Irish.

Chairman PETERS. Thank you, Senator Carper.

Senator CARPER. We are lucky to have you in our service.

Chairman PETERS. Thank you, Senator Carper.

Senator Hawley, you are recognized for your questions.

OPENING STATEMENT OF SENATOR HAWLEY

Senator HAWLEY. Thank you very much, Mr. Chairman. Thanks to everybody for being here, to the witnesses.

Mr. Miller, if I could start with you. I want to try to understand what is happening with the special inspector general for pandemic recovery. This is, as you know, a position that this body, Congress, created when we passed the CARES Act several years ago now. The Senate confirmed a nominee to lead that office. Multiple Senators have referred complaints to that office. For example, on July 15, 2020, Senator Warren wrote to the Special Inspector General for Pandemic Recovery (SIGPR) calling for an investigation into a "COVID lobbying palooza"—those are her words—and stating her understanding that SIGPR was created—I am quoting her again now—"to investigate any fraud, waste, and abuse of Coronavirus Aid Relief in the Economic Security Act funds."

On August 6th of that year, 2020, 28 other Senators—that includes me—wrote to SIGPR requesting an investigation into 43 Planned Parenthood affiliates that applied for and received CARES Act funds through the Small Business Administration's Paycheck Protection Program, despite clear rules against that.

My point is that multiple Senators have referred multiple things to SIGPR. It is in the legislation. However, the Biden administration and DOJ, in consultation with OMB, stripped SIGPR of almost all of its jurisdiction pretty much as soon as he came to office, in April 2021. I am trying to understand what is going on here. Why has SIGPR been stripped of its jurisdiction? Why is it not able to perform its mandated functions? What is happening here?

Mr. MILLER. Senator, thank you for the question to receive clarity on this issue. The dispute that you are referring to go back into the prior administration with regards to SIGPR's authorities. SIGPR went to the Office of Legislative Counsel (OLC), at DOJ, which makes determinations for the Executive Branch regarding authorities when they are disputes within the Executive Branch. OLC consulted with OMB informally, as it would on any matter, where it felt OMB's input would be useful. OLC determined that the legislation had specific authorities for SIGPR, and the Executive Branch follows what OLC determines.

Senator HAWLEY. You are saying that OMB did not recommend that SIGPR be stripped of its jurisdiction? Is that your testimony?

Mr. MILLER. OMB answered questions and input from OLC and did not make a determination. OLC made a determination.

Senator HAWLEY. Will you provide us with records of that communication?

Mr. MILLER. It occurred before my time. I would welcome follow-up discussion.

Senator HAWLEY. Wait a minute. The OLC-OMB communication occurred before your time? It occurred under this Administration, though.

Mr. MILLER. I was sworn into office at the end of April.

Senator HAWLEY. But it occurred during the Biden administration, right? I do not particularly care when you were there. I care when it happened. I care that you are there now and have some authority. It does not matter to me when you were in office or not. It matters to me that you are before this Committee, that presumably you have sworn an oath to answer to this Committee the questions. I am asking you a direct question, whether you will give us the communications. I do not care if you were there or not.

Mr. MILLER. I would welcome follow-up with you on this, Senator Hawley.

Senator HAWLEY. Is that a yes or a no or a maybe?

Here is the deal. I want to know why in the world this Administration has taken an act of Congress and gutted it, and that is what they have done with SIGPR. You have gutted it. There are trillions of dollars that have—let us just review. The CARES Act spent more money than we spent on World War II, and we have no effective oversight, in my view, of how that money is being spent when it comes to waste, fraud, and abuse, because this Administration has chosen to gut the IG system that was set up to oversee it. I want to know why, and I want to know if we can get the information from you. That is my question to you.

Mr. MILLER. This Administration has taken active steps to reassert the role of IGs in providing oversight.

Senator HAWLEY. SIGPR?

Mr. MILLER. OLC made a determination with regards to SIGPR's authorities. In 2020, actions were taken to undermine the IG community. We believe that IG roles——

Senator HAWLEY. Indeed actions were taken to undermine the IG. In April 2021, this Administration gutted this IG. They gutted the IG that we created, that Congress created, on a bipartisan basis, and that bipartisan groups of Senators have referred information to. Now this entity cannot carry on its work because your Administration gutted it.

Let me come back to my question. Will you provide this Committee the communication between OLC and OMB regarding the decision to gut SIGPR?

Mr. MILLER. You are welcome to request——

Senator HAWLEY. I am requesting it now. That is what I am doing.

Mr. MILLER. We will look into the specifics of the communication and absolutely get back to you on that.

Senator HAWLEY. So is that a yes?

Mr. MILLER. I would like to look into the specifics of the communication.

Senator HAWLEY. That sounds like, frankly, a non-answer to me, and unfortunately, that has been the case for a year now, since this Administration gutted SIGPR. I have introduced legislation that would restore SIGPR's jurisdiction and restore its funding. Frankly, I think it is being funded on a shoestring budget. It needs to be funded more than it is. It needs to have the full resources to carry out its mission to oversee waste, fraud, and abuse and get to the root of it in this huge amount of spending that we did for an unprecedented crisis. But to do that amount of spending, and to look at the fraud reports that we have been getting, and to not have SIGPR funded and with its jurisdiction fully intact to me is totally inexplicable. I continue to be amazed that the Administration is doing this.

I will follow up with you, but frankly, I am disappointed in your answer.

Let me ask about something else. Yesterday, The New York Times reported that the Biden administration is taking \$377 million in Federal emergency housing aid from States mostly controlled by Republicans—I am quoting from The New York Times—and redirected that cash to States that have already used their allotted money, including New York, California, and New Jersey.

Is there statutory authority for this?

Mr. MILLER. I am not familiar with the specific decision that you are referring to, but I am happy to follow up with you on it.

Senator HAWLEY. It is right here. "Treasury shifts \$377 million among States as pandemic housing aid dries up," from The New York Times. It is about the \$46 billion in emergency rental assistance that this program enacted back in 2020.

Mr. MILLER. It is a program that is critical to keeping people in their homes.

Senator HAWLEY. My question to you is, is there statutory authority to shift around almost half a billion dollars from one State to another without the State's consents.

Mr. MILLER. I would expect the Treasury only take action consistent with statutory authority. If they did to, it would be inappropriate.

Senator HAWLEY. OK. That is a yes, you think there is statutory authority? What would it be? Can you direct me to the——

Mr. MILLER. I would be happy to follow up with you on the specifics. Again, if Treasury took action that was inconsistent with statutory authority that would be inappropriate, and I would hope that Treasury's IG would say so as well.

Senator HAWLEY. My time has expired here and there are other Senators who want to ask questions. I have a few questions for you, Mr. Turner, about some of the things that you have discovered in terms of delays and providing disaster relief, so I will get those to you for the record. Thanks for the work you are doing. Thanks to you all for being here.

Thank you, Mr. Chairman.

Chairman PETERS. Thank you, Senator Hawley.

Senator Padilla, you are recognized for your questions.

OPENING STATEMENT OF SENATOR PADILLA

Senator PADILLA. Thank you, Mr. Chair. I appreciate the participation of all the witnesses here today.

Let me begin by uplifting a dynamic of disparities. There has been a lot of talk in recent years, and not just relative to COVID but because of the impacts of COVID, responses to COVID. A lot of the preexisting inequities in our society have been exacerbated, frankly. Although underserved communities, in many ways, experience disproportionately the harms from the COVID pandemic, from a health perspective, from an economic perspective, and more, Federal relief programs often fail to reach those most in need.

Federal legislation enhanced unemployment insurance benefits, for example, and expanded eligibility amid the severe economic shock caused by the pandemic. However, during the first year of the pandemic, Black and Latino applicants were less likely to receive unemployment insurance benefits than white applicants. We have the data that tells us that.

Additionally, a University of California, Los Angeles (UCLA) report found that the first distribution of loans through the Paycheck Protection Program actually widened pre-pandemic racial inequalities by supporting far fewer jobs per resident in Black and Latino neighborhoods than in white neighborhoods in California. I would be shocked to think that that was an isolated dynamic to California alone.

These disparities are certainly not new, as I mentioned, but the COVID-19 pandemic certainly exacerbated them, and it is particularly disconcerting that Federal relief programs may have made disparities even worse. I am proud that the American Rescue Plan included language that helped put equity front and center as part of our recovery efforts, but we need to make sure that its implementation actually improves upon those underlying inequities.

My first question is for Deputy Director Miller. How is the Biden administration using COVID relief efforts and other Federal funding to address these underlying inequities?

Mr. MILLER. Thank you, Senator. Thank you for the opportunity to talk about these efforts. As I noted in my opening remarks, the pandemic disproportionately harmed underserved communities, and too often relief did not reach those intended. One of the early actions of the Administration was making adjustments to the PPP program for the items that you noted that were widely and publicly reported in terms of access to PPP loans for some of the smallest, disadvantaged businesses, at a time where Black-owned businesses were closing at twice the rate of other types of businesses, making sure that they had access to PPP.

Another thing that we have done with regards to implementation of ARP is on the front end of programs, bringing together, as noted, the gold-standard meetings with agency IGs, the PRAC, OMB, the ARP implementation team, and agencies so that we are taking steps in program design, ensuring that both relief is targeted where intended, and that we are putting in place reporting mechanisms that get the right balance between ensuring that we are getting the outcomes that we need while reducing burden for applicants.

Senator PADILLA. That definitely acknowledges the progress that has been made in thinking about this on the front end, and I certainly hope that it becomes institutionalized and baked into efforts going forward across the board.

The next question is for Chair Horowitz. I would like to ask what recommendations you may have for how the Federal Government can better ensure that underserved populations are prioritized for funding and resources.

Mr. HOROWITZ. Senator, thank you for the question. One of the challenges we found again is the data gaps here. What we have seen is we have looked to see how have underserved communities been advantaged by these programs, or disadvantaged by these programs. We are finding there is a lack of data. We are not sure what the backgrounds are of those who have gotten the loans. We are not sure about the economic status of individuals who have applied. It has been one of the things we have reported on, and we have actually held hearings on, about some of the challenges in us even trying to figure out how that came about. I think one of the first things is agencies making sure they get data.

Another is what GAO found, in a report they did about PPP and the furtherance of the PPP program, by ensuring that Community Development Financial Institutions were available to distribute loans. That was an important step forward, a very important GAO report in that regard.

Also, with regard to how programs were run, operated, and money was distributed, what we found is those who did not have internet service, those who did not have the ability to apply through the processes set up could not get it, and that harms mostly those in rural communities and in underserved communities, generally, because of broadband issues.

Senator PADILLA. That is a classic example, where it might have been well intentioned, not completely thought through. Efficiency is to be gained by being primarily digital, but without recognition of yes, a digital divide is still alive and well in America. We are only worsening those pre-existing gaps and inequities.

Mr. HOROWITZ. Can I add one other—

Senator PADILLA. Please.

Mr. HOROWITZ [continuing]. Which is the fraud we have talked about. It not only victimizes the program, but particularly for several of these programs it victimizes those who they were intended for, which often are those most in need. We actually had a meeting about this just the last couple of weeks, on the identity theft issue—we heard from representatives of underserved communities about how what happens when people in underserved communities seek to apply for those benefits, that they are the ones legitimately entitled to but their identities have been stolen. It turns out they are the ones being in question, as if they are the fraudsters. They are the ones that struggle to get their identities back.

It is actually a very big issue. When we talk about identity theft we think about how the programs have been defrauded, but they harm the people whose identities were stolen.

Senator PADILLA. I would like to follow up with you on what we are doing after the fact to assist those who have been victims of identity theft, as opposed to, sorry, we are going to make this hard for you, and we leave them on their own to figure it out.

I know my time is limited. I do want to put one more issue on the table here, and that is the use of facial recognition, and more specific to how it has been brought up earlier in the hearing.

As we continue to combat fraud, to your point, in Federal programs, it is important that our efforts to provide program integrity do not come at the cost of privacy and accuracy. I recently joined Senator Menendez and other colleagues in sending a letter to the IRS, highlighting well-documented concerns about the use of facial recognition technology, especially for individuals who have poor internet service at home, who rely on computers in public libraries, for example, or who use older phones, or for whom English is not their first language.

I am pleased that the IRS has taken initial steps to transition away from the use of facial recognition technology to verify identity. However, given the gravity of the threat to civil rights and civil liberties by this technology, especially against immigrants and people of color, and other vulnerable communities, I remain concerned about the continued use of this technology and the vast amount of biometric data that agencies and contractors are managing.

Question for Comptroller Dodaro. How do you think agencies can best uphold the integrity of the programs without undermining the civil rights and civil liberties of program beneficiaries?

Mr. DODARO. They have to make sure that they first address those issues, they recognize what those issues are and properly address it. They need to go through the due process of hearing from different people. But you have to understand the technologies. Facial recognition, a lot of agencies are using it now, mostly in the law enforcement communities. We have made several recommendations about this, and some of the technologies have built-in limitations in them. You have to understand the limitations in the technology, particularly for people of color for facial recognition technologies and others.

There are ways to do it, but it has to be a very thorough, deliberative, careful process that make sure that it is only used with proper understanding of not impinging on people's civil liberties.

Senator PADILLA. Obviously I have a lot to follow up on there, in a deeper dive on specifics. I would argue because it is not in more widespread use among other departments, other agencies, other sectors, not just the Federal Government, does not mean that it is not problematic in those areas as well. Let us not point to it is being used in law enforcement as to a reason to forge ahead without the thoughtfulness required.

Mr. DODARO. I understand, and that is what I am saying. I am saying that even in law enforcement it needs to be careful. We have made recommendations on making sure people understand the information that they are getting. But if you go outside that area you need to have due care. We are in agreement on that.

Senator PADILLA. Thank you.

Mr. DODARO. Can I add one thing on that, because there has been a lot, and there is a lot to be concerned about it. But it cannot also paralyze us and agencies from taking steps to prevent identity fraud and identity theft. There has to be that kept in mind. There are often times that we cannot use this tool so we will stop trying, and I just encourage, because it has such wide ramifications, the identity theft. We have seen it endemic in these programs over the last few years, and it is hurting those who the money should go to.

Senator PADILLA. Thank you.

Chairman PETERS. Thank you, Senator Padilla.

Senator Scott, you are recognized for your questions.

OPENING STATEMENT OF SENATOR SCOTT

Senator SCOTT. Thank you, Chair Peters. This is an important hearing and I want to thank everybody for being here, and I want to thank each of you. I have read your reports and they are very helpful, and thanks for working with my office to get us information.

My first question is for Mr. Miller, and it might have been asked before. I was not here for the whole hearing.

The Biden administration asked for another \$30 billion in COVID relief and did not ask that it be taken out of unspent COVID dollars. If you look at the numbers I think it is hundreds of billions of dollars that is unspent. Can you explain why the Biden administration does not think we should use unspent dollars?

Mr. MILLER. Sure. So 90 percent of pandemic relief funds have been obligated. The Administration requested \$22.5 billion in funds for additional action to support our needs going forward—vaccines, tests, treatments, supporting the uninsured. Like other emergency funding, we do not believe it needs to be offset. We think this is absolutely imperative, and we will work with Congress. OMB would be happy to provide technical assistance to you and Congress to move forward.

Senator SCOTT. I have been up here three years and I have been talking about this excessive government spending is going to cause inflation, and I am concerned about the Federal debt. The Committee for Responsible Federal Budget recently found that ongoing

COVID relief under the Biden administration is definitely contributing to inflation. They estimated these ongoing COVID programs will cost \$160 billion this year and cause a rise in the Consumer Price Index (CPI) inflation by 68 basis points if these policies continue.

Mr. Miller, could you talk about exactly where we are with CPI and PPI, and what the Biden administration is doing to bring inflation down?

Mr. MILLER. Sure. I think first, stepping back, when you look at GDP over the last year it is at 5.7 percent. Unemployment rate is down to 3.8 percent. It was the largest year of job growth on the record. We have strong overall economic performance but real challenges, absolutely, with rising prices. The President laid out three actions to deal with that: supply chains, which throughout the pandemic have continued to create challenges; the second, competition, making sure that we have appropriate competition in the market to drive down prices; and third, investing in things that matter, for families that are impacting their bottom lines, like prescription drugs, like childcare.

Of course, the Fed plays an important role with its dual mandate, stable prices and full employment.

Senator SCOTT. Do you know where CPI is now and PPI, what the numbers are now?

Mr. MILLER. Yes. The number was quoted earlier by Senator Portman, 7.9 percent.

Senator SCOTT. What is it?

Mr. MILLER. 7.9 percent.

Senator SCOTT. How about the Federal debt? Can you talk about where we are now and what do you think ought to be happening with the Federal debt?

Mr. MILLER. I think the President has been clear on this. We are putting forward budgets that are responsible, where increased spending proposals and tax cuts are paid for. That was true with the fiscal year 2022 budget. That will be true for the fiscal year 2023 budget.

Senator SCOTT. What is our debt now?

Mr. MILLER. It is over \$20 billion.

Senator SCOTT. Also, can you talk about deficits? The Biden administration has run significant deficits. Can you talk about what the deficit was last year and what you anticipate, how you anticipate to reduce it?

Mr. MILLER. So deficit is on its way down. The most important thing is driving an economic recovery, putting forward budgets that are responsible, as this President is committed to doing. Those are going to be our steps.

Senator SCOTT. The deficit was \$2.8 trillion. I mean, that is the second-biggest deficit in the history of the country.

Mr. MILLER. Yes.

Senator SCOTT. I mean, this is not sustainable.

It is my understanding that the Biden administration made the decision to not require the States to go after individuals that committed fraud with regard to the unemployment under COVID. Is that accurate?

Mr. MILLER. That is not accurate. States should be going after individuals that committed fraud under the unemployment insurance program.

Senator SCOTT. OK. There is nothing the Biden administration has put out to tell the States that they do not have to go after people for unemployment fraud?

Mr. MILLER. If somebody has committed fraud, someone should go after them, and we should put resources behind doing it.

Senator SCOTT. If States did not do the right thing to watch how the money was spent, do they owe the money back to the Federal Government?

Mr. MILLER. These systems were overwhelmed. The systems were fully overwhelmed. They were underfunded. They were under-resourced, period. We saw that. We saw huge claims backlogs. We saw people attacking these State systems. We put money into the unemployment insurance system, critical lifeline for millions of Americans.

But clearly—and you saw this with the rise in improper payments—it showed that we need to fix these systems, and one thing that I hope that we can do together is really take a serious look at how are we going to fix these systems. I believe the Comptroller General talked about the number of years which we have had improper payment rates, at inflated levels in UI, and we need to fix it going forward.

Senator SCOTT. Will the Biden administration go after States that violated the law?

Mr. MILLER. States that violate the law?

Senator SCOTT. Yes. If States did not comply with the law, are you going to go after them?

Mr. MILLER. The President does not have any tolerance for fraudsters. He does not have any tolerance for not complying with the law.

Senator SCOTT. If States decided to allow people to go on unemployment, even though they were employed, gainfully employed, would the Biden administration go after those States for allowing that to happen?

Mr. MILLER. You have a combination of actions that happened. During the early stage of 2020, where you had overwhelmed systems, you sometimes had undertrained employees making substantial numbers of mistakes, sometimes someone who is eligible making an overpayment or an underpayment, and other times an individual committing fraud on the system. We should go after the fraudsters, first and foremost, and dedicate our resources accordingly.

Senator SCOTT. If anybody intentionally did not enforce the law, you will go after them also?

Mr. MILLER. If someone identified that there is fraud, they should go after those who are committing fraud.

Senator SCOTT. But somebody intentionally did not enforce the law, will you go after them? If a State decided not to enforce the law?

Mr. MILLER. If the State decided not to enforce the law.

Senator SCOTT. Right. If they decide to say, they are going to let people go on unemployment that did not have any right to go on unemployment, that is against the law.

Mr. MILLER. If that individual fraudulently obtained dollars through the unemployment insurance system then yes, they should be prosecuted accordingly.

Senator SCOTT. Mr. Turner, I am thankful the OIG initiated an audit of the Department's oversight of unemployment insurance integrity activities, and your team does a great job. Is your ongoing investigations into the pandemic-related unemployment program, in your investigation what have you uncovered so far?

Mr. TURNER. What we have uncovered is that, again, to go with what Mr. Miller mentioned, there is a lack of training, a lack of modernization, and in some cases there has been uneven distribution of the rules and regulations when it comes to unemployment fraud by the States because there are obviously 54, 53 entities.

Senator SCOTT. So is it accurate that the Administration issued guidance to the States saying they are not required to recoup erroneously disbursed funds?

Mr. TURNER. No, I have not seen anything. I know they put out a waiver that the Department has recently sent out, and that waiver specifically stated that fraud would not be tolerated.

Senator SCOTT. Do you believe the Administration is going to go after States, the people that erroneously collected unemployment?

Mr. TURNER. I would expect they would. We plan on putting that on our audit, in terms of looking at that area.

Senator SCOTT. All right. I thank all of you. Thank you.

Chairman PETERS. Thank you, Senator Scott.

Votes have been called. I am going to proceed to vote. Senator Rosen will take the chair, and prior to her moving over here, Senator Lankford, you are recognized for your questions.

OPENING STATEMENT OF SENATOR LANKFORD

Senator LANKFORD. Thank you, Mr. Chairman. Thank you. Thank you to the witnesses. Thanks for being here.

Mr. Miller, I want to follow up as well. Senator Scott had mentioned before that there had been some questions just on spending and what has happened already with the spending that has occurred, what is left of different accounts. You had mentioned before you did not feel like some of the new spending for COVID needs an offset. We are still trying to get answers to questions of what has been spent, and what category.

Some pretty basic things. Obviously, COVID vaccine acquisition, the distribution of the COVID vaccine, research and development (R&D) for COVID vaccine, test production, test acquisition, therapeutics production and acquisition, PPE purchased. I mean those are pretty standard questions to be able to go through on it, to be able to get total dollars, to be able to see what has been spent from each account and then what is unspent on it. How could we best get those totals?

Mr. MILLER. Sure. First, overall, over 90 percent of funds have been obligated over pandemic relief efforts. USAspending.gov as well as the PandemicOversight.gov captures spending by recipient, by State. In addition to that, at the request of Congress, OMB has

been providing ARP balances, ARP obligations, to budget committees, both parties.

Some specifics, \$30.4 billion spent on COVID-19 vaccines; \$13.5 billion spent in vaccine support, like distribution and tracking and promoting vaccine. I am happy to provide that information. Senator Romney also sent a letter to the White House, as you may be aware, along similar lines.

Senator LANKFORD. Right. So we are trying to figure out, can we also get what has been spent versus what is obligated?

Mr. MILLER. We sent a response to him with regards to the specifics, going through some of the key categories. Those online, our [USAspending.gov](https://www.usaspending.gov), has obligations as well as outlays, in terms of what has been spent.

I would note, one of the things that is an important distinction in some of the funds that have been unobligated, they may have been allocated. For example, the biggest buckets within ARP is the State and local relief fund at the Treasury Department. Because it was tranched, a lot of States and counties know the amount of money they are expected to get, and those tranches and the dates are defined in the statute. That means in most cases they have actually budgeted for those resources, even though they have not yet been obligated.

Senator LANKFORD. Do we have a listing of what has been reprogrammed?

Mr. MILLER. Do we have a listing of what has been reprogrammed? I would be happy to follow up with you on the specifics of the question around that.

Senator LANKFORD. Beautiful. There are multiple different categories. We hear that monies are reprogrammed into other areas. For instance, HHS moved money over to Office of Refugee Resettlement (ORR), dealing with unaccompanied minors. We are trying to get details of what has been reprogrammed, where were those reprogrammed.

DHS has been particularly difficult to be able to get reprogrammed dollar amounts and what has been moved from HHS down to the border. We understand quite a bit was moved to the border. Obviously there are pandemic issues related there as well, and they are still ongoing, but we are trying to be able to figure out what was actually reprogrammed and sent down there. Can we get a listing on that?

Mr. MILLER. I am happy to follow up with you on that.

Senator LANKFORD. That would be helpful.

Gene Dodaro, good to see you again.

Mr. DODARO. Good to see you, Senator.

Senator LANKFORD. Thanks for your extended work for so many years and so many things. There are lessons to learn from this as we go through. One of them, it deals with a topic that you and I have talked about for years, and it is the taxpayer's right to know, that OMB has been very engaged in trying to be able to apply.

OMB has been engaged in trying to be able to determine categories, to be able to list out for taxpayer's right to know. That is an ongoing work behind the scenes for them, that I think they are doing a really good job on trying to get done.

There are a lot of challenges in that. Are there lessons we can learn from trying to categorize things through COVID relief to be able to develop buckets of money in categories that could be transitioned in lessons learned for the long term, for taxpayer's right to know obligation?

Mr. DODARO. Yes. There are always lessons to be learned out of these activities. I think the main thing, though, that I am concerned about, that I have been trying to deal with is getting more timely information, regardless of the categories. This could help on the categorization, particularly for emergency spending, and they could adjust the codes that they use to code with Treasury on the money.

But part of the problem is that to get the information you requesting, to get it up to date, you have to get it from each individual agency. It is not on USAspending.gov, and it is delayed. You really do not have that information available. To me, the timeliness of this.

Now in the Recovery Act, when that was passed, the lesson learned out of that is you had direct recipient reporting to a website. You did not have to go through the agencies. In this case that was not used, as the important part of this. We are still going to have trouble finding out what the States did with the two funds that they had, because they are going to distribute it to sub-recipients. There is no auditing done of sub-recipient data.

One of the recommendations I make in today's testimony is to have the IGs—their requirement for auditing the data on USAspending.gov has expired, and unless Congress reinstates that requirement, very few IGs will audit the data. The quality and completeness of the data is still at risk. Of 57 or 56 entities that the IGs looked at, 44 IGs found problems with completeness, accuracy of that information. That needs to be a requirement. Nobody is auditing the sub-recipient data. I am going to take a look at what we can do at GAO, working with the IG community or whatever.

The basic lesson learned out of all this is better categorizations, as you suggest, and I think we have learned some things on that, not only coding the spending data but the procurement data in the systems. We have had some recommendations on that. But the main thing is the quality, the completeness, and timeliness are still major issues for all Federal spending.

Senator LANKFORD. Because we can get a big category and say X amount of dollars has been allocated, but trying to be able to get what it was spent for or where it went, how it went, was it actually used for that purpose at the end of it, we are not able to see at this point.

Mr. DODARO. No. You need better systems. One of the other recommendations that I recommended today, statutorily, is that Congress reaffirm the requirement for OMB and the agencies to have 5-year system modernization plans. A lot of the systems, financial management systems, are not able to produce that type of timely information. They can do it once a year, to get an audited financial statement, but to get the type of data, real-time data that you have, we need better systems. There needs to be better plans to get there.

Senator LANKFORD. Yes, we cannot do oversight of what we cannot see. To go back to Mr. Turner's comment earlier, billions of dollars are allocated to States years ago to be able to improve their unemployment systems, and those dollars were not actually allocated in actually improving systems. Then every State was hammered in 2020, and trying to be able to figure out how to be able to deal with this. Secret Service and everyone else was engaged in trying to be able to chase down fraud by the billions of dollars in unemployment systems because the States did not actually allocate the dollars toward actually modernizing their system. Additional dollars were allocated to the States to be able to improve their system, but we do not know if that is really being done at this point, other than States putting pressure on individuals to say that cannot happen again.

Mr. Turner, is that correct?

Mr. TURNER. That is correct, Senator.

Senator LANKFORD. Yes. That is an area that we are going to have to be able to work on long-term in how we handle the oversight on it. Thank you to all of you. Mr. Horowitz, you got off clean with me, so I apologize for that. We will visit another day.

Mr. TURNER. Although I would like to make one clarification. Earlier we talked about improper payments as far as being \$160 billion, and I think it was confusing as to whether that was improper payment or fraud. The \$160 billion was improper payment, and there was a smaller subset that they have not figured out yet what the fraud rate is.

Senator LANKFORD. Yes. It is still undetermined on how high the fraud rate. We know it is in the billions, but it is still undetermined what that number is.

OPENING STATEMENT OF SENATOR ROSEN

Senator ROSEN [presiding.] Thank you, Senator Lankford, for bringing up IT modernization, and the reason the real need for having systems that are nimble and flexible and work together, and I am all for that and will work with anyone on trying to improve that.

Thank you all for being here today. This is really an important topic of accountability, how we spend our money, what the data is, what we learn from it, what we do with it for the next time we need to react to whether, God forbid it is not a pandemic, but react to whatever situation that we have to do. We have an oversight responsibility.

We know when COVID-19 shut down our economy, almost exactly two years ago, Congress did act quickly to provide support for American workers and families in the form of enhanced unemployment assistance, direct tax credits, support for small businesses, and other programs. Of course, we made sure that these laws had unprecedented requirements around transparency, oversight, and auditing, that make this hearing possible today. I think we probably need to extend those timeframes as they are about to expire.

But I want to talk a little bit about the SBA, because over the past two years Federal relief programs, such as the Paycheck Protection Program, EIDL program have helped so many businesses, so many small businesses in Nevada, across the Nation, keep their

doors open, keep their workers on the payroll. In my State of Nevada, approximately 79,000 small businesses participated in the PPP program, and for you to know that 99 percent of businesses in the are small businesses. So it is particularly important to us.

But the PPP program helped us keep the doors open, helped people pay their employees, and I really want to thank Nevada's SBA office, their employees, all our financial institutions. Everybody worked hard to be sure their friends, their community members, had all the proper tools to see it through, and we are not quite through yet.

Mr. Dodaro, every program, every agency is different. We are legislating in a crisis. Of course, we just had to go out and do what we needed to do. We set up a number of new programs. How should agencies like the SBA, which never before has stood up such a large program in such a short amount of time, how can we help them better develop strategies to prevent fraud? Can GAO provide a general framework or assistance? Because I hope this is the last time we have to do something so quickly but it may not be. And so the lessons learned, how can we help the SBA help our small businesses?

Mr. DODARO. Yes, Senator Rosen. First, we have developed a framework for helping agencies prevent fraud and how they could follow that process. Congress legislated GAO's framework be implemented in 2016. Unfortunately, a lot of agencies, including SBA, did not implement that legislation as intended. They were supposed to designate an entity to focus full-time on anti-fraud activities, do fraud risk assessments.

SBA, just in February 2022, designated their anti-fraud agency, after I recommended again during the pandemic. They have done their first risk assessments, but it is all done after all the money has been spent.

There were expectations that these things be addressed before the pandemic occurred, but the agencies did not move. There needs to be more assertive encouragement, both from OMB and the Congress, to focus on this going forward.

SBA also resisted overtures that I made early in the pandemic to help them. During the global financial crisis we worked with the Treasury Department to put in internal controls right in the beginning of the Troubled Asset Relief Program (TARP). They were able to get a clean audit opinion. We got most of the money back from the banks.

SBA did not heed any of our recommendations. We even had difficulty getting information out of SBA on who was getting the loans initially. I had to go to the Congress and try to get support from the Congress to get basic information out of them. I have talked to every administrator that has been there. It is better now than it had been. But in the beginning they needed to accept some help, and they needed help but they rebuffed it.

I think the lesson to me out of this thing is that it is better if Congress, in legislating future emergency spending, make it very clear about how the agency is to accept recommendations from the oversight community and get some help, because we all have, collectively, lots of experience. We could have helped them avoid a lot

of these pitfalls, and they need to aggressively implement and deal with these fundamental management weaknesses ahead of time.

Senator ROSEN. I think you are exactly right. No time to waste. When there is a crisis we need to have an all-hands-on-deck approach in order to do the right thing, particularly by taxpayer dollars.

I know that all of my colleagues ahead of me talked a lot about unemployment, and so I am not going to belabor the point about that. But we know there was some fraud in unemployment. Of course, there are always people who try to game the system, whatever the system.

Mr. Turner, could you talk about how fraud may have threatened not just the taxpayer dollars but how it could have slowed down legitimate applications? Because I know in Nevada we had people who legitimately were waiting for their unemployment, and the system, of course, was flooded with so many others. How does fraud impact people who really deserve to get it, like in my State of Nevada, and, of course, these outdated systems, maybe what role that had to play in it?

Mr. TURNER. What it did, it delays those claims, is actually what happens. I think the Department shoots for trying to get claims out at 87 percent by 14 to 21 days. And so that did not occur in the first couple of months, due to fraudulent attempts. That was part of the challenge. It slowed the actual people that needed those benefits from actually getting them.

We did some work on that and we found out—and we actually put out an alert on that, to the Department, because we were concerned about, obviously the goal is to get those out very swiftly, and when that does not happen then you have people that are actually losing homes and other things like that.

The Department also identified, a few months later, that out of 53 entities, only five had met that requirement of getting it out in 14 to 21 days. So that is a challenge the Department understood, and we did make them aware of through our audit reports.

Senator ROSEN. Thank you. As I said, as a former computer programmer systems analyst, I want to have nimble systems that collect the data and supplies the data to all of us to do the appropriate audits. Because data tells a story if you know how to analyze it correctly. This is case, again, for IT modernization, for us to be nimble, to help us all do our jobs better.

I thank you all for being here today. It is a really important discussion. I thank you for your work and your insight, and ensuring the effective use of the nearly \$7 trillion in COVID-19 funds. It was no easy task. But we look forward to working with each of the witnesses here today on critical steps to ensuring that taxpayer dollars are spent efficiently and effectively, because they deliver critical services to the American people. The testimony we have heard today will help inform our legislative efforts and I appreciate it.

The record for this hearing will remain open for 15 days, until 5 p.m. on April 1, 2022, for the submission of statements and questions for the record.

This hearing is now adjourned. Thank you.

[Whereupon, at 12:18 p.m., the hearing was adjourned.]

A P P E N D I X

**Chairman Peters Opening Statement As Prepared for Delivery
Full Committee Hearing: Pandemic Response and Accountability: Reducing Fraud and
Expanding Access to COVID-19 Relief through Effective Oversight
March, 17 2022**

The Committee will come to order.

Today, we will examine the federal government's efforts to conduct oversight of vital pandemic relief spending.

Over the past two years, Congress has authorized historic levels of emergency relief to address the public health and economic challenges caused by the COVID-19 pandemic.

This important emergency relief helped ensure that families could make ends meet, and businesses could continue paying their employees during lockdowns. It also helped ensure that much-needed personal protective equipment could be secured, and that lifesaving vaccines could be developed, to help get our nation closer to bringing the pandemic under control.

The federal government's efforts to tackle this pandemic have been a monumental task, and our federal agencies have been working around the clock to help keep Americans safe, and make sure this critical aid reached the families, small businesses and health care providers who needed it most.

There is no question that there were challenges in getting these programs off the ground, and that criminals wishing to take advantage of these resources made fraudulent attempts to access funds.

That is why I was proud to work with Senator Johnson to ensure that these important emergency relief bills included important oversight mechanisms, like the Pandemic Response Accountability Committee, or PRAC, to ensure these funds were being used as Congress intended, and to prevent waste, fraud and abuse.

Along with the PRAC, each of the agencies represented here today have taken exhaustive efforts to ensure the effective use of the nearly \$7 trillion in COVID-19 relief funding passed by Congress, that provided critical aid to Michiganders and Americans across the country.

Over the last two years, these key oversight bodies, and agency inspectors general, have issued more than 350 reports, and more than 500 recommendations to improve our nation's pandemic response. This included efforts to uncover inefficiencies, such as outdated systems and infrastructure, and develop innovative practices to detect and prevent fraud and identity theft, while improving transparency for the American people.

The PRAC's Pandemic Analytics Center of Excellence has facilitated access to more than 150 million records that would otherwise have not been available to inspectors general and law enforcement. And the broader inspectors general community has made nearly 1,300 indictments and 1,000 arrests for pandemic-related fraud.

While I'm grateful for these successes and, that our federal government got relief funds out the door as quickly as possible, the swift release of funding also exposed the potential for mismanagement and lack of internal controls that left many programs vulnerable, especially to fraud.

For example, instead of a thorough examination of an applicant's eligibility, many programs substituted this requirement with quicker self-reported information, which contributed to funds mistakenly being sent to deceased individuals, ineligible applicants, or fraudulent criminal schemes.

In fact, Unemployment Insurance programs have consistently ranked as one of the highest-risk federal benefits programs for known or suspected fraud. And the Department of Labor Office of Inspector General estimates more than \$87 billion may have been paid improperly.

Most shockingly, even before the release of COVID-19 relief funding, some estimates note Unemployment Insurance often has an improper payment rate above 10%, including for 14 of the last 17 years.

While some measures have been taken to remediate these well-known problems, tracking down and recouping money that has already been improperly spent has proven to be a difficult and ineffective solution.

Congress and the Administration must better understand the underlying causes that led to the fraud across these programs, and put the government on stronger financial footing for any future spending priorities.

I look forward to hearing today from our panel of experts who will discuss their roles in preventing improper payments and reducing fraud across these federal spending programs.

Opening Statement [as prepared]

Ranking Member Rob Portman

Homeland Security and Governmental Affairs Committee Hearing:

“Pandemic Response and Accountability – Reducing Fraud and Expanding Access to
COVID-19 Relief through Effective Oversight”

Thursday, March 17, 2022 10:15 AM

Thank you, Chairman Peters.

I’m glad we’re having this hearing. Over the last two years, the United States government has spent more than 5 trillion dollars¹ responding to COVID-19. We provided this money to expand unemployment benefits, to support small businesses, and to meet other challenges. This spending continued even after we began to hear warnings from economists like Larry Summers—who said that our massive spending could “**set off inflation pressures of a kind we have not seen in a generation.**” I echoed these warnings when I opposed the \$1.9 spending package passed along partisan lines through Congress in March of last year.

Those warnings came true. Now, inflation is at 7.9 percent—a 40 year high. And it is expected to continue climbing. American families—paying more for less every day—are left wondering if their money was spent wisely.

Against this backdrop, we have learned that billions of dollars spent to help American families were stolen by individual criminals and transnational criminal

¹ Pandemic Response Accountability Committee, *Here's how much pandemic relief money has been spent*, <https://www.pandemicoversight.gov/> (last visited March 15, 2022).

organizations (TCOs) who used fraudulent schemes to exploit the COVID-19 pandemic for their own financial gain.² Many of these criminals are overseas—from China, Nigeria, Russia and elsewhere.

It is hard to know exactly how much money was stolen; estimates range from 87 to 400 billion dollars.^{3,4} To put this in context, the low estimate here is larger than the entire annual Department of Homeland Security budget. We could send almost six times the recently authorized amount of aid to Ukraine with this money stolen from the American people. We are talking about one of the largest frauds committed against the American people in our history. And even though we do not know exactly how COVID relief funds were spent or exactly how much was stolen⁵, the Administration requested billions in additional COVID-19 funding.⁶

One of the biggest sources of fraud involves the unemployment insurance programs. These benefits were designed to help Americans who lost their job

² Press Release, U.S. Dep't of Justice, *EDVA Takes Action Against COVID-19 Fraud in 2021* (Dec. 20, 2021), <https://www.justice.gov/usao-edva/pr/edva-takes-action-against-covid-19-fraud-2021>.

³ The Department of Labor IG originally estimated that \$87 billion in pandemic unemployment benefits may have been paid improperly, with a significant portion attributable to fraud. See U.S. Dep't of Labor, Off. of Inspector Gen., *DOL-OIG Oversight of the Unemployment Insurance Program* (last updated Jan. 3, 2022), <https://www.oig.dol.gov/doloiguooversightwork.htm>.

In his testimony, we expect the DOL IG to state that this number is likely to exceed \$163 billion.

⁴ Felix Salmon, *Half of the pandemic's unemployment money may have been stolen*, AXIOS (JUN. 10, 2021), <https://www.axios.com/pandemic-unemployment-fraud-benefits-stolen-a937ad9d-0973-4aad-814f-4ca47b72f67f.html>.

⁵ Letter from Senators Romney, Portman, et al., to President Biden (Mar. 2, 2022).

⁶ Letter from Shalanda Young, Acting Director, Office of Management and Budget, to Nancy Pelosi, Speaker of the House (Mar. 2, 2022), <https://www.whitehouse.gov/wp-content/uploads/2022/03/COVID-and-Ukraine-Supplemental-Funding-Request-Pelosi.pdf>.

because of the pandemic, to help them get back on their feet during a turbulent time in the labor market. Instead, billions of these dollars went to criminals who used stolen identities and lax safeguards to steal the money away from Americans who needed it.⁷

Another major source of fraud involves the Paycheck Protection Program and the Economic Injury Disaster Loan program. These are two programs designed to help small businesses survive the pandemic. Like the unemployment insurance funds, however, these small business loans became easy targets for criminals, both here and abroad. Money that was supposed to employ American workers instead funded organized crime, and purchased luxury cars and mansions for criminals.⁸

The purpose of this hearing is to examine the Government's oversight of this massive spending. Specifically, we need to understand how this fraud occurred, what we can do to get the money back, and how we can prevent it in the future. The witnesses we have here today are in a good position to start this conversation.

At the beginning of the Pandemic, Congress established the **Pandemic Response Accountability Committee** to provide oversight of the pandemic relief. This group of 21 Inspectors General were appropriated \$120 million and tasked

⁷ *Fact Sheet: President Biden to Announce New Steps to Combat Criminal Fraud and Identity Theft in Pandemic Relief Programs*, THE WHITE HOUSE (Mar. 1, 2022), <https://www.whitehouse.gov/briefing-room/statements-releases/2022/03/01/fact-sheet-president-biden-to-announce-new-steps-to-combat-criminal-fraud-and-identity-theft-in-pandemic-relief-programs/>.

⁸ See Press Release, U.S. Dep't of Justice, *Texas Man Sentenced for \$24 Million COVID-19 Relief Fraud Scheme* (July 28, 2021), <https://www.justice.gov/opa/pr/texas-man-sentenced-24-million-covid-19-relief-fraud-scheme>.

with preventing fraud and mitigating risks associated with the pandemic-relief funds. And the Government Accountability Office, the Office of Management and Budget, and the Department of Labor's Inspector General also had a role to play in overseeing these funds and programs. Each of the witnesses today brings a unique perspective from these agencies.

I look forward to hearing what each witness has to say about their role in the oversight of these funds, and about their plans to help fix the structural problems that allowed this fraud to occur in the first place. I thank the witnesses for testifying, and look forward to engaging in discussion with them. Thank you.

WRITTEN TESTIMONY OF
JASON S. MILLER
DEPUTY DIRECTOR FOR MANAGEMENT
OFFICE OF MANAGEMENT AND BUDGET
BEFORE
SENATE COMMITTEE ON HOMELAND
SECURITY AND GOVERNMENTAL AFFAIRS

MARCH 17, 2022

Thank you very much, Chairman Peters, Ranking Member Portman, and members of the Committee.

I appreciate the opportunity to speak to you alongside my colleagues from the oversight community. As the Deputy Director for Management (DDM) at the Office of Management and Budget (OMB), I am responsible for OMB's management responsibilities. These functions include the oversight of agency performance and the functions supporting efficient and effective management, at the direction of the Director of OMB. In my role as DDM, I also serve as the Chair of the President's Management Council and Executive Chair of the Council of the Inspectors General on Integrity and Efficiency (CIGIE). My testimony will focus on OMB's role in overseeing relief spending, including: what we've done and what we've learned, our cooperation with the oversight community, and how we are continuing to improve Government effectiveness in delivering relief during times of crisis.

Two years ago this month, the World Health Organization declared COVID-19 a pandemic. Within weeks, the novel coronavirus swiftly transformed American's lives. In response to the ensuing public health crisis and global economic downturn, Congress enacted several historic relief laws in 2020—including the Families First Coronavirus Response Act, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and the Consolidated Appropriations Act, 2021—which delivered resources to combat the pandemic and much-needed emergency relief to individuals, businesses, and State, Tribal, local, and territorial governments.

Despite these significant interventions, President Biden came into office amidst a still-raging pandemic and weak economic recovery. The United States saw declining job growth in the fourth quarter of 2020, including 115,000 lost jobs in December 2020, along with broader economic uncertainty. In fact, unemployment claims were on the rise again, from 735,000 claims per week to 855,000 claims per week from November 2020 to January 2021.

One year ago this month, President Biden and Congress took action through the American Rescue Plan (ARP) Act of 2021. To support Government-wide implementation, the President appointed an ARP Implementation Coordinator in the White House, building on the model he oversaw as Vice President in 2009 for implementation of the American Recovery and Reinvestment Act (ARRA). The ARP has enabled efforts to combat COVID-19, provided much-needed immediate economic relief, and helped get our children back in schools. The Biden Administration has distributed critical relief to more than 6 million small businesses through the Paycheck Protection Program (PPP), Economic Injury Disaster Loans (EIDL),

Shuttered Venue Operators Grants, and the ARP Restaurant Revitalization Fund; supported households through Economic Impact Payments, unemployment insurance (UI), and the expanded Child Tax Credit; and provided flexible funds to State, Tribal, local, and territorial governments and school districts to fight COVID-19, keep schools open, address student learning loss, expand the workforce, and prevent cuts to services, as we saw during the recovery from the Great Recession.

The ARP and other actions taken by the Biden Administration helped jumpstart a historic economic recovery. Moody's estimated that without the ARP, real GDP in 2021 would have grown by 3 percent. Instead, real GDP grew by 5.7 percent, the fastest annual real GDP growth since 1984. Last month, the economy added 678,000 new jobs, bringing the total job growth since January 2021 to 7.4 million. Long-term unemployment reached its COVID-19 peak in March 2021 and has since seen its biggest drop in more than 70 years. The unemployment rate overall has dropped to 3.8 percent, a rate that CBO projected the U.S. economy would not reach at any point over the next decade.

While together we have made substantial progress, there is more work to be done. And despite the success and impact of pandemic relief efforts, the unparalleled scope and speed of the more than \$5 trillion in relief has highlighted a range of challenges, including in the areas of program design and implementation, the integrity of Government systems, and equitable delivery of relief funding.

One such challenge was that the speedy delivery of benefits at the outset of the pandemic came with certain tradeoffs. To meet the moment, Congress passed legislation that in some instances set expedited disbursement deadlines. For example, in 2020, Treasury was required to award the entirety of the \$150 billion Coronavirus Relief Fund to States, local governments, and Tribes within 30 days of enactment of the CARES Act. In turn, expedited timelines affected other aspects of program design, such as a need to relax programs controls. In 2020, only self-certification was required for applicants to the Department of Labor Pandemic Unemployment Assistance program (PUA), and the Small Business Administration was restricted from obtaining Federal tax transcripts to verify eligibility for the EIDL program. Congress addressed these recognized challenges in the Consolidated Appropriations Act, 2021, enabling the control gaps in UI and the EIDL program to be tightened, but by that point the programs had already become an attractive target for criminals, including increasingly sophisticated criminal organizations looking to exploit the benefits system and defraud American taxpayers during a historic crisis.

The pandemic also laid bare serious cracks in under-resourced Government systems that struggled to deliver benefits effectively at speed. In particular, the 53 different systems run by states and territories that administer UI benefits were overwhelmed by the historic surge of claims—surging from 211,000 to 6.6 million per week in March 2020—that jammed the States' underfunded and outdated IT architecture. In January 2021, claims were still above 800,000 per week, which, despite a substantial drop from the unprecedented highs in early 2020, was a volume significantly higher than initial claims had ever been before the pandemic. The unprecedented volume in 2020 led to lengthy backlogs and delays for claimants, slowing payments to millions of individuals reliant on that relief. The resulting challenges encountered by State unemployment systems also led to a rise in improper payments, some portion of which

involved payment to fraudsters. From July 2020 to June 2021, the estimated improper payment rate for UI totaled 18.7 percent, roughly 5-8 percentage points higher than during a normal, non-pandemic 12-month period. The full scope of problems accumulated in the UI system in the early pandemic period are still being discovered.

Finally, while the pandemic disproportionately harmed underserved communities and individuals, early relief efforts often failed to reach those most in need of relief. For example, while Black workers were far more likely to apply for UI benefits during the pandemic, they had a lower success rate than White workers in receiving benefits for which they were eligible. Research has also documented large disparities among younger workers, workers with lower levels of formal education, and workers with disabilities, who were much less likely to report receiving UI benefits if they were unemployed during the pandemic compared to older workers, workers with higher levels of formal education, and workers without disabilities. And because of program design choices, the 2020 version of PPP ran out of funding before many small and minority-owned businesses could access the resources, even though Black-owned businesses closed early in the pandemic at a rate that was twice as fast of that of White-owned businesses.

These challenges are part of the landscape the Administration has navigated over the past 14 months to combat the pandemic, provide relief, and support economic recovery. The Administration's approach, since the beginning, starts with a commitment to effective, efficient, and accountable implementation of Federal relief programs. The Administration's efforts have focused on ensuring the delivery of timely relief to intended beneficiaries, while strengthening Government's ability to act as a trustworthy steward of taxpayer funds.

At the outset of this Administration, President Biden made clear his commitment—grounded in his personal experience implementing ARRA—to protect taxpayer dollars and improve program design through collaboration and communication with the oversight community. A cooperative relationship with the oversight community has proven essential to addressing the challenges inherited by the Biden Administration, while also ensuring that implementation of new and expanded programs in the ARP is done in a manner that is equitable, effective, and accountable.

Independence and collaboration are the hallmarks of the Administration's approach to oversight, with a focus on frequent, proactive, and open engagement with the oversight community on program design, financial controls, and reporting measures. To enable this approach, OMB has worked to repair relationships with agency Inspectors General (IGs) and the broader oversight community, including the Pandemic Response Accountability Committee (PRAC) and the U.S. Government Accountability Office (GAO).

We have put the President's commitment into practice through the implementation of the ARP, where we have focused on getting it right at the "front end" of programs to mitigate risk with a focus on prevention, rather than "pay and chase." The new joint "Gold Standard" meetings offer a good example. OMB and the White House ARP Implementation team pioneered these meetings, which convene agency program officials, agency IGs, and PRAC leadership to jointly review new or significantly expanded ARP programs before launch. We want to fully leverage all of the experience and expertise of the oversight community, while respecting its independence. The process has had significant effects on program design and financial controls,

leading to more frequent, detailed, and rigorous reporting and continued cooperation and dialogue among agency leaders and their respective agency IGs.

We have also found ways to collaborate outside of program design through the publication of joint payment integrity alerts issued by OMB and the PRAC. The first alert, [Risk Factors and Suggested Mitigating Strategies](#), reinforced for agencies important payment integrity risk factors and successful mitigation strategies. The second, [The Use of Automation and Data Analytics](#), provided agencies concrete and actionable applications for how data analytics and automation can help agencies mitigate payment integrity risks, while ensuring equitable program access. Similarly, OMB, in conjunction with the General Services Administration and incorporating feedback and input from agency IGs, published a [Behavioral Insights Guide for Improving Payment Integrity](#) to help agencies apply behavioral sciences principles to the prevention of improper payments.

To institutionalize the President's commitment and the lessons learned from these new practices, in December 2021, OMB issued M-22-04, [Promoting Accountability through Cooperation among Agencies and Inspectors General](#). M-22-04 instructed Federal agencies to restore and respect the integrity and independence of their IGs and to ensure that IG offices can exercise their vital oversight role. It also detailed best practices for cooperating with IGs, protecting whistleblowers, responding to IG recommendations to facilitate program improvements, and communicating clearly to all agency employees regarding this approach.

With the benefit of the expertise and recommendations of the oversight community, the Biden Administration has taken assertive and concrete steps to take on inherited challenges and to strengthen program design and delivery going forward, ensuring relief reaches those it was intended to help while preventing relief from being spent incorrectly.

Early in the Administration, it was clear that specific corrective actions were needed. For example, within weeks of taking office, the Administration recalibrated the PPP program to better assist the smallest of small businesses and companies. The SBA instituted a 14-day period during which only businesses with fewer than 20 employees could apply for relief through the program and eliminated an exclusionary restriction that prevented small business owners who were delinquent on their Federal student loans (disproportionately Black borrowers) from obtaining relief. As noted in a GAO report, [Paycheck Protection Program: Program Changes Increased Lending to the Smallest Businesses and in Underserved Locations](#), these equity-minded reforms increased loan access for the smallest and minority-owned businesses that were largely left out of earlier funding. Additionally, on March 5, 2021, to support implementation of the Payment Integrity Information Act of 2019, OMB issued Memorandum M-21-19 on [Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement](#), which provided a payment integrity framework for Federal agencies and created a more comprehensive and meaningful set of requirements. The framework set forth in M-21-19 supports agencies in balancing improper payment risks and controls with administrative burden and building the capacity to help prevent future improper payments.

Soon following the passage of the ARP, in March 2021, OMB released Government-wide implementation guidance (M-21-20), [Promoting Public Trust in the Federal Government](#)

[through Effective Implementation of the American Rescue Plan Act and Stewardship of the Taxpayer Resources](#). This Government-wide guidance required agencies to institute robust financial controls as well as rigorous new reporting requirements for relief programs. These measures go meaningfully farther than what ARP required and also farther than was required by existing statutory reporting requirements. To ensure accountability and transparency, M-21-20 also required agencies to establish detailed and accurate award descriptions at the time of award—a longstanding recommendation of the oversight community. Additionally, recognizing the breadth of ARP programs and their recipients, M-21-20 established a framework for OMB and agencies to develop program-specific performance and financial reporting measures, tailored to the intended outcomes of a specific program. This program-specific approach is intended to balance transparency, accountability, recipient burden, and program flexibility in order to facilitate appropriate program-level reporting.

In addition, the United States Digital Service (USDS) within OMB has utilized funding provided through ARP to deploy small, responsive teams of designers, engineers, product managers, and other specialists to work with and support civil servants on critical projects focused on program implementation, service modernization, and crisis response. These efforts have yielded improved customer experience and new tools that have supported millions of people in finding and accessing timely relief.

Throughout implementation, the Administration has used lessons learned and recommendations from the oversight community to improve program outcomes. For example, the Department of Labor utilized a portion of the \$2 billion in ARP funds—designed to modernize the UI system, prevent fraud, and promote equity—to tackle the challenges experienced in 2020 and early 2021. The agency awarded grants to 50 States and territories to fight fraud and prevent identity theft, including through identity verification, expanding data analytics, and cybersecurity defense strategies; deployed experts to work hand-in-hand with State UI officials to fix problems that enable multistate fraud; embarked on a long-range plan to update obsolete IT systems to ease backlogs and prevent improper payments; and began awarding grants to promote equity and accessibility in the UI system. At the same time, the Department of Labor changed policy from the prior Administration to require States to give the Labor IG access to State UI claim and wage data for the entirety of the pandemic period to help detect and prevent fraud, particularly multistate fraud. Additionally, the Administration collaborated with the PRAC to review the EIDL program before the loan threshold was increased to \$2 million, which resulted in the addition of new controls, including new safeguards to detect against suspicious IP addresses, additional program eligibility checks, and other preventative measures.

Even as we work to prevent fraud in the future, we are also working to recover resources from criminals who have defrauded American taxpayers. The Department of Justice and others in the enforcement community have undertaken an unprecedented effort to prosecute and recover stolen funds. The Justice Department reported last week that, to date, they have filed criminal charges against over 1,000 defendants and opened over 240 civil investigations into more than 1,800 individuals and entities, together involving billions of dollars in suspected fraud. Just last week, the Justice Department appointed a Director of COVID-19 Fraud Enforcement to lead civil investigations and criminal prosecutions into pandemic fraud, including those involving identity theft and other egregious practices, through use of newly established strike force teams.

We must also look to the lessons learned in implementing pandemic relief to strengthen Federal programs and shore up systemic vulnerabilities for the future. There are four areas I want to call out, all of which warrant further consideration.

First, pandemic relief highlighted numerous cross-cutting vulnerabilities in our systems, requiring cross-cutting approaches in response. One of the pervasive challenges has been the rise of identity theft to defraud Federal benefits programs. Despite the expiration of many pandemic relief programs, the threat of identity theft to commit fraud on current and future programs is an ongoing one. Importantly, the threat exists across programs. In response to this threat, President Biden launched the *Initiative on Identity Theft Prevention and Public Benefits* on May 17, 2021, calling on the ARP Implementation Coordinator and OMB—in consultation with the PRAC, agency IGs, and GAO—to prevent individuals from defrauding public benefits programs. This Initiative will take additional steps as part of a forthcoming Executive Order on preventing and detecting identity theft involving public benefits, while protecting privacy and civil liberties and preventing bias that results in disparate outcomes.

Second, while there is substantial focus on both preventing and recovering fraudulent payments, we also need to devote increased attention to the victims of fraud. Victims of public benefits-related identity theft currently face a labyrinthine recovery process. Additional actions to support victims should be considered, including how to better interface with implicated Federal and State agencies and resolve resulting harms like tax records and credit issues.

Third, the Administration will call on Congress to heighten the penalties for criminals who commit egregious fraud by amending the Emergency and Disaster Assistance Fraud Penalty Enhancement Act of 2007 to provide for penalty and sentencing enhancements for pandemic-related fraud.

Fourth, the cross-cutting efforts, oversight coordination, and analytical capabilities enabled by the PRAC warrant further consideration as both a set of ongoing capabilities for the IG community and as a model for targeted implementation for major relief efforts or investment initiatives.

Thank you for your attention to these critical issues. I look forward to working with the Committee to strengthen the implementation of Federal programs, particularly during times of emergency.



United States Government Accountability Office

Testimony

Before the Committee on Homeland
Security and Governmental Affairs,
United States Senate

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EMERGENCY RELIEF FUNDS

Significant Improvements
Are Needed to Ensure
Transparency and
Accountability for
COVID-19 and Beyond

Statement of Gene L. Dodaro,
Comptroller General of the United States

GAO Highlights

Highlights of [GAO-22-105715](#), a testimony before the Committee on Homeland Security and Governmental Affairs, United States Senate

Why GAO Did This Study

During emergencies, federal agencies must get relief funds out quickly while ensuring appropriate financial safeguards are in place. GAO noted early in the COVID-19 pandemic that agencies gave priority to swiftly distributing funds and implementing new programs; however, tradeoffs were made that limited progress in achieving transparency and accountability goals.

As of January 31, 2022 (the most recent data available), the federal government had obligated \$4.2 trillion and expended \$3.6 trillion, 90 percent and 79 percent, respectively, of the \$4.6 trillion in funds from six COVID-19 relief laws.

This testimony focuses on GAO's assessment of (1) federal agencies' application of fundamental internal controls and financial and fraud risk management practices for COVID-19 spending, and (2) opportunities for Congress to improve these practices during emergencies and national crises.

GAO reviewed its COVID-19 findings on internal controls and financial and fraud risk management practices. GAO compared those findings to fundamental practices for internal control, financial management, and fraud risk management.

What GAO Recommends

GAO has made 271 recommendations and five matters for congressional consideration across its COVID-19 work. In today's testimony, GAO is making 10 matters for congressional consideration intended to enhance the transparency and accountability of federal spending.

View [GAO-22-105715](#). For more information, contact Jessica Farb at (202) 512-7114 or farbj@gao.gov.

March 17, 2022

EMERGENCY RELIEF FUNDS

Significant Improvements Are Needed to Ensure Transparency and Accountability for COVID-19 and Beyond

What GAO Found

When reviewing the federal government's response to the COVID-19 pandemic, GAO found that agencies had significant shortcomings in their application of fundamental internal controls and financial and fraud risk management practices. Such shortcomings—stemming in part from the need to distribute funds quickly—were exacerbated by existing financial management weaknesses. As a result, billions of dollars were at risk for improper payments, including those from fraud, providing limited assurance that programs effectively met their objectives.

To help address these shortcomings, GAO suggests Congress take legislative action to address the following:

- **New program improper payment reporting.** (1) Designate all new federal programs distributing more than \$100 million in any one fiscal year as "susceptible to improper payments," and, thus, subject to more timely improper payment reporting requirements; and (2) require agencies to report improper payment information in their annual financial reports.
- **Fraud risk management reporting.** Reinstate the requirement that agencies report on their antifraud controls and fraud risk management efforts in their annual financial reports. Such reporting will increase congressional oversight to better ensure fraud prevention during normal operations and emergencies.
- **Fraud analytics.** Establish a permanent analytics center of excellence to aid the oversight community in identifying improper payments and fraud.
- **Chief Financial Officer (CFO) authorities.** Clarify that agency CFOs have oversight responsibility for internal controls over financial reporting and key financial information; and require agency CFOs to (1) certify the reliability and validity of improper payment risk assessments and estimates and monitor associated corrective action plans, and (2) approve improper payment estimate methodology in certain circumstances.
- **Internal control plans.** Require the Office of Management and Budget (OMB) to provide guidance for agencies to develop internal control plans that can then be put to immediate use for future emergency funding and require agencies to report such plans to OMB and Congress.
- **USAspending.gov.** (1) Clarify the responsibilities and authorities of OMB and Treasury for ensuring the quality of federal spending data available on USAspending.gov, and (2) extend the previous requirement for agency inspectors general to review agency data submissions on a periodic basis.
- **Data sharing.** Amend the Social Security Act to accelerate and make permanent the requirement for the Social Security Administration to share its full death data with Treasury's Do Not Pay working system.

Collectively, these actions can help agencies ensure that they can distribute funds rapidly while having appropriate financial safeguards in place. In addition, these actions will help increase transparency and accountability and strengthen agency efforts to provide proper stewardship of federal funds.

United States Government Accountability Office

Chairman Peters, Ranking Member Portman, and Members of the Committee:

I appreciate the opportunity to discuss the federal government's response to the COVID-19 pandemic. To address this crisis, Congress and the administration have provided about \$4.6 trillion in relief funding, as of January 31, 2022.¹ Agencies across the federal government acted quickly to stand up new programs and greatly scale up existing programs. Federal COVID-19 relief funds were distributed broadly to state, local, tribal, and territorial governments, businesses, and individuals to combat the effects of the pandemic on the public health system as well as the economy.

During public health and other emergencies or economic crises, federal agencies must get relief funds out quickly while ensuring appropriate financial and other safeguards are in place. Agencies can do so by applying effective internal controls, consistent with those used for nonemergency federal spending. Internal controls comprise the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity, and go hand-in-hand with effective financial and fraud risk management practices.² Federal internal control standards provide the overall framework for establishing and maintaining such a system. Collectively, these practices provide transparency and accountability to Congress and the public for federal spending.

The CARES Act includes a provision for us to report regularly on the public health and economic impacts of the pandemic and the federal response. GAO is to report on, among other things, the pandemic's effects on public health, the economy, and public and private institutions of the United States, including the federal government's public health and

¹Total budgetary resources, reported to Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System, reflect appropriations, as well as transfers, adjustments, recoveries, rescissions, and returns of unused indefinite appropriations. Therefore, amounts can fluctuate month to month.

²The Federal Managers' Financial Integrity Act of 1982 requires the Comptroller General to issue standards for internal control in the federal government. 31 U.S.C. § 3512(c). The Office of Management and Budget (OMB) Circular No. A-123 provides specific requirements for assessing and reporting on controls in the federal government. See, GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

homeland security efforts.³ Next month, we will issue our tenth recurring government-wide report since the pandemic began.⁴ In addition, we have issued 132 standalone reports, testimonies, and science and technology spotlights focused on different aspects of the pandemic.

Across this body of work, we have made 271 recommendations to federal agencies and raised five matters for congressional consideration.⁵ As of February 2022, agencies had fully or partially addressed 106 of these 271 recommendations, and Congress had fully addressed one matter. The intent of these recommendations were for agencies to implement mid-course corrections where appropriate and to increase transparency and accountability of the federal COVID-19 response and for future emergencies.

My comments today will summarize key findings from this body of work related to federal financial and fraud risk management during the COVID-19 pandemic. Specifically, I will discuss

1. our assessment of the federal government's application of fundamental internal controls and proper stewardship of federal funds and risk management practices for COVID-19 spending, and
2. opportunities for Congress to increase transparency and accountability of federal spending during emergency and nonemergency periods by strengthening federal financial and fraud risk management practices.

Given the government-wide scope of this work, we undertook a variety of methodologies. These methodologies included examining federal laws and agency documents, guidance, processes, and procedures, and available agency budgetary data and other financial and management information. In addition, we interviewed federal, state, and tribal officials, and industry representatives. We also reviewed prior GAO work. More detailed information on the objectives, scope, and methodology that this statement is based on can be found in the individual reports from which

³Pub. L. No. 116-136, § 19010, 134 Stat. at 579–81.

⁴For a complete list of our recurring CARES Act reports, see <https://www.gao.gov/coronavirus> and the Related GAO Products page at the end of this report.

⁵Of the 271 recommendations and five matters, 37 recommendations and two matters were aimed at improving agencies' internal controls and financial and fraud risk management practices.

we obtained this information. For this statement, we reviewed our COVID-19 findings on internal controls and financial and fraud risk management practices. GAO compared those findings to fundamental practices for internal control, financial management, and fraud risk management.

We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Federal COVID-19 Funding and Spending

In addition to the devastating effects on public health, the pandemic continues to have lingering effects on the economy. While the national economy continues to recover from the COVID-19 pandemic, indicators of inflation have generally increased in recent months, suggesting that inflation could be somewhat higher, and persist for somewhat longer than previously expected.

The six COVID-19 relief laws have provided about \$4.6 trillion for the response and recovery from the pandemic.⁶ As of January 31, 2022, the most recent date for which government-wide information was available at the time of our analysis, the federal government had obligated a total of \$4.2 trillion and expended \$3.6 trillion, 90 and 79 percent, respectively, of these relief funds, as reported by federal agencies to the Department of

⁶For the purposes of this testimony, the COVID-19 relief laws consist of the six laws providing comprehensive relief across federal agencies and programs that Treasury uses to report COVID-19 spending. These six laws are the American Rescue Plan Act of 2021 (ARPA), Pub. L. No. 117-2, 135 Stat. 4; Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, div. M and N, 134 Stat. 1182 (2020); Paycheck Protection Program and Health Care Enhancement Act, Pub. L. No. 116-139, 134 Stat. 620 (2020); CARES Act, Pub. L. No. 116-136, 134 Stat. 281 (2020); Families First Coronavirus Response Act, Pub. L. No. 116-127, 134 Stat. 178 (2020); and the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, Pub. L. No. 116-123, 134 Stat. 146. On March 9, 2022, Congress introduced an emergency supplemental bill to provide an additional \$15.6 billion in relief funds to continue the U.S. government's efforts to combat COVID-19 in the United States and abroad.

the Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System.⁷

The major spending areas shown in table 1 represent \$3.8 trillion, or 82 percent, of the total amounts provided. For these nine spending areas, agencies reported obligations totaling \$3.5 trillion and expenditures of government-wide COVID-19 relief funds totaling \$3.2 trillion as of January 31, 2022.

Table 1: COVID-19 Relief Funding and Spending, as of January 31, 2021

Dollars in billions

Major spending area	Total budgetary resources	Total obligations	Total expenditures
Economic Impact Payments (Department of the Treasury)	871.5	847.7	847.7
Business Loan Programs (Small Business Administration)	838.0	827.7	827.8 ^a
Unemployment Insurance (Department of Labor)	724.1	723.3	672.6
Coronavirus State and Local Fiscal Recovery Funds (Department of the Treasury)	350.0	245.3	245.3
Public Health and Social Services Emergency Fund (Department of Health and Human Services)	345.7	296.6	218.6
Education Stabilization Fund (Department of Education)	277.8	276.7	87.1
Coronavirus Relief Fund (Department of the Treasury)	150.0	150.0	149.9
Supplemental Nutrition Assistance Programs (Department of Agriculture)	117.1	80.8	79.4
Disaster Relief Fund (Department of Homeland Security) ^b	97.0	78.8	25.2

⁷An obligation is a definite commitment that creates a legal liability of the U.S. government for the payment of goods and services ordered or received, or a legal duty on the part of the U.S. government that could mature into a legal liability by virtue of actions on the part of another party that are beyond the control of the U.S. government. An expenditure is the actual spending of money, or an outlay. Expenditures include some estimates, such as estimated subsidy costs for direct loans and loan guarantees. Increased spending in Medicaid and Medicare is not accounted for in the funding provided by the COVID-19 relief laws. Federal agencies use the Governmentwide Treasury Account Symbol Adjusted Trial Balance System to report proprietary financial reporting and budgetary execution information to Treasury.

Major spending area	Total budgetary resources	Total obligations	Total expenditures
Other areas ^c	836.7	624.9	469.6
Total^d	4,607.8	4,151.8	3,623.3

Source: GAO analysis of data from the Department of the Treasury and applicable agencies. | GAO-22-105715

Note: Total budgetary resources, obligations, and expenditure data shown for the major spending areas are based on data reported by applicable agencies to Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System. Each spending area may include multiple programs. Total budgetary resources reflect the amount of funding made available for the COVID-19 response under the American Rescue Plan Act of 2021 (ARPA), Pub. L. No. 117-2, 135 Stat. 4; Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, div. M and N, 134 Stat. 1182 (2020); Paycheck Protection Program and Health Care Enhancement Act, Pub. L. No. 116-139, 134 Stat. 620 (2020); CARES Act, Pub. L. No. 116-136, 134 Stat. 281 (2020); Families First Coronavirus Response Act, Pub. L. No. 116-127, 134 Stat. 178 (2020); and Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, Pub. L. No. 116-123, 134 Stat. 146. Total budgetary resources reflect appropriations, as well as transfers, adjustments, recoveries, rescissions, and returns of unused indefinite appropriations. Therefore, amounts can fluctuate month to month.

An obligation is a definite commitment that creates a legal liability of the U.S. government for the payment of goods and services ordered or received, or a legal duty on the part of the U.S. government that could mature into a legal liability by virtue of actions on the part of another party that are beyond the control of the U.S. government. An expenditure is the actual spending of money, or an outlay. Expenditures shown include some estimates, such as estimated subsidy costs for direct loans and loan guarantees.

^aThe Small Business Administration's Business Loan Program account includes activity for the Paycheck Protection Program loan guarantees and certain other loan subsidies. These expenditures relate mostly to the loan subsidy costs (i.e., the loan's estimated long-term costs to the U.S. government). Reported expenditures were \$60 million greater than outlays for January 2022. SBA officials were unable to provide an explanation in time for this testimony.

^bFunding provided to the Disaster Relief Fund is generally not specific to individual disasters. Therefore, Treasury's methodology for determining COVID-19-related obligations and expenditures does not capture obligations and expenditures for the COVID-19 response based on funding other than what was provided in the COVID-19 relief laws. Further, Treasury's methodology includes all obligations and expenditures based on funding in the COVID-19 relief laws, including those for other disasters. In its Disaster Relief Fund Monthly Report dated February 7, 2022, the Department of Homeland Security reported COVID-19-related obligations totaling \$95.1 billion and expenditures totaling \$69.8 billion as of January 31, 2022.

^cSeveral provisions in the Families First Coronavirus Response Act and ARPA authorized increases in Medicaid payments to states and U.S. territories. The Congressional Budget Office estimated that federal expenditures from these provisions would be approximately \$76.9 billion through fiscal year 2030. The largest increase to federal Medicaid spending is based on a temporary formula change rather than a specific appropriated amount. Some of the estimated costs in this total are for the Children's Health Insurance Program, permanent changes to Medicaid, and changes not specifically related to COVID-19. This increased spending is not accounted for in the funding provided by the COVID-19 relief laws and therefore not included in this table.

^dBecause of rounding, amounts shown in columns may not sum to the totals.

Internal Controls

An effective internal control system helps agencies adapt to shifting environments, evolving demands, changing risks, and new priorities. Applicable standards for internal control call for agencies to, among other actions, design and document management roles and responsibilities, assess risk, communicate internally and externally, and monitor the effectiveness of the agency's controls.

Internal controls for managing and overseeing federal funding, including emergency relief spending, include the following key aspects:

- **Culture and structure.** Establishment of an organizational culture and structure conducive to managing risks related to fraud and improper payments (payments that should not have been made or that were made in an incorrect amount), including sufficient, appropriate resources to oversee risk management activities.
- **Quality data.** Maintenance of timely, reliable spending and other data to support the internal control system.
- **Risk assessment.** Assessments of the risk that fraud and other improper payments could occur, focus on changes in risk related to federal spending, and development and documentation of appropriate responses to identified risks, such as through a control plan.
- **Risk control.** Development and implementation of appropriate control activities to respond to identified fraud and improper payment risks, based on the control plan, including (1) an appropriate balance, based on risk and program needs, of pre- and post-payment controls to provide reasonable assurance that payments were made or used appropriately; and (2) appropriate analytical capacity.
- **Effectiveness assessments.** Regular assessment of the effectiveness of internal controls over fraud and other improper payments, including (1) estimates of improper payment amounts, (2) evaluation and documentation of deficiencies and their root causes, (3) determination of appropriate corrective actions, and (4) reports on the results of assessments and related actions taken to reduce fraud and improper payments.

Improper Payments

Reducing improper payments is critical to safeguarding federal funds. Improper payments have consistently been a government-wide issue.⁸ We have reported on improper payments as a material deficiency or material weakness in internal control in our audit reports on the U.S. government's consolidated financial statements since fiscal year 1997.

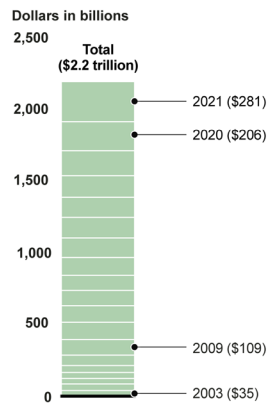
Since fiscal year 2003, cumulative improper payment estimates have totaled about \$2.2 trillion (see fig. 1).⁹ For fiscal year 2021, the Office of Management and Budget (OMB) reported that federal agencies had estimated about \$281 billion in improper payments, which was an increase of about \$75 billion from the prior fiscal year and approximately double the amount reported in fiscal year 2017.¹⁰ However, this estimate does not reflect all government-wide improper payments. Notably, several agencies with large programs that have been identified as susceptible to significant improper payments are not reporting estimates, and some reported estimates are not comprehensive.

⁸Improper payments include both overpayments and underpayments, any payments to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts under statutory, contractual, administrative, or any other legally applicable requirements. See 31 U.S.C. § 3351(4). When an executive agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be included in the improper payment estimate. 31 U.S.C. § 3352(c)(2). While not all improper payments are the result of fraud, all payments made as a result of fraudulent activities are considered to be improper payments. In addition, improper payment estimates are not intended to measure fraud in a particular program.

⁹In 2003, federal executive agencies were required by statute to begin reporting estimated improper payments for certain programs and activities. Statutes that govern improper payment reporting define executive agency to mean a department, an agency, or an instrumentality in the executive branch of the U.S. government. 31 U.S.C. § 102. Prior-year improper payment estimates have not been adjusted for inflation.

¹⁰Agencies report improper payment information at www.paymentaccuracy.gov—a U.S. government website managed by the Office of Management and Budget (OMB)—which contains, among other things, information about current and historical rates and amounts of estimated improper payments

Figure 1: Cumulative Government-wide Improper Payment Estimates for Fiscal Years 2003 through 2021 Totaled \$2.2 Trillion



Source: GAO. | GAO-22-105715

Note: The specific programs and total number of programs that constitute the government-wide sum of improper payment estimates vary from year to year. The number of programs included in the government-wide total generally increased over time as programs reported improper payment estimates for the first time. Generally, while decreases in estimated improper payments were reported for some programs in a specific fiscal year, these were more than offset by increases for certain other programs. For example, increases in improper payment rates and outlays in the Department of Health and Human Services' Medicaid and Department of Labor's unemployment insurance programs contributed to the large increases in estimated improper payments in fiscal year 2021.

Prior-year improper payment estimates have not been adjusted for inflation.

Improper payments are a pervasive problem across the federal government. For fiscal year 2021, 16 agencies reported improper payment estimates for 86 federal programs or activities. In addition, 26 of these 86 programs and activities reported estimated improper payment rates of 10 percent or greater.¹¹

¹¹Agencies are required to develop improper payment estimates and corrective action plans for any programs or activities identified as susceptible to significant improper payments by the agency administering the program or activity, OMB, or statute.

Our work on improper payments has provided suggested actions for Congress and federal agencies to enhance federal financial management and reasonably assure that appropriate actions are taken to reduce them. We also have ongoing work developing a framework for managing improper payments for emergency assistance programs. Specifically, the framework will incorporate standards for internal controls and financial and fraud risk management practices, as well as requirements and guidance from relevant laws and guidance on improper payments. This work will highlight aspects of managing improper payments that arise in the context of emergency assistance, which may necessitate special considerations. For more information on improper payment estimates across the federal government, see appendix I.

Fraud Risks in Federal Spending

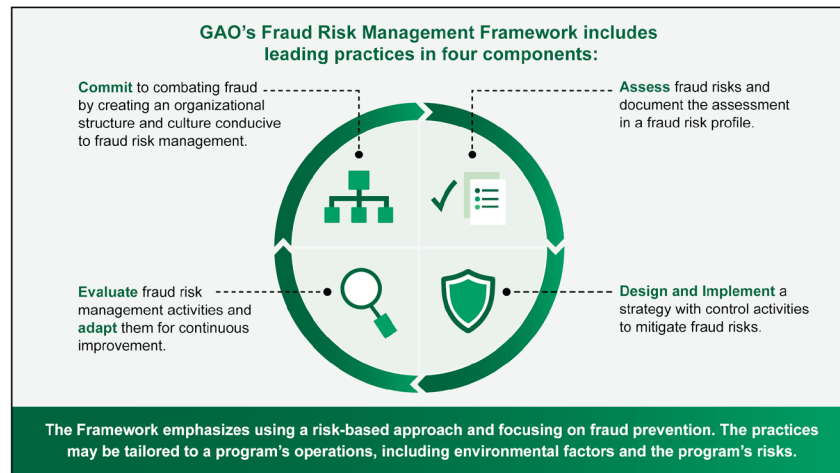
The public health crisis, economic instability, and increased flow of federal funds associated with the COVID-19 pandemic have increased pressures and opportunities for fraud—the act of obtaining something of value through willful misrepresentation. Recognizing fraud risks and deliberately managing them in an emergency environment can help federal managers safeguard public resources while providing needed relief.¹²

To help combat fraud in government agencies and programs—both during normal operations and emergencies—GAO published *A Framework for Managing Fraud Risks in Federal Programs* (Fraud Risk Framework).¹³ Issued in 2015, the Fraud Risk Framework identifies leading practices for managing fraud risk and encompasses control activities to prevent, detect, and respond to fraud, with an emphasis on prevention (see fig. 2).

¹²Fraud risks exist when individuals have an opportunity to engage in fraudulent activity, have an incentive or are under pressure to commit fraud, or are able to rationalize committing fraud. When fraud risks can be identified and mitigated, fraud may be less likely to occur. Whether an act is fraudulent is determined through the judicial or other adjudicative system.

¹³GAO, *A Framework for Managing Fraud Risks in Federal Programs*, [GAO-15-593SP](#) (Washington, D.C.: July 28, 2015).

Figure 2: Components of the Fraud Risk Framework



Source: GAO. | GAO-22-105715

In June 2016, the Fraud Reduction and Data Analytics Act of 2015 (FRDAA) was enacted. This act required OMB to establish guidelines for federal agencies to create controls to identify and assess fraud risks and to design and implement antifraud control activities.¹⁴ FRDAA further required OMB to incorporate the leading practices from GAO's framework in these guidelines. Although FRDAA was repealed in March 2020, the Payment Integrity Information Act of 2019 requires these guidelines to remain in effect.¹⁵

¹⁴Pub. L. No. 114-186, 130 Stat. 546 (2016).

¹⁵Pub. L. No. 116-117, § 2(a), 134 Stat. 113, 131-32 (2020) (codified at 31 U.S.C. § 3357). These guidelines may be periodically modified by OMB in consultation with GAO, as OMB and GAO may determine necessary.

In June 2020, we reported that because the government needed to provide funds and other assistance quickly to those affected by COVID-19 and its economic effects, federal relief programs are vulnerable to significant risk of fraudulent activities.¹⁶ Managers may perceive a conflict between their priorities to fulfill the program's mission—such as efficiently disbursing funds or providing services to beneficiaries, particularly during emergencies—and taking actions to safeguard taxpayer dollars from improper use. However, the purpose of proactively managing fraud risks, even during emergencies, is to facilitate, not hinder, the program's mission and strategic goals by ensuring that taxpayer dollars and government services serve their intended purposes.

Focusing on fraud prevention can help most effectively manage risks. However, when emergency response situations limit the use of preventive controls, agencies can leverage detective controls, such as through data collection and analysis, to help identify potential fraud more readily and to assist in response and recovery.

Agency Shortcomings in Internal Controls and Financial and Risk Management Practices Led to Significant Improper Payments and Fraud in COVID-19 Relief Programs

During the COVID-19 pandemic, there have been immediate needs for emergency relief funding. However, we found significant shortcomings in agencies' application of fundamental internal controls and financial and fraud risk management practices to reasonably assure that COVID-19 emergency relief payments were made properly, to eligible recipients, and that funds were used for their intended purposes. These shortcomings left agencies vulnerable to significant improper payments and fraud.

Agencies Lacked Appropriate Internal Controls to Monitor the Distribution and Use of COVID-19 Relief Funds

Although federal laws have required agencies to submit specific internal control plans for relief funds in previous emergencies, there was no such

¹⁶GAO, *COVID-19: Opportunities to Improve Federal Response and Recovery Efforts*, [GAO-20-625](#) (Washington, D.C.: June 25, 2020).

requirement for the COVID-19 pandemic.¹⁷ We found that many agencies—including those that administer some of the largest COVID-19 relief programs—did not develop effective internal controls or apply financial management practices to manage and oversee the distribution and use of COVID-19 relief funds. These internal controls and financial practices included designing, documenting, and finalizing policies and procedures for overseeing the distribution of relief funding; monitoring the receipt and use of funds, such as through post-payment reviews and recovery audits; and implementing mechanisms to verify recipients' eligibility and identity.¹⁸

An effective, robust internal control system helps agencies adapt to shifting environments, evolving demands, changing risks, and new priorities throughout the lifecycle of federal programs. We also found that, when new programs began or existing ones were greatly expanded, agencies frequently did not develop or implement preventive internal controls to help them oversee and assess relief programs prior to making any payments. In addition, agencies also delayed applying certain financial management practices, such as reviewing payments after they have been made, and did not have mechanisms in place to verify recipients' eligibility and identity.

¹⁷For example, in 2017 and 2018, three supplemental appropriations acts were enacted to provide disaster relief funding to help mitigate the effects of Hurricanes Harvey, Irma, and Maria and the California wildfires. See Pub. L. No. 115-56, div. B, 131 Stat. 1129, 1136 (2017); Pub. L. No. 115-72, div. A, 131 Stat. 1224 (2017); and Pub. L. No. 115-123, div. B, subdiv. 1, 132 Stat. 64, 65 (2018). These supplemental appropriations acts provided an internal control oversight framework to limit improper payments of these funds, requiring the Office of Management and Budget (OMB) to issue criteria for federal agencies to use in designing internal controls for spending disaster relief funding, and requiring federal agencies to submit their internal control plans for relief fund spending to GAO, their respective inspectors general, OMB, and Congress. In 2013, a supplemental appropriations act with similar internal control requirements was enacted to provide disaster relief funding following Hurricane Sandy. See Pub. L. No. 113-2, div. A, 127 Stat. 4 (2013).

¹⁸Post-payment reviews and recovery audits are additional financial management practices that agencies can use to determine whether payments were made appropriately to eligible recipients in correct amounts and used by recipients in accordance with law and applicable agreements. Agencies then use the results of such reviews and audits to recover, or collect, overpayments, unused payments, and payments not made or used properly from recipients. Recovery audits are not audits in the traditional sense, but rather control processes specifically designed to identify and recapture overpayments after they have been made.

Internal Controls

Paycheck Protection Program and Economic Injury Disaster Loans. Beginning in June 2020, in our first government-wide report on the federal response to the COVID-19 pandemic, we noted the need for the Small Business Administration (SBA) to develop and implement plans to respond to program integrity risks in its small business loan programs.¹⁹ Specifically, we recommended that SBA develop and implement plans to identify and respond to risks in the Paycheck Protection Program (PPP) to, among other things, ensure program integrity, achieve program effectiveness, and address potential fraud.²⁰ Similarly, in March 2021, we recommended that SBA implement a comprehensive oversight plan to identify and respond to risks in the Economic Injury Disaster Loan (EIDL) program to help ensure program integrity, achieve program effectiveness, and address potential fraud.²¹

In March 2021, based on our findings on these programs and the audit of SBA's fiscal year 2020 financial statements, we added SBA's emergency loans for small businesses issued under PPP and the EIDL program to our High Risk List.²² These two programs together comprise the largest amount of COVID-19 relief funding, estimated at over \$900 billion. While these loans and advances helped many small businesses, SBA's limited internal controls and lack of finalized oversight plans for these programs created significant risk of hundreds of millions of dollars in improper payments. Furthermore, SBA initially failed to provide us with key PPP and EIDL data and information on a timely basis, which impeded efforts to ensure transparency and accountability for the programs.

In addition to our findings about SBA's limited internal controls, the auditors of SBA's financial statements found issues with the agency's consolidated financial statements 2 years in a row. For fiscal year 2020, the SBA's consolidated financial statements received a disclaimer of opinion, meaning external auditors were unable to express an opinion

¹⁹GAO-20-625.

²⁰As of February 2022, SBA had partially addressed this recommendation.

²¹As of February 2022, SBA had partially addressed this recommendation.

²²We designate federal programs and operations as "high risk" due to their vulnerabilities to fraud, waste, abuse, and mismanagement, or because they need transformation. GAO, *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High Risk Areas*, GAO-21-119SP (Washington, D.C.: Mar. 2, 2021).

due to insufficient evidence.²³ Additionally, for fiscal year 2021, SBA received a disclaimer of opinion on one of its financial statements and the remainder were unaudited.²⁴ As the basis for both years' disclaimers, the auditors reported that SBA was unable to provide adequate evidence to support a significant number of transactions and account balances due to inadequate processes and controls related to its implementation of its programs authorized under the CARES Act and related legislation, including PPP. SBA's auditor made 30 recommendations in its fiscal year 2021 auditor's report to address control deficiencies related to these programs.

Payroll Support Program. In November 2020, we found that Treasury had not completed developing and implementing a plan to monitor recipients' compliance with the Payroll Support Program—which provided \$32 billion in assistance to aviation businesses—3 months after the first quarterly compliance reports were due.²⁵

Coronavirus State and Local Fiscal Recovery Funds. In October 2021, we reported that Treasury officials told us they were developing plans for overseeing the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF), including developing the department's approach for monitoring recipients' use of program funds. However, Treasury had not finalized or documented such plans for CSLFRF, which provides funds to states, local, and tribal governments, the District of Columbia, and U.S. territories for a broad range of costs stemming from the fiscal effects of the COVID-19 pandemic.²⁶ The American Rescue Plan Act of 2021 (ARPA) appropriated \$350 billion to Treasury for the program, and as of August 2021, Treasury had distributed approximately \$240 billion, or

²³See Small Business Administration, Office of Performance Management and the Chief Financial Officer, *Agency Financial Report for Fiscal Year 2020* (Washington D.C.: Dec. 18, 2020).

²⁴See Small Business Administration, Office of Performance, Planning and the Chief Financial Officer, *Agency Financial Report for Fiscal Year 2021* (Washington D.C.: Nov. 15, 2021).

²⁵GAO, *COVID-19: Urgent Actions Needed to Better Ensure an Effective Federal Response*, [GAO-21-191](#) (Washington, D.C.: Nov. 30, 2020).

²⁶GAO, *COVID-19: Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response*, [GAO-22-105051](#) (Washington, D.C.: Oct. 27, 2021).

Post-payment Reviews and
Recovery Audits

almost 70 percent, of these funds.²⁷ We recommended that Treasury finalize these key recipient monitoring policies and procedures; Treasury agreed with our recommendation. As of February 2022, Treasury officials had partially addressed this recommendation, but have yet to provide us with the documented policies and procedures.

Provider Relief Fund. In October 2021, we found that the Health Resources and Services Administration (HRSA), within the Department of Health and Human Services, had not established time frames for implementing and completing post-payment reviews for all Provider Relief Fund recipients. This fund provides financial relief to eligible health care providers that provided COVID-19 diagnoses, testing, or health care after January 31, 2020. As of December 31, 2021, HRSA had allocated about \$174 billion and had distributed about \$146 billion of the \$178 billion in appropriated program funds.

In addition to not establishing time frames for implementing and completing post-payment review of Provider Relief Fund spending, we found that HRSA had not finalized procedures for recovering overpayments or recovered the bulk of the overpayments that it had already identified from recipients. We recommended that HRSA establish time frames for completing post-payment reviews to promptly address risks and identify overpayments, as well as finalize and implement post-payment recovery of any Provider Relief Fund overpayments, unused payments, or payments not properly used. HRSA partially agreed with these recommendations but noted it would need to wait to begin certain recovery audits until after the grace period for provider reporting ended on November 30, 2021 or January 1, 2022, depending on when providers received their funds. As of December 2021, HRSA had not yet developed or implemented its plans for post-payment review or recovery audits of Provider Relief Funds.

Emergency Rental Assistance. In January 2022, we found that Treasury had not yet designed processes, such as post-payment reviews or recovery audits, for identifying and recovering overpayments made by grantees to households, landlords, or utility providers to help reasonably

²⁷Pub. L. No. 117-2, tit. IX, subtit. M, § 9901, 135 Stat. at 223 (codified at 42 U.S.C. §§ 802-03). Section 9901 of ARPA appropriated \$350 billion in total funding for two funds—the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund. For purposes of this testimony, we discuss these two funds collectively as the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF).

Recipient Eligibility and Identity Verification

assure payment integrity for the Emergency Rental Assistance (ERA) programs.²⁸ We recommended it do so; Treasury officials stated in January 2022 that the agency is working to establish such reviews and recovery audits, as well as initiating a desk review plan that uses risk-based analytics to identify the highest risk recipients.

Confirming the eligibility and identity of individuals to distribute payments correctly—such as through confirming wage information or housing status or verifying identity—are key activities that agencies can conduct to help identify and reduce improper payments, including those that result from fraud. Improper payments related to misrepresented eligibility or identity have been difficult for program offices to measure. As part of agency improper payment estimates, for fiscal year 2021 and onward, federal executive agencies are specifically required to report on the portion of their programs' improper payment estimates where the root cause of the improper payment is due to failure to verify identity.²⁹

We found that federal and state agencies have relied on self-attestation or self-certification for individuals to verify their eligibility or identity in order to receive assistance from some emergency relief programs, which left them open to significant fraud risks. For example:

- **Unemployment Insurance.** In October 2021, we identified that unemployment insurance (UI) programs, both the regular unemployment insurance program and pandemic-specific programs, were at risk of fraud. Fraudulent activities included individuals using stolen or fake identity information or personally identifiable information to apply for and receive unemployment benefits.³⁰ According to officials from the Department of Labor (DOL), although DOL was

²⁸Congress appropriated \$46.55 billion to Treasury for the ERA programs to address financial and housing instability caused by the COVID-19 pandemic. Congress appropriated these funds in December 2020 and March 2021, known as ERA1 and ERA2, respectively. For the purposes of this statement, we refer to ERA1 and ERA2 collectively as the ERA programs. Treasury uses the same approach but considers ERA1 and ERA2 to be separate programs managed by the same office. The ERA programs make funding available to state, territorial, tribal, and local governments (grantees), which are to use the funds to provide assistance to eligible households for rent, utility, and other housing-related expenses.

²⁹OMB Circular A-123, Appendix C, Requirements for Payment Integrity Improvement (OMB M-21-19). For fiscal year 2021, agencies estimated that about \$7.7 billion in improper payments included "identity" as a root cause.

³⁰GAO-22-105051.

aware of isolated occurrences of identity-related fraud before the pandemic, such as the use of false identities, it saw an increase in the frequency and volume of identity-related fraud, as well as significantly more sophisticated fraud schemes, since the pandemic began.

In June 2021, the DOL Office of Inspector General (OIG) reported that it had identified nearly \$8 billion in potentially fraudulent UI benefits paid from March 2020 through October 2020.³¹ DOL continues to invest in its own identity verification resources and has made funds available to states to address potential fraud and identity theft in the UI programs, but we recommended that it comprehensively assess fraud risk, such as identity theft, and examine the suitability of existing fraud controls. As of February 10, 2022, DOL had reported approximately \$32.6 billion in UI overpayments from April 2020 through December 2021, although these overpayments may not all have been the result of fraud.

- **Paycheck Protection Program and Economic Injury Disaster Loans.** In January 2022, we reported that a federal jury convicted an individual who had submitted fraudulent applications seeking more than \$1.5 million in PPP and EIDL loans for fictitious businesses. Specifically, this individual used the identities of elderly residents of senior living facilities and falsified official documents about these fictitious business to support PPP and EIDL applications. In January 2021, we reported that the Department of Justice had filed charges related to identity theft in the EIDL program based on law enforcement investigations.

In July 2021, we analyzed the 51 cases for which the Department of Justice had filed fraud charges for EIDL loans as of March 2021 and found that 19 cases involved identity theft and 39 cases involved false attestation based on law enforcement investigations.³² In March 2022, the Department of Justice announced it had seized over \$1 billion in loan proceeds from individuals who sought to defraud the EIDL program.

³¹For more information, see Department of Labor, Office of Inspector General, *Alert Memorandum: The Employment and Training Administration Needs to Issue Guidance to Ensure State Workforce Agencies Provide Requested Unemployment Insurance Data to the Office of Inspector General*, Report No. 19-21-005-03-315 (Washington, D.C.: June 16, 2021).

³²GAO, *Economic Injury Disaster Loan Program: Additional Actions Needed to Improve Communication with Applicants and Address Fraud Risks*, [GAO-21-589](#), (Washington, D.C.: Jul. 30, 2021). Cases may include multiple charges.

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- **Emergency Rental Assistance.** In February 2022, we reported that Treasury allows ERA grantees to determine the eligibility of applicants who cannot provide supporting documentation, such as a signed lease to demonstrate a rental obligation, through self-attestation, or written attestations provided by applicants.³³ We and other federal and local auditors who oversee ERA funds have acknowledged that, while relying on self-attestation expedites application processing and makes it easier for applicants without formal documentation to qualify for funding, it also increases the risk of fraud.³⁴

We recommended that Treasury, in consultation with Treasury OIG, develop and implement procedures to monitor and evaluate these grantees' controls. Monitoring procedures should include information on the minimum internal control systems expected for ERA grantees that rely on self-attestation and other administrative flexibilities that could increase risks of improper payments. Treasury said it planned to update its compliance testing procedures to include information on control systems expected for grantees that rely on administrative flexibilities, which generally aligns with our recommendation.

In October 2020, the Joint Financial Management Improvement Program, a cooperative venture between Treasury, OMB, the Office of Personnel Management, and GAO, began an initiative to identify key practices to enhance identity verification and potentially reduce improper payments. As part of this effort, the Joint Financial Management Improvement Program convened a panel of experts from federal, state, and international governments, as well as the private and nonprofit sectors. It plans to issue a report later this year that distills concepts and ideas discussed by the expert panel into a set of key practices and considerations.

To accompany the report, the Joint Financial Management Improvement Program will also publish an interactive and illustrative model that allows users to understand the potential benefits and tradeoffs of implementing various identity verification tools and processes.

³³GAO, *Emergency Rental Assistance: Additional Grantee Monitoring Needed to Manage Known Risks*, GAO-22-105490 (Washington, D.C.: Feb. 10, 2022).

³⁴In February 2021, Treasury updated its guidance for the ERA programs to require grantees to document policies and procedures for determining eligibility, including specifying under what circumstances they will accept self-attestations without further documentation.

Agencies Did Not Strategically Manage Fraud Risks

In addition, according to a March 1, 2022 White House fact sheet on combatting fraud and identity theft in pandemic relief programs, the President plans to announce a new executive order in the coming weeks on preventing and detecting identity theft in public benefit programs.³⁵

At the beginning of March 2022, the White House noted that there has been an “expansion of foreign and domestic criminal syndicates defrauding” benefits programs intended to help Americans deal with the pandemic’s impacts.³⁶ Additionally, the Pandemic Response Accountability Committee (PRAC) has stated that the unprecedented amount of money made available for pandemic relief, along with the fact that most funds were distributed quickly, put the money at a higher risk for fraud.³⁷ The extent of fraud associated with COVID-19 relief funds has not yet been determined. One of the many challenges is that, because of fraud’s deceptive nature, programs can incur financial losses related to fraud that are never identified and such losses are difficult to reliably estimate.

However, many individuals have already pleaded guilty to federal charges of defrauding COVID-19 relief programs. Based on our analysis of Department of Justice case information, we found that from March 2020 through January 2022, at least 417 individuals pleaded guilty to and 11 individuals were convicted at trial of federal charges of defrauding COVID-19 relief programs—including SBA’s PPP and EIDL program, DOL’s UI programs, and economic impact payments issued by Treasury

³⁵White House, *Fact Sheet: President Biden to Announce New Steps to Combat Criminal Fraud and Identity Theft in Pandemic Relief Programs* (Washington, D.C.: Mar. 1 2022), accessed Mar. 7, 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/03/01/fact-sheet-president-biden-to-announce-new-steps-to-combat-criminal-fraud-and-identity-theft-in-pandemic-relief-programs/>.

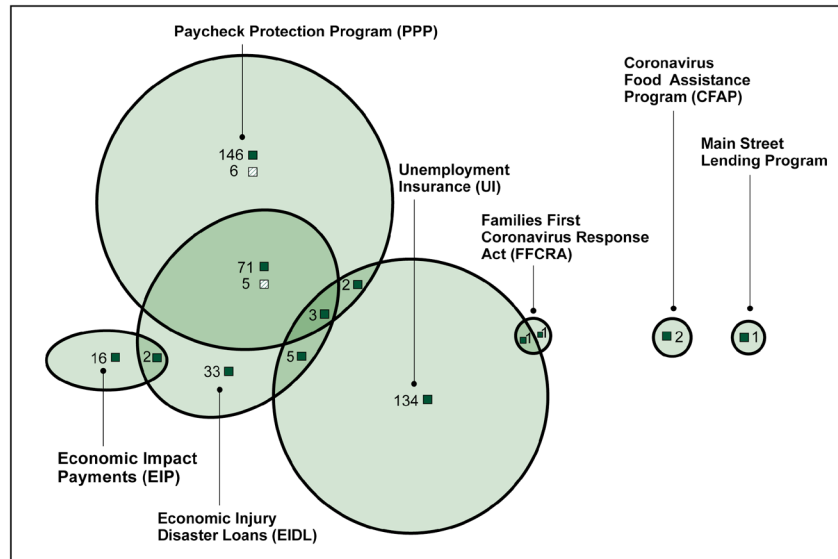
³⁶White House, *Fact Sheet: President Biden to Announce New Steps to Combat Criminal Fraud and Identity Theft in Pandemic Relief Programs*.

³⁷The CARES Act established the PRAC within the Council of Inspectors General on Integrity and Efficiency, the oversight and coordination body for the inspector general community. Pub. L. No. 116-136, § 15010(b), 134 Stat. 281, 534 (2020). The PRAC is composed of 21 inspectors general.

(including the Internal Revenue Service), among others.³⁸ As shown in figure 3, the majority of these individuals pleaded guilty or were convicted at trial of charges related to SBA's PPP and EIDL program and DOL's UI programs.

³⁸Of the at least 428 individuals who pleaded guilty or were convicted at trial, at least 241 had been sentenced as of January 31, 2022. Sentences varied. For example, in one case of UI fraud, an individual was sentenced to 1 year of probation and an order to pay a \$2,000 fine and over \$16,000 in restitution. In another case, an individual pleaded guilty to PPP fraud and was sentenced to over 17 years in prison, 5 years supervised release, and an order to pay nearly \$4.5 million in restitution.

Figure 3: Number of Individuals That Have Pleaded Guilty to or Were Convicted at Trial of Federal Fraud-Related Charges by COVID-19 Relief Program, as of Jan. 31, 2022



Number of individuals

■ Guilty pleas

▨ Convictions at trial

Source: GAO analysis of Department of Justice case information. | GAO-22-105715

The number of individuals facing fraud-related charges has continued to grow since March 2020 and will likely increase, as these cases take time to develop. Based on our analysis of Department of Justice case information through January 2022, federal charges were pending against at least 566 individuals or entities for attempting to defraud COVID-19 relief programs.

Additionally, our hotline—known as FraudNet—as well as other federal hotlines, including the SBA OIG’s and DOL OIG’s hotlines, have received numerous complaints from the public, many of them alleging potential fraud involving COVID-19 relief funds. For example, in October 2021, SBA OIG reported that from March 2020 through August 2021, it received 215,000 hotline complaints alleging fraudulent activity in PPP and the EIDL program, and has launched numerous investigations into this potentially fraudulent activity. As of January 3, 2022, DOL OIG reported opening more than 31,000 investigative matters involving alleged UI fraud.

We recognize that eliminating all fraud and fraud risks is not a realistic goal. However, agencies should make every effort to minimize fraud and maximize help to individuals in legitimate need.

Across our COVID-19 work, we found that agencies did not consistently apply leading practices to manage fraud risks in COVID-19 spending, including designating dedicated antifraud entities or assessing fraud risks. For example:

- **Paycheck Protection Program and Economic Injury Disaster Loans.** SBA’s approach to managing fraud risks in PPP and the EIDL program, as well as in its longstanding programs, has not been strategic. For example, SBA did not designate a dedicated antifraud entity until February 2022. This new entity—the Fraud Risk Management Board—is to oversee and coordinate SBA’s fraud risk prevention, detection, and response activities.

Further, in March 2021, we found that SBA had not conducted fraud risk assessments for PPP and the EIDL program.³⁹ When SBA developed its fraud risk assessments for the programs in October 2021, SBA had already distributed most of the programs’ funding. As we mentioned in prior work, fraud risk assessments are most helpful

³⁹GAO, *COVID-19: Sustained Federal Action Is Crucial as Pandemic Enters Its Second Year*, [GAO-21-387](#) (Washington, D.C.: Mar. 31, 2021).

in developing preventive fraud controls to avoid costly and inefficient “pay-and-chase” activities.

- **Unemployment Insurance.** In October 2021, we found that DOL had not clearly assigned defined responsibilities to a dedicated antifraud entity or comprehensively assessed fraud risks for the UI programs, in alignment with leading practices.⁴⁰ We made six recommendations to improve DOL’s ability to identify and assess fraud risks to the UI programs, including that DOL designate a dedicated antifraud entity with clearly defined and documented responsibilities and authority, including for facilitating communication about fraud issues to stakeholders. DOL neither agreed nor disagreed with these recommendations.

In February 2022, DOL noted that its Employment and Training Administration, in partnership with its Office of Chief Financial Officer, is responsible for fraud risk management in the UI programs. However, the department has yet to document the designation of these offices as the dedicated antifraud entities or these officials’ antifraud roles and responsibilities in departmental policies and procedures. In addition, DOL had not yet conducted a comprehensive fraud risk assessment. In February 2022, DOL said that it will use our Fraud Risk Framework for its risk assessment activities for the UI program and that work on developing the assessment in the UI program using the framework will occur in fiscal year 2022.

Agency OIGs have also raised concerns about the ability of agencies to strategically manage fraud risks. For example, SBA OIG identified managing fraud risks as a top management challenge for the agency, citing the susceptibility of pandemic relief programs to significant fraud risks and vulnerabilities as a particular concern. DOL OIG has similarly reported significant concerns with the ability of DOL and state workforce agencies to deploy UI and other program benefits expeditiously and efficiently while ensuring integrity and adequate oversight, particularly in response to national emergencies and disasters.

In light of our findings, as well as those of the OIGs, we are concerned about the pace and extent to which agencies since 2016—when FRDAA was enacted—have implemented controls to prevent, detect, and respond to fraud in a manner consistent with leading practices. These leading practices are applicable during normal operations, as well as during emergencies. Had agencies already been strategically managing their

⁴⁰GAO-22-105051.

fraud risks, they would have been better positioned to identify and respond to the heightened risks that emerged during the pandemic.

Congress' ability to oversee agencies' efforts to manage fraud risks is hindered by the lack of fraud-related reporting requirements. FRDAA and the Payment Integrity Information Act of 2019 required agencies to report on their antifraud controls and fraud risk management efforts in their annual financial reports. However, the requirement to report such information ended with the fiscal year 2020 annual financial report and, since then, there has been no similar requirement for agencies to report on their efforts to manage fraud risks.⁴¹

Agencies Generally Did Not Estimate Improper Payments for Emergency Relief Programs

Quickly reporting improper payment estimates for emergency relief programs is critical to agency accountability and transparency over whether appropriated funds were spent for their intended purposes. In addition, estimating improper payments and identifying root causes help ensure that agencies develop and implement corrective actions to help reduce them.

Under OMB's current improper payment estimate guidance, agencies are not required to estimate improper payments for programs in their initial year of operation. Specifically, according to the guidance, agencies should complete a risk assessment to determine susceptibility to significant improper payments after the first 12 months of program operations; a determination of susceptibility triggers reporting requirements in the following fiscal year.⁴² Therefore, for programs that are newly established in response to an emergency, agencies will need to conduct new risk assessments to determine if the new programs are susceptible to significant improper payments.⁴³ As a result, in some

⁴¹The Payment Integrity Information Act of 2019 includes multiple ongoing reporting requirements for agencies related to improper payments generally but none specifically mention fraud.

⁴²Agencies are required by statute to report estimates for all programs and activities identified as susceptible to significant improper payments. 31 U.S.C. § 3352(c)(1). According to OMB, giving agencies until the year following the initial susceptibility determination is necessary due to multiple factors, such as the time needed to secure a contract for a statistician and develop an appropriate sampling and estimation methodology, and the need for programs to report on 12 full months of data in their annual reporting.

⁴³Agencies may also decide to incorporate emergency relief funding into existing agency programs for improper payment risk assessment and reporting.

instances, agencies may not report improper payment estimates associated with new emergency relief programs until 2 to 3 years after the program is established, if at all.

Most agencies did not report estimates for new COVID-19 relief programs for fiscal year 2021. In November 2020, we suggested Congress consider, in any future legislation appropriating COVID-19 relief funds, designating all executive agency programs and activities making more than \$100 million in payments from COVID-19 relief funds as "susceptible to significant improper payments."⁴⁴

In addition, due to concerns about the possibility that improper payments, including those resulting from fraudulent activity, could be widespread, we recommended that SBA expeditiously estimate improper payments and report estimates and error rates for PPP.⁴⁵ However, in its fiscal year 2021 Agency Financial Report, SBA did not report improper payment estimates for the program. SBA officials stated the agency plans to report estimates for PPP in its fiscal year 2022 Agency Financial Report, which will likely be issued in November 2022. Delays in estimating improper payments can negatively affect an agency's ability to develop timely corrective actions.

Federal Agencies Lack Permanent, Government-wide Analytic Capabilities to Help Agencies Identify Fraud

While responsibilities for planning and implementing fraud risk management and detection activities start with agency management officials as noted above, the oversight community plays a critical role in identifying and investigating suspected fraud. The importance of this role in nonemergency periods is heightened during emergencies such as the COVID-19 pandemic as agencies work to implement large-scale relief efforts quickly.

At the outset of the pandemic, there was no permanent, government-wide analytic capability to help federal agencies identify fraud. Previously, this type of analytical capability existed within the Recovery Operations Center, established by the Recovery Board, which was created by the American Recovery and Reinvestment Act of 2009 to oversee funds appropriated under the act and composed of agency inspectors general. The Disaster Relief Appropriations Act of 2013 expanded the Recovery Board's mandate to include oversight of Hurricane Sandy funding through September 30, 2015. In an example of its work, the Recovery Operations

⁴⁴GAO-21-191.

⁴⁵GAO-21-191.

Center researched 104 entities in New York and New Jersey that had \$329 million in debris-removal contracts. The Recovery Operations Center forwarded the information to the Department of Homeland Security OIG. The findings showed entities whose owners had federal or state tax liens and organizations with previous fraudulent activities receiving debris-removal contracts.

GAO previously recommended that Congress and Treasury preserve the Recover Operations Center's functions, given its proven value in ensuring federal spending accountability.⁴⁶ Congress and Treasury did not implement our recommendations to make such a center permanent, and the Recovery Board and center activity terminated at the end of September 2015.

In March 2021, ARPA appropriated \$40 million dollars to the PRAC, which subsequently established the Pandemic Analytics Center of Excellence (PACE). The role of PACE is to help oversee the trillions of dollars in federal pandemic-related emergency spending. According to the PRAC, the PACE applies the best practices from the Recovery Operations Center, with the goal of building an "affordable, flexible, and scalable analytics platform" to support OIGs during their pandemic-related work, including beyond the organization's sunset date in 2025.

However, PACE was not established until more than a year after agencies began distributing relief funds. The delayed establishment of the center resulted in valuable time lost for OIGs to help program officials understand fraud risks and identify potential fraud. In addition, the center is focused on pandemic programs only and is time-limited. Without permanent government-wide analytics capabilities to assist the oversight community, agencies will have limited resources to apply to nonpandemic programs to ensure robust financial stewardship, as well as better prepare for applying fundamental financial and fraud risk management practices to future emergency funding.

**OMB Did Not Issue Timely
Guidance for Single Audits**

Timely and useful audit guidance can help ensure recipients' appropriate use of federal funds and reduce the likelihood of improper payments. State, local, and private auditors play a role in ensuring that federal payments are distributed appropriately. These auditors conduct external

⁴⁶GAO, *Federal Spending Accountability: Preserving Capabilities of Recovery Operations Center Could Help Sustain Oversight of Federal Expenditures*, [GAO-15-814](#) (Washington, D.C.: Sept. 14, 2015).

audits of organizations (such as state and local governments and nonprofit organizations) that receive a significant level of federal financial assistance—known as single audits.⁴⁷ Single audits help determine, among other things, whether recipients have complied with laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on each of the recipients' major programs. OMB prepares annually, with input from federal agencies, a Compliance Supplement to help consolidate legal requirements for numerous programs into one central place.

COVID-19 relief funding provided to agencies for new and existing programs across the federal government has significantly increased the number of entities, such as local governments, subject to single audits and the demand for auditors to conduct these audits. The American Institute of Certified Public Accountants estimated that thousands of new single audits or program-specific audits are triggered by the influx of COVID-19 relief funding, including for entities that received federal awards through the Provider Relief Fund and Shuttered Venue Operators Grant programs, which may be subject to single audit requirements for the first time.⁴⁸ The association also stated that the compounding effect of delayed OMB Compliance Supplements and related addendums and the influx of new auditees have resulted in both a spike in the quantity of audit work and major redistribution of the timing of work for certified public accountants. As a result, workload compression may negatively affect the ability to complete timely, quality single audits.

⁴⁷The Single Audit Act, codified at 31 U.S.C. §§ 7501-06, establishes requirements for nonfederal entities (defined as states, the District of Columbia, U.S. territories, Indian tribes, local governments, and nonprofit organizations) expending \$750,000 or more in federal awards in their fiscal year to undergo a single audit, which is an audit of the entity's financial statements and federal awards (or, in limited circumstances, program-specific audits) for the fiscal year. These audits are conducted in accordance with OMB's implementing guidance, which is reprinted in 2 C.F.R. part 200. 31 U.S.C. § 7502; 2 C.F.R. § 200.501.

⁴⁸Many Shuttered Venue Operators Grant program recipients (e.g., museums and aquariums) and Provider Relief Fund recipients (e.g., hospitals) are nonprofit organizations subject to single audit requirements based on their pandemic and other federal award expenditures. Further, in its single audit implementing regulations, the Department of Health and Human Services requires for-profit organizations that receive \$750,000 or more in annual aggregated departmental awards (including Provider Relief Fund payments) during their fiscal year to undergo either (1) an audit in conformance with single audit requirements, or (2) a financial related audit of the applicable award(s) in accordance with generally accepted government auditing standards. 45 C.F.R. §§ 75.2, 75.216, 75.501.

We found that OMB was delayed in providing single audit guidance for COVID-19 relief programs, including the Coronavirus Relief Fund, CSLFRF, and the ERA programs. For example, as we reported in July 2021, OMB officials told us that the 2021 Compliance Supplement would not include guidance for CSLFRF and other programs established by ARPA.⁴⁹ OMB provided auditors with a 6-month extension for submitting single audit reports for 2021.⁵⁰

As a result of the lag in OMB's issuance of relevant single audit guidance for COVID-19 relief funds in its annual Compliance Supplement, auditors were delayed in conducting single audits and reporting results. These delays could affect recipients' development of corrective action plans and resolution of findings identified during the audits, as well as federal agencies' formulation of management decisions about single audit findings.

For example, in July 2021, we identified that California expended approximately \$7.5 billion of the \$9.5 billion Coronavirus Relief Fund payments allocated to the state between July 1, 2020, and December 31, 2020.⁵¹ However, because California's fiscal year ends June 30 and given OMB's 6-month extension for entities with fiscal year ends of June 30, 2021, the single audit results of its Coronavirus Relief Fund spending for fiscal year 2021 will not be due until September 30, 2022, and the management decision letter regarding such findings will not be due until March 31, 2023—almost 3 years after California started spending the payments.

⁴⁹GAO, *COVID-19: Continued Attention Needed to Enhance Federal Preparedness, Response, Service Delivery, and Program Integrity*, [GAO-21-551](#) (Washington, D.C.: July 19, 2021).

⁵⁰OMB's 2021 single audit guidance related to the COVID-19 pandemic directed federal awarding agencies, in their capacity as cognizant or oversight agencies for audit, to provide 6-month audit submission due date extensions for 2021 single audit reports for entities whose fiscal year ends on or before June 30, 2021. See OMB M-21-20, *Promoting Public Trust in the Federal Government through Effective Implementation of the American Rescue Plan Act and Stewardship of the Taxpayer Resources* (Mar. 19, 2021).

⁵¹[GAO-21-551](#). The CARES Act, as amended, appropriated \$150 billion to Treasury for the Coronavirus Relief Fund, which provided payments to states, local governments, U.S. territories, tribal governments, and the District of Columbia, to offset the direct and indirect costs of their response to the COVID-19 pandemic that were incurred between March 1, 2020, and December 31, 2021. 42 U.S.C. § 801.

In March 2021, we reported that auditors who conduct single audits of entities with fiscal years that end June 30 have expressed a need to obtain the Compliance Supplement by no later than April of each year in order to effectively plan their audits and conduct interim testing. OMB issued the 2021 Compliance Supplement in August 2021 and two addendums, the first in December 2021 and the second in January 2022. These addendums include guidance specific to CSLFRF and other COVID-19 relief programs such as pandemic nutrition assistance programs. However, neither the 2021 Compliance Supplement, nor the two addendums, included guidance specific to ERA, despite OMB listing them as “higher risk” programs.

In January 2022, we recommended that OMB, in consultation with Treasury, issue single audit guidance for the ERA programs—which had already distributed over 80 percent in program funding—quickly.⁵² In response to this recommendation, Treasury officials told us that the agency was working with OMB to issue single audit guidance on ERA. We continue to meet periodically with OMB and the audit community to discuss the audit community’s concerns and additional single audit guidance needed. OMB plans to issue the 2022 Compliance Supplement at the end of April 2022.

Agencies Lack Quality Federal Spending Data for Financial Management Reviews

Quality federal spending data is key for management to help assess whether agencies are meeting program objectives. In addition, providing clear and transparent information about limitations and inconsistencies of data can help users understand the extent to which the data are comparable and reliable.

We found challenges related to implementation of guidance for timely and reliable reporting on COVID-19-related funds. For example:

- **Timely reporting.** OMB issued guidance in April 2020 that required agencies to report CARES Act spending data through

⁵²GAO, *COVID-19: Significant Improvements Are Needed for Overseeing Relief Funds and Leading Responses to Public Health Emergencies*, [GAO-22-105291](#) (Washington, D.C.: Jan. 27, 2022).

USAspending.gov.⁵³ To meet this requirement, and to meet the need for greater frequency of reporting, OMB's guidance required agencies with COVID-19 funding to move from quarterly to monthly reporting. To give agencies time to review and attest to the quality of the data they were submitting, the filing deadline was set roughly 30 days after each monthly reporting period. Although this has resulted in more timely information, it does not represent real-time display of financial data to the public.⁵⁴

- **Data reliability.** In March 2021, we found that errors related to tracking initial COVID-19 spending data caused discrepancies between outlays and obligations for some federal agencies' spending reported on USAspending.gov resulting in these data being unreliable.⁵⁵ According to officials from Treasury, DOL, the Department of Health and Human Services, and SBA, these discrepancies resulted from errors in agencies' implementation of the OMB guidance to code COVID-19 spending data.

The Digital Accountability and Transparency Act of 2014 (DATA Act) expanded previous federal transparency legislation by requiring agencies to report their agency spending information and link it to federal program activities to provide more effective tracking of federal spending. The DATA Act aims to improve the quality of data submitted to USAspending.gov by holding federal agencies accountable for the completeness and accuracy of the data submitted. The DATA Act required agency inspectors general and GAO to review and report on the completeness, timeliness, quality, and accuracy of the data, as well as

⁵³OMB Memorandum M-20-21, *Implementation Guidance for Supplemental Funding Provided in Response to the Coronavirus Disease 2019 (COVID-19)*. In March 2021, OMB issued guidance requiring agencies to use the reporting mechanisms established in OMB Memorandum M-20-21 to ensure all spending of funds provided in ARPA is reported monthly to USAspending.gov. OMB Memorandum M-21-20.

⁵⁴GAO, *Federal Spending Transparency: Opportunities Exist to Further Improve the Information Available on USAspending.gov*, [GAO-22-104702](#) (Washington, D.C.: Nov. 8, 2021).

⁵⁵[GAO-21-387](#).

the implementation and use of data standards.⁵⁶ However, this reporting requirement ended in 2021.⁵⁷

In our work examining DATA Act implementation and efforts to report federal spending data, we found that OMB and Treasury have made progress in improving the quality, transparency, and usefulness of the data submitted to and displayed on USAspending.gov; however, issues persist.⁵⁸ For example, we found that Treasury does not have processes to prevent or detect incomplete or inaccurate data displayed on USAspending.gov and provide agencies with information to assist them with improving their data submissions.⁵⁹

We recommended that Treasury design and implement such processes to prevent and detect incomplete and inaccurate data and to provide agencies with information to help them reconcile differences in their unlinked financial and award data. Treasury agreed with our recommendation, and we will continue to monitor its implementation. Although these findings and recommendations were not specific to COVID-19 relief funding, they have implications for tracking and accounting for this funding, as well as relief funding for future emergencies and overall government spending.

Of the 57 federal agency OIG reports issued during 2021, 44 identified areas for improving the accuracy, completeness, and timeliness of data reported to USAspending.gov and made recommendations to agencies for such improvement. Six of these reports made recommendations that specifically called for consultation with OMB, Treasury, or both. For example:

⁵⁶Pub. L. No. 113-101, §§ 2-3, 128 Stat. 1146, 1146-51. The DATA Act amended the Federal Funding Accountability and Transparency Act of 2006, Pub. L. No. 109-282, 120 Stat. 1186 reprinted in 31 U.S.C. § 6101 note. We refer to language added to the Federal Funding Accountability and Transparency Act by the DATA Act as DATA Act requirements.

⁵⁷GAO, *DATA Act: OIGs Reported that Quality of Agency-Submitted Data Varied, and Most Recommended Improvements*, [GAO-20-540](#) (Washington, D.C.: July 9, 2020).

⁵⁸[GAO-22-104702](#) and *Federal Spending Transparency: Opportunities Exist for Treasury to Further Improve USAspending.gov's Use and Usefulness*, [GAO-22-104127](#) (Washington, D.C.: Dec. 16, 2021).

⁵⁹[GAO-22-104702](#).

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- Two OIGs recommended that agencies consult with OMB and Treasury as necessary when developing their data reporting policies and procedures or to clarify data standards.
 - Two other OIGs recommended that agencies communicate with Treasury regarding errors found in agencies' financial assistance data submissions caused by Treasury's DATA Act broker or financial assistance awards reporting system.
-

Congress Can Take Certain Actions Now to Increase Transparency and Accountability of Emergency Relief Spending

The federal government has provided over \$4 trillion in relief funds to assist individuals, businesses, and localities to respond to, and recover from, the COVID-19 pandemic. The size and scope of this funding made it susceptible to improper payments and fraud. Unfortunately, the fundamental internal controls and financial and fraud risk management practices that could help to identify and reduce improper payments and manage fraud risks were not consistently in place as funds were distributed, further increasing the chances of improper payments and fraud.

We have identified 10 actions that Congress can take to strengthen internal controls and financial and fraud risk management practices across the government. Such actions will increase accountability and transparency in federal spending in both emergency and nonemergency periods. (See appendix II for the list of the 10 matters for congressional consideration.)

Require OMB to provide guidance for agencies to develop internal control plans that would then immediately be ready for use in, or adaptation for, future emergencies or crises and require agencies to report these plans to OMB and Congress. Requiring OMB to develop and provide guidance for internal control plans now would help ensure that agencies have considered the payment integrity risks associated with emergency funding and developed internal controls to help mitigate those risks. Such planning could also help provide critical transparency tools to give Congress some assurance that agencies will be able to establish and adapt, as appropriate and necessary, effective and efficient controls over new or expanded federal funding during emergencies.

In addition, this planning can help ensure consistency of oversight across the federal government. For example, agencies' planning for and establishment of strong back-end controls, such as post-payment reviews and recovery audits, are critical when the quick disbursement of funds makes front-end controls difficult to apply. In addition, we have made

recommendations to OMB since 2013 to develop robust guidance for agencies to design internal control plans for disaster relief funding and develop a strategy to ensure that agencies communicate such plans sufficiently and timely. OMB has not yet sufficiently addressed these recommendations.

Designate all new programs making more than \$100 million in payments “susceptible to significant improper payments.”

Designating all new federal programs with more than \$100 million in annual spending would make these programs subject to the statutory requirement for agencies to estimate and report on these programs’ improper payments. In our November 2020 report, we suggested that Congress consider designating executive agency programs and activities making more than \$100 million in payments specifically from COVID-19 relief funds as “susceptible to significant improper payments” in any future legislation appropriating COVID-19 relief funds. We believe that Congress should amend provisions enacted by the Payment Integrity Information Act of 2019 to designate all newly established executive agency programs and activities, both emergency-specific and otherwise, making more than \$100 million in payments in any one fiscal year as “susceptible to significant improper payments” for their initial years of operation.

Reinstate the requirement for agencies to report on their antifraud controls and fraud risk management efforts in agency financial reports. Requiring agencies to report annually on their antifraud controls and fraud risk management efforts will help facilitate congressional oversight and focus agency attention on strategic fraud risk management—both during normal operations and in emergencies—and help align their efforts with leading practices.

Establish a permanent analytics center of excellence to aid the oversight community in identifying improper payments and fraud. Establishing such a capability would further aid the oversight community’s efforts to assess and identify fraud, as well as to help agencies identify areas of potential fraud risks so that they can implement preventive and detective controls or evaluate existing controls for opportunities for improvement. Ongoing challenges with fraud and improper payments highlight the value of these analytical capabilities, not only for emergency spending but to tackle these challenges across the federal government where they have been a growing concern in recent years.

Strengthen management of improper payment risks and spending data and require improper payment reporting in agencies’ annual

financial reports. Since enactment of the Chief Financial Officers Act of 1990 (CFO Act), accounting and financial reporting standards have continued to evolve to provide greater transparency and accountability over the federal government's operations and financial condition, including long-term sustainability.

In August 2020, we suggested eight matters for congressional consideration to improve federal financial management through refinements to the CFO Act. Such matters included that Congress consider legislation to require:

- CFOs and deputy CFOs at the CFO Act agencies to have the necessary responsibilities to carry out federal financial management activities effectively;
- OMB to prepare a government-wide 4-year financial management plan, including actions for improving financial management systems, and agency CFOs to implement such plans at the agency level
- OMB to prepare comprehensive financial management performance-based metrics to be used to evaluate the financial management performance of agencies, and require reporting of government-wide and agency performance against the metrics; and
- Agency identification and, if necessary, development of key financial management information needed for effective financial management and decision-making, as well as annual assessments and reporting by agency management on the effectiveness of internal control over key financial management information and auditor testing and reporting on agency internal control over the information.⁶⁰

Today we are suggesting three matters with additional refinements based on experiences during the COVID-19 pandemic and the rapid growth and magnitude of improper payments.

- Clarify that (1) CFOs at CFO Act agencies have oversight responsibility for internal controls over financial reporting and key financial management information that includes spending data and improper payment information, and (2) executive agency internal control assessment, reporting, and audit requirements for key

⁶⁰GAO, *Federal Financial Management: Substantial Progress Made since Enactment of the 1990 CFO Act; Refinements Would Yield Added Benefits*, [GAO-20-566](#) (Washington, D.C.: Aug. 6, 2020).

financial management information, discussed above, include internal controls over spending data and improper payment information.

- Require each agency CFO to (1) submit a statement, in agencies' annual financial reports, certifying the reliability of improper payment risk assessments and the validity of improper payment estimates, and describing the actions of the CFO to monitor the development and implementation of any corrective action plans; and (2) approve any methodology that is not designed to produce a statistically valid estimate.
- Require improper payment information required to be reported under the Payment Integrity Information Act of 2019 to be included in agency financial reports.

Extend requirements for OIGs to report on USAspending.gov data periodically. Extending the requirement for ongoing OIG oversight through periodic reviews could help ensure that the quality of agency data submissions to USAspending.gov continues to improve. The data included in USAspending.gov helps provide transparency to policymakers and the public about where federal dollars are being spent. The DATA Act's requirement that agency inspectors general review and report on the completeness, timeliness, quality, and accuracy of agency data submissions to USAspending.gov expired.⁶¹ According to the OIG community, few OIGs plan to continue to review and report on this information without further requirements.

Clarify the responsibilities and authorities of OMB and Treasury for ensuring the quality of data available on USAspending.gov. Clarifying the responsibilities and authorities of OMB and Treasury could help achieve the DATA Act's purpose to improve the quality and transparency of federal spending data even as the responsibility for submitting quality data to USAspending.gov rests primarily with the federal agencies who produce or manage that data. Both OMB and Treasury have key roles in ensuring the quality of the data available to users of the USAspending.gov website. For example, the DATA Act gives OMB and Treasury joint responsibility for establishing government-wide financial data standards for funds reported on USAspending.gov, which includes

⁶¹The DATA Act required each OIG to issue three reports assessing agency data submissions and implementation and use of data standards. The last report was due November 2021. Pub. L. No. 113-101, § 3, 128 Stat. at 1151. For more information, see [GAO-20-540](#).

data related to COVID-19 spending.⁶² However, implementation of the act has shown the need for Congress to clarify responsibilities and authorities for ensuring the quality of the data made available on the website, as well as the roles for OMB and Treasury to achieve this goal.

Accelerate and make permanent the Social Security Administration's sharing of full death data with Treasury's Do Not Pay working system. To enhance identity verification through data sharing, we have previously suggested that Congress consider amending the Social Security Act to explicitly allow the Social Security Administration to share its full death data with Treasury's Do Not Pay system, a data matching service for agencies to use in preventing payments to ineligible individuals.⁶³ In December 2020, Congress passed and the President signed into law the Consolidated Appropriations Act, 2021, which requires the Social Security Administration, to the extent feasible, to share its full death data with Treasury's Do Not Pay working system for a 3-year period, effective on the date that is 3 years from enactment of that act.

We maintain that sharing this data will allow agencies to enhance their efforts to identify and prevent improper payments to deceased individuals. Therefore, it will be important for the Social Security Administration and Treasury to work together to implement this legislation. As such, we suggest that Congress accelerate and make permanent the requirement for the Social Security Administration to share its full death data with Treasury's Do Not Pay working system to enhance identity verification efforts within the federal government.

Chairman Peters, Ranking Member Portman, and Members of the Committee, this concludes my prepared statement. I would be pleased to respond to any questions.

GAO Contact

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⁶²Pub. L. No. 113-101, § 3, 128 Stat. at 1148.

⁶³GAO, *Improper Payments: Strategy and Additional Actions Needed to Help Ensure Agencies Use the Do Not Pay Working System as Intended*, [GAO-17-15](#) (Washington, D.C.: Oct. 14, 2016), and [GAO-20-625](#).

Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report.

Appendix I: Improper Payments across the Federal Government

Estimating Improper Payments

Improper payments—payments that should not have been made or that were made in an incorrect amount—have consistently been a government-wide issue.¹ Since fiscal year 2003, federal executive agencies have been required by statute to report estimated improper payments for certain programs and activities.² For fiscal year 2021, 16 agencies reported improper payment estimates totaling about \$281 billion, based on improper payment estimates reported individually by 86 federal programs or activities on <http://www.paymentaccuracy.gov/>.³ This was an increase of about \$75 billion from the prior fiscal year. Most of the estimated improper payments were concentrated in the following areas: Department of Health and Human Services' Medicaid program (\$99 billion); Department of Labor's (DOL) unemployment insurance (UI) programs (\$78 billion); and Department of Health and Human Services' Medicare program (\$50 billion).

Federal agencies continue to report significant estimated improper payment amounts and rates. For fiscal year 2021, 15 programs had reported over \$1 billion in estimated improper payments, with 8 of these programs reporting over \$1 billion for each of the last 5 fiscal years. In addition, for fiscal year 2021, agencies reported estimated improper payment rates of 10 percent or greater for 26 programs and activities, accounting for about 87 percent of the government-wide total of reported

¹Improper payments include both overpayments and underpayments, any payments to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts under statutory, contractual, administrative, or any other legally applicable requirements. See 31 U.S.C. § 3351(4). When an executive agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be included in the improper payment estimate. 31 U.S.C. § 3352(c)(2). While not all improper payments are the result of fraud, all payments made as a result of fraudulent activities are considered to be improper payments. In addition, improper payment estimates are not intended to measure fraud in a particular program.

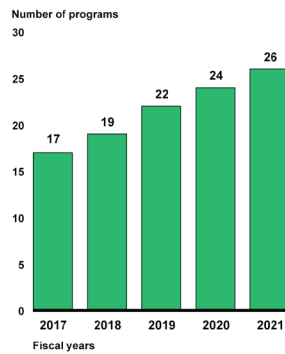
²Statutes that govern improper payment reporting define executive agency to mean a department, an agency, or an instrumentality in the executive branch of the U.S. government. 31 U.S.C. § 102.

³For purposes of this report, the estimated improper payment rate (also referred to as the "improper payment rate") is the estimated amount of improper payments expressed as a percentage of program outlays in a given fiscal year. The website, www.paymentaccuracy.gov—a U.S. government website managed by the Office of Management and Budget (OMB)—which contains, among other things, information about current and historical rates and amounts of estimated improper payments.

Appendix I: Improper Payments across the
Federal Government

estimated improper payments.⁴ As shown in figure 4, the number of programs reporting an improper payment rate of at least 10 percent has been growing in the past 5 fiscal years.

Figure 4: Number of Programs Reporting Annual Improper Payment Rates Higher than Ten Percent for Fiscal Years 2017 through 2021



Source: GAO. | GAO-22-105715

Note: The estimated improper payment rate is the estimated amount of improper payments expressed as a percentage of program outlays in a given fiscal year.

Our audit work has also consistently shown that federal agencies have not been reporting improper payment estimates for all risk-susceptible programs. We continued to identify some risk-susceptible programs for which agencies did not report fiscal year 2021 estimated improper

⁴Agencies are required to develop improper payment estimates and corrective action plans for any programs or activities identified as susceptible to significant improper payments by the agency administering the program or activity, the Office of Management and Budget, or statute.

Appendix I: Improper Payments across the
Federal Government

payment amounts.⁵ It is also important to note that, with the exception of two DOL UI programs, the \$281 billion of reported fiscal year 2021 improper payment estimates generally do not include estimates related to the expenditures to fund response and recovery efforts for the COVID-19 pandemic. For example, the Small Business Administration (SBA) does not plan to report improper payment estimates for its Paycheck Protection Program (PPP) until its fiscal year 2022 agency financial report is issued, which will likely be in November 2022.⁶ Moreover, DOL did not include two of its COVID-19 programs in its UI improper payment estimates.⁷

**Managing Improper
Payments for Emergency
Assistance Programs**

During emergencies and crises when the federal government provides emergency assistance, the risk of improper payments may be higher because the need to provide such assistance quickly can detract from the planning and implementation of effective controls. Effective management of improper payments helps facilitate the goals of emergency assistance programs by ensuring that taxpayer resources serve their intended purpose.

We also have ongoing work developing a framework for managing improper payments for emergency assistance programs. Specifically, the framework will incorporate standards for internal controls and financial and fraud risk management practices, as well as requirements and guidance from relevant laws and guidance on improper payments. This work will highlight aspects of managing improper payments that arise in the context of emergency assistance, which may necessitate special considerations.

⁵Risk-susceptible programs that did not report fiscal year 2021 estimated improper payments include the Department of Health and Human Services' Temporary Assistance for Needy Families, the Department of Health and Human Services' Advance Premium Tax Credit, Department of the Treasury's Premium Tax Credit, and U.S. Department of Agriculture's Supplemental Nutrition Assistance Program.

⁶Since March 2020, Congress has provided commitment authority of about \$814 billion for PPP under SBA's largest guaranteed loan program, its 7(a) small business lending program. PPP loans, made by lenders but guaranteed 100 percent by SBA, are low interest (1 percent) and fully forgivable if certain conditions are met.

⁷DOL did not report improper payment estimates for Pandemic Unemployment Assistance or Mixed Earner Unemployment Compensation.

Appendix II: Matters for Congressional Consideration

We are making the following 10 matters for congressional consideration:

- Congress should pass legislation requiring the Office of Management and Budget (OMB) to provide guidance for agencies to develop plans for internal control that would then immediately be ready for use in, or adaptation for, future emergencies or crises and requiring agencies to report these internal control plans to OMB and Congress. (Matter for Congressional Consideration 1)
- Congress should amend the Payment Integrity Information Act of 2019 to designate all new federal programs making more than \$100 million in payments in any one fiscal year as "susceptible to significant improper payments" for their initial years of operation. (Matter for Congressional Consideration 2)
- Congress should amend the Payment Integrity Information Act of 2019 to reinstate the requirement that agencies report on their antifraud controls and fraud risk management efforts in their annual financial reports. (Matter for Congressional Consideration 3)
- Congress should establish a permanent analytics center of excellence to aid the oversight community in identifying improper payments and fraud. (Matter for Congressional Consideration 4)
- Congress should clarify that (1) chief financial officers (CFO) at CFO Act agencies have oversight responsibility for internal controls over financial reporting and key financial management information that includes spending data and improper payment information; and (2) executive agency internal control assessment, reporting, and audit requirements for key financial management information, discussed in an existing matter for congressional consideration in our August 2020 report, include internal controls over spending data and improper payment information. (Matter for Congressional Consideration 5)
- Congress should require agency CFOs to (1) submit a statement in agencies' annual financial reports certifying the reliability of improper payments risk assessments and the validity of improper payment estimates, and describing the actions of the CFO to monitor the development and implementation of any corrective action plans; and (2) approve any methodology that is not designed to produce a statistically valid estimate. (Matter for Congressional Consideration 6)
- Congress should consider legislation to require improper payment information required to be reported under the Payment Integrity Information Act of 2019 to be included in agencies' annual financial reports. (Matter for Congressional Consideration 7)

Appendix II: Matters for Congressional
Consideration

- Congress should amend the DATA Act to extend the previous requirement for agency inspectors general to review the completeness, timeliness, quality, and accuracy of their respective agency data submissions on a periodic basis. (Matter for Congressional Consideration 8)
- Congress should amend the DATA Act to clarify the responsibilities and authorities of OMB and Department of the Treasury for ensuring the quality of data available on USAspending.gov. (Matter for Congressional Consideration 9)
- Congress should amend the Social Security Act to accelerate and make permanent the requirement for the Social Security Administration to share its full death data with the Department of the Treasury's Do Not Pay working system. (Matter for Congressional Consideration 10)

Related GAO Products

Recurring CARES Act Reports

COVID-19: Significant Improvements Are Needed for Overseeing Relief Funds and Leading Responses to Public Health Emergencies. [GAO-22-105291](#). Washington, D.C.: January 27, 2022.

COVID-19: Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response. [GAO-22-105051](#). Washington, D.C.: October 27, 2021.

COVID-19: Continued Attention Needed to Enhance Federal Preparedness, Response, Service Delivery, and Program Integrity. [GAO-21-551](#). Washington, D.C.: July 19, 2021.

COVID-19: Sustained Federal Action Is Crucial as Pandemic Enters Its Second Year. [GAO-21-387](#). Washington, D.C.: March 31, 2021.

COVID-19: Critical Vaccine Distribution, Supply Chain, Program Integrity, and Other Challenges Require Focused Federal Attention. [GAO-21-265](#). Washington, D.C.: January 28, 2021.

COVID-19: Urgent Actions Needed to Better Ensure an Effective Federal Response. [GAO-21-191](#). Washington, D.C.: November 30, 2020.

COVID-19: Federal Efforts Could Be Strengthened by Timely and Concerted Actions. [GAO-20-701](#). Washington, D.C.: September 21, 2020.

COVID-19: Brief Update on Initial Federal Response to the Pandemic. [GAO-20-708](#). Washington, D.C.: August 31, 2020.

COVID-19: Opportunities to Improve Federal Response and Recovery Efforts. [GAO-20-625](#). Washington, D.C.: June 25, 2020.

Other Related GAO Products

Emergency Rental Assistance: Additional Grantee Monitoring Needed to Manage Known Risks. [GAO-22-105490](#). Washington, D.C.: February 10, 2022.

Federal Spending Transparency: Opportunities Exist to Further Improve USAspending.gov's Use and Usefulness. [GAO-22-104127](#). Washington, D.C.: December 16, 2021.

Federal Spending Transparency: Opportunities Exist for Treasury to Further Improve the Information Available on USAspending.gov. [GAO-22-104702](#). Washington, D.C.: November 8, 2021.

Related GAO Products

COVID-19: Additional Risk Assessment Actions Could Improve HUD Oversight of CARES Act Funds. [GAO-21-104542](#). Washington, D.C.: September 30, 2021.

Economic Injury Disaster Loan Program: Additional Actions Needed to Improve Communication with Applicants and Address Fraud Risks. [GAO-21-589](#). Washington, D.C.: July 30, 2021.

Paycheck Protection Program: SBA Added Program Safeguards, but Additional Actions Are Needed. [GAO-21-577](#). Washington, D.C.: July 29, 2021.

Federal Financial Management: Substantial Progress Made since Enactment of the 1990 CFO Act; Refinements Would Yield Added Benefits. [GAO-20-566](#). Washington, D.C.: August 6, 2020.

DATA Act: OIGs Reported that Quality of Agency-Submitted Data Varied, and Most Recommended Improvements. [GAO-20-540](#). Washington, D.C.: July 9, 2020.

Improper Payments: Strategy and Additional Actions Needed to Help Ensure Agencies Use the Do Not Pay Working System as Intended. [GAO-17-15](#). Washington, D.C.: October 14, 2016.

Federal Spending Accountability: Preserving Capabilities of Recovery Operations Center Could Help Sustain Oversight of Federal Expenditures. [GAO-15-814](#). Washington, D.C.: September 14, 2015.

A Framework for Managing Fraud Risks in Federal Programs. [GAO-15-593SP](#). Washington, D.C.: July 28, 2015.

Standards for Internal Control in the Federal Government. [GAO-14-704G](#). Washington, D.C.: September 10, 2014.



PANDEMIC RESPONSE ACCOUNTABILITY COMMITTEE

A Committee of the Council of the Inspectors General on Integrity and Efficiency

PandemicOversight.gov

Statement of Michael E. Horowitz
Chair, Pandemic Response Accountability Committee
Inspector General, U.S. Department of Justice

before the

U.S. Senate
Committee on Homeland Security & Governmental Affairs

concerning

**“Pandemic Response and Accountability:
Reducing Fraud and Expanding Access to COVID-19 Relief through Effective Oversight”**

March 17, 2022

Mr. Chairman, Ranking Member Portman, and Members of the Committee:

Thank you for inviting me to testify today on the ongoing oversight work of the Pandemic Response Accountability Committee (PRAC). This Committee and its leadership played an instrumental role in creating the PRAC as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in March 2020 to provide independent oversight of pandemic relief spending and to help coordinate and facilitate independent oversight by the Inspectors General (IGs) whose agencies administer pandemic relief programs. It has been my honor to serve as Chair of the PRAC since April 2020, and thanks to your support for our efforts, we are ensuring transparency in pandemic spending, helping to reduce fraud in pandemic programs, and holding accountable those who have stolen from and defrauded these programs.

The PRAC is housed within the Council of the Inspectors General on Integrity and Efficiency (CIGIE) and is comprised of 21 federal Inspectors General (IGs) that work collaboratively to oversee the more than \$5 trillion in federal pandemic-relief emergency spending. Our primary mission is to work with Offices of the Inspector General (OIG) to ensure that taxpayer money is being used effectively and efficiently to address the pandemic-related public health and economic needs funded through the various COVID-19 relief bills.

To facilitate our mission, we

- **promote transparency** by publicly reporting accessible and comprehensive spending data;
- **collaborate across the oversight community** to identify cross-cutting issues and risks;
- **detect and prevent fraud, waste, abuse, and mismanagement of relief spending** through leading-edge data insights and analytic tools; and
- **hold wrongdoers accountable** by marshaling the investigative and analytic resources of the oversight community.

In my testimony today, I look forward to highlighting for you the PRAC's achievements over the past two years in fulfilling these objectives. I will also discuss our strategic direction as we have evolved into an organization that is providing a model for effective, coordinated government oversight and building a legacy for how the IG community manages future large-scale government spending efforts.

Background

At the outset, it's important to emphasize the whole-of-government oversight effort that is required to oversee spending of this magnitude. The more than \$5 trillion in pandemic relief funding exceeds the federal government's total spending in 2019 for discretionary, mandatory, and interest on the debt. It is also more than six times greater than the \$800 billion relief package passed in 2009 in response to the financial crisis—which at the time was the largest oversight effort ever undertaken by the Inspector General community. To lead that 2009 oversight effort, Congress created the Recovery and Accountability Transparency Board—affectionately known as the RAT Board—and appropriated more than \$175 million to it over the course of its almost seven-year existence.¹ The RAT Board, led by then-Interior Department Inspector General Earl Devaney and comprised of about a dozen IGs, was widely praised for its effective oversight efforts. Those included the RAT Board's development of the Recovery Operations Center (ROC), a first-ever data analytics effort by the Inspector General community. Unfortunately, when the RAT Board sunset by law in 2015, the ROC was shut down as well.

What we have sought to do at the PRAC is to expand and build upon the prior outstanding work of the RAT Board, and to develop a new model for conducting oversight in a crisis. It is a model that should be retained and replicated, built on a foundation of collaboration, the use of data analytics, and drawing on the existing capabilities of the oversight community.

Today, federal Inspectors General are charged with overseeing 426 pandemic relief programs across more than 40 agencies. Just one of those programs alone—the Paycheck Protection Program (PPP)—has distributed approximately \$800 billion in funding, or roughly the same amount as the entire American Recovery and Reinvestment Act of 2009. Moreover, in just the first 14 days, about 1.7 million PPP loans were issued, involving disbursements of upwards of \$343 billion. And these funds were allotted with few, if any, controls.

Consequently, effective and coordinated independent oversight has been central to improving how federal agencies are operating their pandemic relief programs and delivering essential services to the public, as well as addressing and combating fraud, waste, abuse, and mismanagement involving these funds. Through this work, oversight entities like the PRAC, IGs, the Government Accountability Office

¹ The American Recovery and Reinvestment Act of 2009 originally appropriated \$84 million for the RAT Board, with a termination date of September 30, 2013. In subsequent years, Congress appropriated almost \$95 million for the RAT Board. The Disaster Relief Appropriations Act of 2013 subsequently expanded the RAT Board's mandate to include oversight of other federal spending—specifically funds related to Hurricane Sandy relief efforts—through September 30, 2015. The RAT Board oversaw \$800 billion dollars of relief from the American Recovery and Reinvestment Act of 2009, and \$50 billion from the Disaster Relief Appropriations Act of 2013, for a total of \$850 billion.

(GAO), and our state and local oversight partners have played and continue to play a critical role in the success of our national recovery efforts.

In addition to these coordination efforts with our oversight partners, over the past year, we have met weekly with the leadership of the Office of Management and Budget (OMB) and the American Rescue Plan (ARP) implementation team, led by Gene Sperling. These meetings have enabled the PRAC and Inspectors General to, among other things, ensure that any impediments to our oversight work are addressed promptly and timely share issues that we have identified with Executive Branch leadership. We also have, separately, participated in about 25 meetings focused on agency-specific pandemic relief programs so that the agency can provide an overview of the program to be implemented, payment integrity risks, and reporting and performance mechanisms. Participants in the briefings, which are hosted by the ARP implementation team and OMB leadership, include the implementing agency, that agency's OIG, and the PRAC. This model allows for the presentation and consideration of antifraud controls before a program is implemented and money goes out the door. In December 2021, [OMB Memorandum M-22-04](#) highlighted the importance of this approach: "Agencies have been encouraged to proactively engage with their IGs in the design of new or expanded ARP programs. The White House ARP Implementation Coordinator, working with OMB, developed a new process bringing together the agency, their IG, the PRAC, OMB, and the ARP Implementation team to collectively review and assess program design, financial controls, and reporting measures prior to the release of funds from programs that were newly created, received substantial funding increases, or required significant changes to program design."

This process of engagement by senior Executive Branch and agency officials with Inspectors General and the PRAC has become a model for how to manage large-scale spending initiatives and balance the need for robust independent oversight with timely implementation.

The PRAC Is Promoting Transparency and Collaboration across the Oversight Community

One of our foundational responsibilities at the PRAC is to provide transparency to the public about pandemic-related spending. The PRAC is promoting transparency through our advanced website, [PandemicOversight.gov](#), which features interactive dashboards organizing 20 million rows of data and providing timely information and relevant insights that allows the public to make sense of the more than \$5 trillion in pandemic relief spending.

If a visitor to PandemicOversight.gov is seeking information about how much money the State of Michigan or Ohio, for instance, spent on payroll for health and safety employees, they can drill down in the 180,000 rows of prime- and sub-recipient data on our Coronavirus Relief Fund (CRF) dashboard. There, they can find details, to the dollar, on how cities and counties in the state used their federal relief funds.

Another visitor to our website might be looking for a broader view on how states are using Elementary and Secondary School Emergency Relief grants to close learning gaps resulting from pandemic-related school closures and remote learning. There, they would find a data story about just that issue detailing how schools across the country distributed \$189.5 billion for a range of activities and programs, including summer school, laptops, and mental health services and support.

The PRAC also is advancing transparency by providing the public with access, through our website, to more than 370 pandemic oversight reports issued by federal Inspectors General and more than 140 reports issued by the GAO. These reports provide information about how pandemic programs are operating and include recommendations on how to improve them. In addition, as part of our close working relationship with our state and local partners, the PRAC is posting to our website pandemic-related reports issued by state and local auditors, so that the public has access to oversight information at all levels of government. Almost 200 state and local auditor reports are already on our website.

Information is power, and through our transparency efforts we are empowering American taxpayers to dig into the data to see how pandemic relief dollars have been put to work in their communities. Information and transparency are also critical to ensuring accountability. As Justice Brandeis so aptly and famously stated, “sunlight is said to be the best of disinfectants.” Without transparency, and that sunlight, you cannot have accountability. Indeed, transparency drives accountability—in order to assess whether a program has had its intended impact, you first need to know where the money has gone and how it has been spent.

This transparency also has resulted in the PRAC and Inspectors General benefiting from tips that the public and whistleblowers have provided about waste, fraud, and abuse after reviewing the spending data on our website. We rely on information from whistleblowers and citizen watchdogs to help us prevent and detect wrongdoing, recover funds for the taxpayers, and hold wrongdoers accountable.

In terms of collaboration, from the earliest days of the pandemic we recognized the importance of

coordinating with GAO and our state and local oversight partners. The Inspector General community is fortunate to have developed over the years a strong working relationship with GAO, thanks in significant part to the leadership of Comptroller General Gene Dodaro; we also have benefitted from Comptroller General Dodaro's tireless efforts to bring together the GAO, federal Inspectors General, and the state and local oversight community to share information and best practices. At the PRAC, we have sought to build on those relationships and to raise to a new level our collaboration with our oversight partners. For instance, the PRAC's leadership regularly coordinates with GAO leadership on pandemic oversight issues and is engaging with state and local oversight offices to share the results of our work and to enable state and local oversight offices to provide the PRAC, or the appropriate OIG, with investigative information applicable to a federal pandemic response. The PRAC also conducts quarterly briefings to share fraud indicators with state and local investigators and auditors that have been identified by federal investigators. To date, close to 400 state and local officials have attended these briefings.

Furthermore, in our recently updated communication guide for state, local, and Tribal government auditors, we provide quick and easy access to information on how to post oversight products to our website, submit information to our hotline, and refer hotline complaints to the PRAC and federal OIGs. We have also included a new section titled *Interact with Our Data*, which includes guidance on how to use interactive maps and dashboards for Provider Relief Fund, Coronavirus Relief Fund, and Paycheck Protection Program data. We also are launching a first-ever state auditor-in-residence program to detail an official from a state auditor office to the PRAC to better inform federal oversight with local insights.

Additionally, through regular stakeholder listening sessions that we are holding with the GAO and federal, state, local, and Tribal auditors, we hear about the impact that pandemic programs have had on local communities and provide an essential platform for auditors across the country to collaborate and share information on best practices and lessons learned. These close partnerships enhance our own independent oversight and go a long way in helping our state and local partners raise priority issues, such as fraud alerts and other early warnings, and resolve questions in their own oversight work including those around Single Audit requirements and Office of Management and Budget guidance.

Further, consistent with the authority that you provided to the PRAC to hold public hearings, [we have hosted a series of programs](#) over the past two years, including with the bipartisan National Academy of Public Administration, so that the PRAC can gain and share insights on the successes and challenges of pandemic programs at the grassroots level. The recordings of these events can be found on our website, and in the past year the topics have included:

- the impact of pandemic response programs and spending in [underserved communities](#),
- the effectiveness of [pandemic housing relief programs](#), and
- the extent to which efforts like the Emergency Broadband Benefit program [connected communities to the internet](#) during the pandemic.

Indeed, the pandemic affected every part of our society, from small business to health care providers to schools. That is why I am also proud of the important oversight work that the PRAC and Inspectors General have done on pandemic-related health issues. For example, last year, our health care issue group released a [report](#) on COVID-19 testing, a risk area the group identified that cuts across agencies, and collaborated to create a data brief on COVID-19 testing administered between February 2020 and August 2020 in six select federal health care programs.² This report highlights crucial areas policymakers should consider to improve testing for Americans, including availability, accessibility, and cost effectiveness of tests. A year later, this issue remains as relevant as ever. The PRAC is also currently coordinating a review related to the use of telehealth services during the pandemic. Specifically, the project involves assessing six federal health care programs to identify the nature of telehealth use across these programs and to identify any potential integrity risks associated with telehealth programs and the facilitation of telehealth care.

We will continue to engage in collaborative outreach efforts like these to increase the public's awareness of how their tax dollars are being spent and to promote ideas that may improve the government's response to this and future crises.

The PRAC Is Identifying Necessary Improvements in How Agencies Collect and Track Spending Data and Operate Pandemic Programs

Despite the PRAC's significant accomplishments in advancing transparency, we have had a number of challenges in making available to the public full and complete information about the federal government's pandemic spending, as well as providing data on how that money was being used. Early on, we had difficulty obtaining spending data on certain significant pandemic programs and few

² The PRAC has five subcommittees and four issue groups, including health care, financial institutions, data sharing, and identity fraud reduction and redress. These subcommittees and groups share ongoing oversight and accountability efforts, best practices, and lessons learned among our 21 member IGs.

agencies required relief recipients to provide detail about how they were spending federal funds that they received. As [we reported in November 2020](#), data completeness and transparency gaps presented challenges to our ability to oversee pandemic relief spending and, as a result, we found that policymakers, senior leaders, and program managers may not have access to all the data needed to inform program and funding decisions for their pandemic response programs. We recognize that pandemic relief funds were distributed amid a worldwide health and economic crisis, creating a potential tension between imposing an undue burden on aid recipients and requiring those recipients to provide information about how they spent the money that they received. Nonetheless, we believe that the public has a right to know how its money is being spent, and that policymakers also need this information to be able to assess whether and how these relief programs worked.

We further highlighted this challenge in our October 2021 report [Increasing Transparency into COVID-19 Spending](#). In that report, we examined 51,000 grants worth \$347 billion, spread across 250 programs to assess the level of transparency in agency information. We found numerous challenges and problems:

- 15,000 awards worth \$33 billion had **meaningless descriptions** that made it difficult to know what that money was used for;
- more than 12,000 of those awards used **opaque descriptions** that repeated the name of the program, such as “Community Development Block Grants/Entitlement Grants”; and
- another 2,500 awards used indecipherable **technical jargon** like CCC5-2021.

Both our November 2020 report and our October 2021 report contain recommendations for improving the federal government’s data transparency and spending information. We also have had numerous discussions with the Administration and Congressional officials about the need to improve the quality of future spending data. Without high-quality data, policymakers and the public cannot fully assess the successes and shortcomings of pandemic relief programs. Equally important, this lack of transparency can hinder efforts to ensure accountability. We have been working with OMB, the Chief Financial Officers Council, Inspectors General, and agencies on these gaps with the goal of improving data quality and transparency.

An important result from these discussions was [OMB Memorandum M-21-20](#), *Promoting Public Trust in the Federal Government through Effective Implementation of the American Rescue Plan Act and*

Stewardship of the Taxpayer Resources, issued on March 19, 2021. This guidance addresses several of the concerns PRAC leadership and staff have been discussing with OMB since March 2020, particularly the need for detailed and accurate award descriptions, enhanced transparency of spending through use of disaster and emergency funding codes, and a commitment to work with the PRAC and Inspectors General to strengthen payment integrity. Additionally, the guidance notes that “OMB anticipates continued collaboration with the PRAC to include joint communications on issues related to ARP relief that will raise awareness on specific challenges and opportunities for payment integrity.” Indeed, in April 2021, we issued a [Joint Alert with OMB](#) on payment integrity. The joint alert identifies risk factors and mitigating strategies that agencies can consider when assessing impact to their respective programs. In July 2021, we issued a second [Joint Alert](#) with OMB, this one on the benefits of using automation and data analytics in reducing the risk of improper payments of government funds.

We believe it is imperative that executive departments and agencies incorporate the lessons learned from previous rounds of COVID-19 stimulus. That is why, in September 2021, we issued a report entitled [Lessons Learned in Oversight of Pandemic Relief Funds](#), highlighting some of the challenges we identified in the operation of some of the largest pandemic relief programs, such as the Paycheck Protection Program and Unemployment Insurance, that were prone to fraud, waste, and abuse due to their size and scope. For example, we saw potential fraud because of self-certification in separate relief programs run by the Small Business Administration and the Department of Labor.

What are the 5 lessons we’ve learned from oversight of pandemic response programs?

1. Agencies shouldn’t solely rely on individuals attesting that they are eligible for benefits
2. Underserved communities should be prioritized for funding
3. Agencies should use existing data to verify eligibility, like the “Do Not Pay” system
4. Relief guidance needs to be accurate and issued quickly
5. Programs must fully disclosure to the public who received relief funds

We intend to update this report as we identify additional lessons from American Rescue Plan programs. These lessons need be heeded as policymakers respond to recent natural disasters with new relief funding.

The PRAC Is Using Advanced Data Analytics to Drive Investigations and Hold Wrongdoers Accountable

The only way to effectively oversee \$5 trillion in relief spending is with data. At the PRAC, we have been using advanced data science to advance our oversight mission in a manner never before undertaken by the Inspector General community. Using funding provided by Congress in the American Rescue Plan, the PRAC created the **Pandemic Analytics Center of Excellence (PACE)** to deliver world-class analytic, audit, and investigative support to the oversight community. The PACE applies the best practices from the ROC, which as previously mentioned was created by the RAT Board to support OIGs in oversight of the American Recovery and Reinvestment Act of 2009. With the ROC, we learned that OIGs stand a better chance of identifying fraud and improper payments by combining data sets and using tools like link analysis, text mining, and anomaly detection.

We have built a data analytics center that, to date, has 17 datasets that give 36 OIGs and law enforcement agencies access to more than 150 million records from public, non-public, and commercial data sources. Further, thanks to the hiring authority that you provided to the PRAC in the CARES Act, we have been able to attract and hire some of the top data science talent from across the country. Not only has this aided the PRAC, but our highly successful Data Science Fellows program has been able to detail 17 data scientists to OIGs to facilitate and support their pandemic-related data analytics efforts.

The sophisticated work of the PRAC's data scientists and our data analytics platform have been instrumental in advancing our efforts to identify improper payments and fraudulent activity in pandemic programs. Among other things, our data scientists are developing robotic processes for automating some of the tasks associated with monitoring pandemic relief spending. They identify flags and anomalies, sending those to our investigators for a closer look. They also develop risk models to help Inspectors General identify high-risk recipients of pandemic funds. For example, one risk model helped the Small Business Administration (SBA) Office of the Inspector General (OIG) to triage the enormous increase in hotline complaints it experienced after the start of the pandemic. Prior to March 2020, the SBA OIG's hotline typically received fewer than 1,000 complaints per year. That rate increased to 6,000 complaints per week during the early months of the pandemic. Using the PRAC-designed risk model, SBA OIG investigators are better equipped to assess which of these complaints to pursue, saving them valuable time and resources.

Advanced analytics tools like these are helping our partners search multiple data sources to root out issues like identity theft, multi-dipping, and fraud across pandemic relief programs. This kind of work has advanced numerous investigations and, to date, our data analytics team has used the PACE to complete 185 investigative requests for the federal oversight community. Notably, the work of the PRAC and its partner Inspectors General have already led to 1,272 indictments and complaints, 949 arrests, and 455 convictions.

We are also using our CARES Act authority to create new models of coordination among the federal Inspectors General. In January 2021, the PRAC and our OIG partners launched the PRAC Fraud Task Force to enable us to better coordinate investigations, to exchange information about fraud schemes that we have identified, and to share resources to enable agents to support investigations across the Inspector General community. For example, through the **PRAC's Fraud Task Force** more than 40 experienced investigators from a dozen OIGs have been working together to investigate small business loan fraud cases. We created a hotline that has received nearly 3,000 complaints that have been routed to the appropriate agencies for follow-up action where applicable. Additionally, the PRAC Fraud Task Force has uncovered fraud schemes that have provided valuable leads for the entire Inspector General community, including scams used to buy luxury cars, real estate, and cryptocurrency. Fraud in the Paycheck Protection Program, the Unemployment Insurance program, and Economic Injury Disaster Loan grants continue to trend among our most prevalent investigations in addition to investigations involving testing supplies, treatments, and vaccines.

We also participate, along with 30 partner agencies, in the whole-of-government effort embodied in the Department of Justice's COVID-19 Fraud Enforcement Task Force. Pandemic fraud is a problem that affects programs across agencies, so it requires this coordinated all-of-government effort to address it. We look forward to continuing to work with federal prosecutors to ensure that those who steal from these important programs are held fully accountable.

Taken together, these efforts emphasize the important benefits of cross-OIG collaboration. They also demonstrate our commitment at the PRAC to using all the tools that we have available to hold wrongdoers accountable—including criminal, civil, and administrative actions. The PRAC's and the IG community's efforts to fight fraud in pandemic-related spending would be enhanced by the reforms outlined in the Administrative False Claims Act of 2021, S.2429, which is pending on the Senate floor and is co-sponsored by Chairman Peters, Ranking Member Portman, and Senators Hassan, and Lankford, among others. Too often those who fraudulently divert tax dollars in amounts below what is typically accepted by prosecutors are not fully held accountable, impacting agency programs and

leaving the taxpayer footing the bill. The legislation raises the jurisdictional limit for administrative recoveries of “smaller” false or fraudulent claims against the government from \$150,000 to \$1,000,000. This change would extend the PRAC’s and the Inspector General community’s ability to use this fraud-fighting tool to recover pandemic-related funds for the taxpayers. I am hopeful that the Senate will take up and pass this legislation.

The PRAC’s Priorities in the Year Ahead

Through our investigative and oversight work, the PRAC has identified the need to prevent and detect identity theft in pandemic benefit programs as a key priority. Indeed, identity theft has been endemic in the fraud cases we have seen, and it often results in three victims:

- First, **the public at large** because federal benefits intended to provide relief from the health and economic impacts of the pandemic are diverted to the pockets of bad actors.
- Second, the **individuals these programs are intended to help** who are left unable to obtain benefits because a portion of the funds were siphoned off by bad actors.
- Third, the **individuals whose identities were stolen** and used to fraudulently obtain benefits are left to deal with the ramifications of damaged credit and other issues.

The PRAC created the Identity Fraud Reduction and Redress Working Group in July 2021 to address this serious challenge. Through this group and related efforts, we will continue to partner with our member Inspectors General to identify ways that the agencies we oversee can better protect the public from identity fraud in pandemic relief programs by closing the gaps that allow scammers to exploit these programs. For example, our December 2021 capping report [Key Insights: State Pandemic Unemployment Insurance Programs](#) looked at 40 reports from 16 state auditors and described how one of the new federal unemployment insurance programs did not require proof of income or identity, making it difficult for state auditors to verify eligibility. We also found that multiple states paid benefits to prisoners or to individuals that applied using stolen identities.

The PRAC is also focused on adding to our body of work detailing the importance of antifraud controls. In a [recent report](#), we partnered with the [U.S. Department of Housing and Urban Development \(HUD\)](#)

[Office of Inspector General \(OIG\)](#) to document different fraud schemes and discovered insights that we are sharing with agencies that are reviewing fraud cases in other pandemic relief programs. We also provided recommendations to HUD on how to strengthen anti-fraud controls for two HUD programs, and systemically prevent these fraud schemes—and others—from occurring. Additionally, in January of this year, we issued a report entitled [Small Business Administration Paycheck Protection Program Phase III Fraud Controls](#) that examined fraud controls added by the SBA to the PPP in January 2021. Some of these controls were later used by the SBA to administer the Restaurant Revitalization Fund (RRF) in May 2021. To determine the effectiveness of these additional fraud controls, we looked at 66 prior prosecutions by the Department of Justice that involved PPP fraud in 2020 to assess the impact these antifraud controls would have had on those schemes had they been in place at that time. We found that, while the new controls improved the SBA's ability to detect fraud schemes, the controls would not have detected some of the fraud in the prior 66 cases. Further, we found that some of the same fraud schemes are going undetected despite the additional controls. We concluded that the SBA's updated controls for PPP would have significantly benefitted from a formal fraud risk assessment before the program re-opened in January 2021. The PRAC worked with OMB to conduct a review of SBA's COVID EIDL program before the loan threshold was increased to \$2 million. That review resulted in the addition of new controls, including additional safeguards to detect against and handle suspicious IP addresses, additional program eligibility checks, and other preventative measures.

In addition to these efforts, the PRAC and our member IGs are currently working on more than 200 pandemic oversight engagements that focus on emerging issues like public health and safety and the evergreen topic of how to prevent and detect fraud in government programs. The PRAC also will continue to increase our transparency efforts by shining an even brighter spotlight on the important oversight efforts underway by state, local, and Tribal governments with the rollout of new content on [PandemicOversight.gov](#) to include fresh interactive maps, tools, and data stories on pandemic relief trends and findings. And, of course, we will continue to engage in community outreach and engagement events to gather stakeholder perspectives and recommendations on the delivery of better government programs and operations.

Finally, we will continue to work closely with our federal and state oversight partners, the Congress, the Office of Management and Budget, and the agencies we oversee to identify lessons learned and provide insights to inform critical decision-making related to the pandemic.

Conclusion

What the PRAC has developed over the past two years is a new model for conducting oversight in a crisis. It is a model that draws on the existing capabilities of the oversight community and surges capacity where needed. We are providing important shared services to the Inspector General community and working more closely than ever with our federal, state, and local partners and are providing them with access to data, staff, and investigative resources. Our transparency mission and tracking of pandemic spending is unique across government while our other priorities address common challenges and risks across our member OIGs.

Thank you for your continued strong support for the PRAC, the Inspector General community, and independent oversight. We look forward to continuing to work on behalf of the taxpayers to ensure that federal pandemic programs are operating effectively and efficiently, and to prevent and detect waste, fraud, and abuse.

That concludes my prepared remarks, and I would be pleased to answer any questions that the Committee may have.

*U.S. Department of Labor
Office of Inspector General*

Congressional Testimony



Testimony before the U.S. Senate Committee on Homeland Security and
Governmental Affairs

Hearing Title:

"Pandemic Response and Accountability: Reducing Fraud and Expanding Access
to COVID-19 Relief through Effective Oversight"

Testimony of Larry D. Turner
Inspector General
Office of Inspector General
U.S. Department of Labor

Number 19-22-003-03-315

March 17, 2022

Good morning, Chairman Peters, Ranking Member Portman, and distinguished members of the Committee. Thank you for the opportunity to testify on the important work of the U.S. Department of Labor (DOL or Department) Office of Inspector General (OIG). Although the OIG is responsible for overseeing all DOL programs and operations, I will focus my testimony today on the OIG's oversight of the unemployment insurance (UI) program during the COVID-19 pandemic.

The OIG has remained committed to meeting the challenges created by the COVID-19 pandemic and to assisting DOL and Congress in improving the efficiency and integrity of the UI program. As my testimony will show, strengthening the UI program to prevent fraud before it occurs and to detect it when it does are key objectives to ensure that unemployed workers expeditiously receive much needed benefits, while safeguarding tax dollars directed toward that goal.

The OIG is an independent agency within DOL. The views expressed herein are based on the independent findings and recommendations of the OIG's work and are not intended to reflect DOL's positions.

Overview of the Unemployment Insurance Program

The UI program is a joint federal-state program that is the first economic line of defense against the collective impact of unemployment. The program acts as a safety-net for individuals who lose their jobs through no fault of their own. The UI program is required to make timely weekly benefit payments to provide needed assistance to unemployed workers. It is equally important that the program have sufficient controls in place to quickly determine that benefits are or were paid to the right person in the correct amount. Each state workforce agency¹ (SWA or state):

- administers a separate UI program under its laws, but follows uniform guidelines established by federal law;
- establishes requirements for eligibility, benefit amounts, and the length of time that benefits can be paid; and
- manages the personnel and system resources to administer their respective programs.

UI benefits are generally funded by state employer taxes with administrative costs funded by the federal government. The UI program requires states to make weekly benefit payments while ensuring claimants meet eligibility requirements. Extensions and expansions of coverage and benefits, such as those provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and subsequent legislation, are also normally funded by the federal government.

¹ State Workforce Agencies (53): The 50 states and the U.S. Virgin Islands, Puerto Rico, and the District of Columbia. The Coronavirus Aid, Relief, and Economic Security Act also provided certain UI benefits to American Samoa, Commonwealth of the Northern Mariana Islands, Federated States of Micronesia, Guam, Marshall Islands, and the Republic of Palau, provided the territory signs an agreement with the Department.

DOL's Employment and Training Administration (ETA) is the federal agency responsible for providing program direction and oversight. The OIG conducts independent oversight of the UI program through audits to strengthen the integrity and efficiency of the program and criminal investigations to detect and deter large-scale fraud. The OIG's federal criminal investigations are time- and resource-intensive, and one of the last lines of defense in safeguarding the UI program from fraud.

OIG Significant Concerns

The OIG has repeatedly reported significant concerns with DOL and SWA's ability to deploy program benefits expeditiously and efficiently while ensuring integrity and adequate oversight, particularly in response to national emergencies and disasters. The OIG reiterated these concerns following the economic downturn created by the pandemic and the unprecedented levels of federal funding allocated to the UI program, currently estimated at approximately \$872.5 billion. Less than a month after the CARES Act passed, we published an Advisory Report outlining areas of concern that ETA and the states should consider as they implemented the UI provisions included in the CARES Act. Our identification of these areas represents years of work relating to DOL's UI program, including the use of prior stimulus funds and response to past disasters.

Deploying Benefits Expeditiously and Efficiently

Rapid deployment of CARES Act funding was critical in helping workers in need. However, anticipating and addressing the increased risk that came with the expanded funding was also vital to meeting the intent of the Act. As the OIG's prior audit work has shown, quickly deploying funds can result in shortcomings in the effective and efficient implementation of stimulus programs. For example, a 2010 OIG audit of Recovery Act funding found that the \$7 billion DOL provided to states to modernize legacy systems for processing UI claims was not always used for this purpose, and \$1.3 billion would likely not have been spent before their period of availability expired. In addition, states took over a year to spend most of the funding available for emergency staffing, and at least 40 percent of funding for this purpose was unspent after 15 months.

To implement the new UI programs authorized by the CARES Act in March 2020, states needed sufficient staffing and system resources to manage the extraordinary increases in the number of claims and payments further discussed in this testimony. Since the start of the pandemic, our audit work confirmed that the Department and states continued to face challenges in these areas as they endeavored to implement the new temporary UI programs authorized by the CARES Act. State preparedness through staffing and systems was one of the six areas we reported in April 2020 as a continued challenge for the Department and states. Furthermore, we also reported on the program that posed the greatest risk to the UI system, the Pandemic Unemployment Assistance (PUA) program. PUA's expanded coverage for a population of claimants who were

traditionally ineligible to receive UI benefits² presented significant challenges to states as they designed and implemented processes to determine initial and continued program eligibility. The OIG reported the risk of fraud and improper payments was even higher under PUA because claimants could self-certify their eligibility for UI and alerted ETA to establish methods to detect fraud and recover improper payments.

Our subsequent reports identified continued programmatic weaknesses in each of these same areas. For example, the OIG had audited the Disaster Unemployment Assistance (DUA) program and found the Department had not established adequate controls to ensure benefits were paid timely. Similarly, for PUA, we identified that it took, on average, 38 days for the first payment after the CARES Act passed. Also, we identified delays in payments for two other new programs: it took 25 days for the Federal Pandemic Unemployment Compensation (FPUC) program and 50 days for the Pandemic Emergency Unemployment Compensation (PEUC) program.³ Continued programmatic weaknesses led to workers unemployed through no fault of their own suffering lengthy delays in receiving benefits.

History of Improper Payments, Including Fraud

For more than 20 years, the OIG has reported on the Department's challenges to measure, report, and reduce improper payments in the UI program. Indeed, the UI program has experienced some of the highest improper payment rates across the federal government. The reported improper payment estimate for the regular UI program has been above 10 percent for 14 of the last 18 years.

The UI program requires states to make weekly benefit payments while ensuring claimants meet eligibility requirements. An SWA may determine a payment is improper after a claimant receives benefits based on new information that was unavailable when the SWA approved the benefit payment or as a result of the requirement that claimants be provided with due process prior to stopping payment of benefits. Improper payments often occur as a result of four leading causes:

- Claimants Do Not Meet Work Search Requirements⁴ – Claimants who fail to demonstrate they meet state requirements for work search;

² The new PUA program extended unemployment benefits to self-employed, independent contractors, those with limited work history, and other individuals not traditionally eligible for unemployment benefits who were unable to work as a direct result of COVID-19.

³ Also, the 12 states we selected for in-depth analysis were generally unable to demonstrate they met the payment promptness standard ETA established for regular UI payments, which is to pay 87 percent of claimants within 14 or 21 days.

⁴ The Middle Class Tax Relief and Job Creation Act of 2012, requires that individuals receiving UI benefits must be able to work, available to work, and actively seeking work, as a condition of eligibility for regular compensation for any week. Accordingly, states generally require that unemployed workers demonstrate they were actively seeking work. Work search overpayments occur when states pay UI claimants who do not demonstrate that they were actively seeking work.

- Benefit Year Earnings – Claimants who continue to claim benefits after they return to work, or who misreport earnings during a week in which benefits are claimed;
- Employers Do Not Timely Report Employees' Separation – Employers or their third-party administrators who fail to provide timely and adequate information about why individuals separated from their employment; and
- Fraud – Claims based on fraudulent schemes, such as those perpetrated during the pandemic.

A Perfect Storm

Following the start of the pandemic in the U.S. in early 2020, unemployment compensation claims rose exponentially to historically unprecedented levels. Prior to the pandemic, numbers of UI claims were low: on March 14, 2020, the Department reported 282,000 initial claims. Within 2 to 3 weeks, initial claims rose to 10 times pre-pandemic levels, far higher than state systems were designed to handle. Within 5 months, through August 15, 2020, the Department reported 57.4 million initial claims, the largest increase since the Department began tracking UI data in 1967.

The CARES Act provided significant funding to the state-federal UI program, which resulted in hundreds of billions of dollars in additional payments. New UI programs under the CARES Act meant more workers qualified,⁵ all unemployed workers received a supplement per week in addition to their regular benefit amount, and individuals who exhausted their regular unemployment benefits were provided additional weeks of unemployment compensation. Also, UI claims could be backdated to the beginning of the eligibility period. With the legislative extensions, claimants could receive up to 79 weeks of UI payments.

In June 2020, the OIG provided a member briefing⁶ and a statement for the record⁷ to Congress highlighting challenges DOL and SWAs faced in administering and overseeing the UI program as well as the substantially increased fraud risk. The expanded coverage offered under the PUA program posed significant challenges to states as they implemented processes to determine initial and continued program eligibility for participants. The reliance solely on claimant self-certifications without evidence of eligibility and wages during the program's first 9 months rendered the PUA program extremely susceptible to improper payments and fraud.

⁵ The PUA program covered workers not typically covered by UI, who could self-certify that they were able to and available for work but unemployed due to COVID-19 related reasons.

⁶ "Subcommittee on Government Operations Briefing with the Inspector General for the Department of Labor." Statement of Scott S. Dahl, Inspector General, U.S. Department of Labor House Committee on Oversight and Reform; Subcommittee on Government Operations (June 1, 2020). Available at: <https://www.oig.dol.gov/public/testimony/20200601.pdf>

⁷ "Unemployment Insurance During COVID-19: The CARES Act and the Role of Unemployment Insurance During the Pandemic." Statement for the Record of Scott S. Dahl, Inspector General, U.S. Department of Labor Senate Committee on Finance (June 9, 2020). Available at: <https://www.oig.dol.gov/public/testimony/20200609.pdf>

As the OIG reported, the unprecedented infusion of federal funds into the UI program gave individuals and organized criminal groups a high-value target to exploit. That, combined with easily attainable stolen personally identifiable information and continuing UI program weaknesses identified by the OIG over the last several years, allowed criminals to defraud the system. Because many states were not prepared to process the volume of new claims under completely new UI programs, many internal fraud controls that had been traditionally used or recommended for the processing of UI claims were not initially implemented. This created a situation where fraudsters had a high-reward target where an individual could make a fraudulent claim with relatively low risk of being caught, at least initially, due to the lack of basic anti-fraud measures. As time went on, one fraudster could have been issued several UI debit cards, with tens of thousands of dollars on each card.

Estimating the overall improper payment rate for the pandemic UI programs is critical for the efficient operation of the program. The OIG maintains that ETA and the SWAs, under their program operating responsibilities, must determine the improper payment rate, including the fraud rate, for pandemic UI programs. The Inspector General Act of 1978 prohibits the OIG from undertaking program operating responsibilities. In August 2020, we recommended that ETA estimate the improper payment rate for pandemic UI programs. In December 2021, consistent with our recommendation, ETA reported an improper payment rate of 18.71 percent. The OIG notes this estimate is based on the regular UI program and has been applied to two of three key pandemic UI programs, PEUC and FPUC. ETA states it will report the third program, PUA, in 2022.

Applying the 18.71 percent to the estimated \$872.5 billion in pandemic UI payments,⁸ at least \$163 billion in pandemic UI benefits could have been paid improperly, with a significant portion attributable to fraud. Based on the OIG's audit and investigative work, the improper payment rate for pandemic UI programs is likely higher than 18.71 percent.

OIG Pandemic Investigative Work

The volume of UI investigative matters currently under review is unprecedented in the OIG's history. Prior to the pandemic, the OIG opened approximately 120 UI investigative matters annually. Since the pandemic started, the OIG has received more than 143,000 UI fraud complaints from the U.S. Department of Justice's (DOJ) National Center for Disaster Fraud (NCDF) and has independently opened more than 38,000 investigative matters concerning UI fraud. That is an increase of more than 1,000 times in the volume of UI work that we are facing. UI investigations now account for approximately 94 percent of the OIG investigative case inventory, compared to approximately 11 percent prior to the pandemic.

⁸ ETA's reported improper payment rate estimate of 18.71 percent does not include the PUA program. However, it is the most current improper payment rate from ETA. Furthermore, PUA had control weaknesses that may have facilitated comparable or greater improper payments. Therefore, applying ETA's rate to all of the estimated \$872.5 billion in CARES Act UI payments including PUA would equate to at least \$163 billion in improper payments.

In response to the extraordinary increase in oversight demands, the OIG hired additional criminal investigators; increased the caseload of investigators already on-board; deployed federal and contract staff to review DOL and SWAs' efforts; and strengthened our data analytics program. In addition, we took several other actions to augment our efforts, including the following:

- initiated the development of a National UI Fraud Task Force (NUIFTF)⁹, alongside DOJ;
- collaborated with DOJ on the strategic assignment of 12 term-appointed Assistant United States Attorneys assigned solely to prosecute UI fraud;
- established a multi-disciplinary Pandemic Rapid Response Team within the OIG;
- appointed a National UI Fraud Coordinator to manage our national investigative response to UI fraud;
- appointed seven Regional UI Fraud Coordinators to partner with SWAs and federal, state, and local law enforcement on UI fraud matters in their geographic areas of responsibility;
- leveraged resources from the Council of the Inspectors General on Integrity and Efficiency, Pandemic Response Accountability Committee (PRAC);
- collaborated with states' auditors to help develop their audit strategies for the CARES Act UI programs; and
- implemented an extensive outreach and education program targeted to SWAs, the Department, financial institutions and their associations, law enforcement agencies, and the public to inform and raise awareness regarding fraud trends, best practices, red flags, and more.¹⁰

When the OIG identifies anti-fraud measures that may help the program detect and stop fraud, we share them with the Department and SWAs as appropriate. For example, in alert memoranda issued in February¹¹ and June 2021,¹² our investigators, auditors, and data scientists collaborated to identify nearly \$17 billion of potentially fraudulent UI benefits paid in four high risk areas: to individuals with social security numbers 1) filed in multiple states, 2) of deceased persons, 3) of federal inmates, and 4) used to file for UI claims with suspicious email accounts. We shared our methodology and the underlying

⁹ National Unemployment Insurance Fraud Task Force. Available at:

<https://www.justice.gov/coronavirus/national-unemployment-insurance-fraud-task-force>

¹⁰ The OIG has issued or assisted in issuing: UI fraud consumer protection guide; UI fraud investigations guide; UI fraud alert for state/local law enforcement; UI text message phishing alert; UI fraud and phishing alert; UI fraud and identity theft alert; and UI detection and mitigation alert for financial institutions.

Available at: https://www.oig.dol.gov/OIG_Pandemic_Response_Portal.htm

¹¹ Alert Memorandum: The Employment and Training Administration Needs to Ensure State Workforce Agencies Implement Effective Unemployment Insurance Program Fraud Controls for High Risk Areas Report No. 19-21-002-03-315 (February 22, 2021). Available at:

<https://www.oig.dol.gov/public/reports/oa/2021/19-21-002-03-315.pdf>

¹² Alert Memorandum: The Employment and Training Administration Needs to Issue Guidance to Ensure State Workforce Agencies Provide Requested Unemployment Insurance Data to the Office of Inspector General Report No. 19-21-005-03-315 (June 16, 2021). Available at:

<https://www.oig.dol.gov/public/reports/oa/2021/19-21-005-03-315.pdf>

data with the Department and the SWAs, and we recommended they establish effective controls to mitigate fraud and other improper payments to ineligible claimants, including the four high-risk areas identified in the memoranda. The data provided to DOL and the states included more than 3 million suspicious claims. We are currently in the process of updating our UI dataset. Once that process is complete, we plan to examine whether SWAs took effective measures to address these four high-risk areas.

As of February 2022, our UI investigations have resulted in: the execution of more than 450 search warrants; 749 UI fraud related indictments; and over \$830 million in investigative monetary results. We have also referred over 8,000 fraud matters that do not meet federal prosecution guidelines back to the SWAs for further action.

In one recent OIG investigation, 11 members and associates of the Brooklyn-based Woo Gang were charged with a multi-million-dollar pandemic UI fraud scheme.¹³ In another recent OIG investigation, a one-time California Employment Development Department employee was sentenced to more than 5 years in prison for fraudulently obtaining nearly \$4.3 million in pandemic relief funds.¹⁴



Items seized by OIG agents during the execution of a UI fraud search warrant. Agents recovered approximately 30 UI debit cards, over \$500,000 in cash, and several notebooks containing personally identifiable information.

Working with Domestic and International Law Enforcement Partners

Early in the pandemic, the OIG worked with the DOJ to create the NUIFTF, a nine -agency federal task force focused on law enforcement intelligence sharing, deconfliction, joint national and regional messaging, and the effective use of

¹³ 11 Members and Associates of the Brooklyn-Based Woo Gang Charged with Multi-Million Dollar COVID (February 17, 2022). Available at: https://www.oig.dol.gov/public/Press%20Releases/11_Members_and_Associates_of_the_Brooklyn-Based_Woo_Gang_Charged_with_Multi-Million_Dollar_COVID.pdf

¹⁴ One-Time EDD Employee Sentenced to More Than 5 Years in Prison for Fraudulently Obtaining Nearly \$4.3 Million in COVID Relief Funds (February 4, 2022). https://www.oig.dol.gov/public/Press%20Releases/One-Time_EDD_Employee_Sentenced_to_More_Than_5_Years_in_Prison_for_Fraudulently_Obtaining_Nearly.pdf

investigative and prosecutorial resources. The NUIFTF has also worked closely with partners at the International Organized Crime Intelligence and Operations Center (IOC-2) to develop a deconfliction process to coordinate investigative information across federal law enforcement agencies. Through data analytics and a leads generation process, the NUIFTF and IOC-2 partner agencies have identified significant fraud being committed against the UI program by domestic and international criminal organizations. Many of these include street-level criminal organizations with ties to illegal guns and drugs. These investigations are ongoing and actively being investigated through the NUIFTF.

The OIG has also been very engaged on DOJ's COVID-19 Fraud Enforcement Task Force (CFETF). We also have representation on CFETF subcommittees involving communication, forfeiture, and data, and co-chairs the task force's criminal enterprise subcommittee.

The OIG has also participated in other initiatives that have fallen outside the framework of the NUIFTF and CFETF. For example, in 2020 and 2021, the OIG supported DOJ's annual Money Mule Initiative,¹⁵ which aimed to raise awareness about and suppress money mule activity. The OIG conducted extensive internal and external outreach regarding money mules and identified and targeted money mules in coordination with DOJ and other partner agencies.

In addition, the OIG issued alerts to financial institutions about UI fraud both on its own and jointly with its partners, such as U.S. Secret Service (USSS), Financial Crimes Enforcement Network (FinCEN), and NUIFTF. One such joint OIG/USSS alert, "Detection and Mitigation of Unemployment Insurance Fraud Guidance to Financial Institutions," served as a framework for the recovery of millions of dollars of fraudulent UI funds being held by financial institutions. Later, in 2021, the OIG authored a NUIFTF alert that was issued through FinCEN to financial institutions requesting that they identify funds they froze due to suspicion of fraud. The OIG created a process with DOJ and the USSS to collect that data and work with those financial institutions to return fraudulent funds to SWAs. The OIG and its law enforcement partners are working with more than 350 financial institutions in response to our request.

The PRAC has also played a pivotal role in amplifying the ability of OIGs to share information and conduct internal and external outreach to stakeholders that have been impacted by pandemic fraud. For example, the OIG worked with the PRAC on social media tool kits related to money mule activity and erroneous Forms 1099-G that were issued to victims of UI fraud. The OIG has also worked with the PRAC, DOJ, and USSS to create a web-based survey where financial institutions can more broadly report UI and other types of pandemic fraud. This information is being collected by the PRAC, analyzed by its partners, and, if appropriate, sent to field personnel for further action.

¹⁵ Additional information about DOJ's Money Mule Initiative available at: <https://www.justice.gov/civil/consumer-protection-branch/money-mule-initiative>

The OIG, through its membership in IOC-2, has also been engaged with several allied national police agencies to strategize about pandemic related fraud and how to best establish practices to share information. The issue of pandemic fraud has not only been an issue for the U.S., but it has also negatively impacted our foreign partners' pandemic entitlement programs. We have conducted outreach and education related to pandemic fraud, including UI fraud, with our five eyes partner countries as participants on the International Public Sector Fraud Forum.¹⁶

The OIG, IOC-2, and our federal law enforcement partners have identified numerous instances of international organized criminal groups engaged in UI fraud. We will continue to work with our domestic and international law enforcement partners on these matters.

OIG Pandemic Oversight Work

In April 2020, shortly after CARES Act enactment, we published our Pandemic Response Oversight Plan detailing how the OIG would conduct its pandemic oversight, with a significant focus on the UI program. We designed our four-phased pandemic response oversight plan to provide recommendations to DOL to address current and emerging vulnerabilities with the pandemic response and to prevent similar vulnerabilities from hampering preparedness for future emergencies. Phases 1 and 2, which are complete, focused on DOL's plans, guidance, and initial implementation of administration and oversight activities. Phase 3 audit work, assessing program results and more, is ongoing. Our Phase 4 work plans include reporting on lessons learned for UI, worker safety and health, and employment and training.

At the start of the pandemic, we examined past audits including those related to the American Recovery and Reinvestment Act of 2009 and the DUA program, and we assessed comparable lessons learned as applicable to the UI program. As a result, in April 2020, we issued the previously noted advisory report¹⁷ identifying six initial areas of concern for ETA and the states to consider while implementing CARES Act UI provisions: state preparedness (including staffing and systems), initial eligibility determination, benefit amount, return to work, improper payment detection and recovery, and program monitoring. Our identification of these areas represents at least 16 years of work relating to DOL's UI program, including the use of prior stimulus funds and response to past disasters. The advisory report summarized dozens of OIG recommendations to implement corrective action in these areas.

¹⁶ The five eyes countries include Australia, Canada, New Zealand, the United Kingdom and the United States. The International Public Sector Fraud Forum consists of representatives from organizations from the five eyes countries, whose collective aim is to share best and leading practices in fraud management and control across public borders.

¹⁷ Advisory Report: CARES Act: Initial Areas of Concern Regarding Implementation of Unemployment Insurance Provisions, Report No. 19-20-001-03-315 (April 21, 2020). Available at: <https://www.oig.dol.gov/public/reports/oa/2020/19-20-001-03-315.pdf>

We have issued nine subsequent reports, including alert memoranda for urgent concerns, involving the UI program. For example:

- In May 2020, we issued an alert memorandum¹⁸ describing our concerns regarding claimant self-certification in the PUA program. In our view, reliance on such self-certifications rendered the PUA program highly vulnerable to improper payments and fraud. Subsequent to our work identifying fraud risks associated with self-certification in the PUA program, including this alert memorandum and the next two described reports, Congress took action to require supporting documentation to improve SWAs' abilities to ensure proper claimant eligibility and to mitigate fraud.
- In August 2020, we reported¹⁹ states did not use existing tools effectively to combat fraud and other improper payments. We also stated ETA should work with the OIG to obtain access to state claimant data that could be used to identify and disrupt fraudulent schemes that threaten the integrity of UI programs, including those under the CARES Act.
- In October 2020, we reported²⁰ where states confirmed our concerns about fraud in the UI program. Specifically, states cited the PUA self-certification requirement as a top fraud vulnerability. Despite states' deployment of strategies and tools for mitigating fraud, 53 percent of respondents still cited fraud vulnerabilities within the PUA program. States reported inherent vulnerability in the PUA self-certification process, systems issues, and inadequate fraud screening tools.
- In February 2021, we issued²¹ an alert memorandum that identified more than \$5.4 billion of potentially fraudulent UI benefits paid in specific high-risk areas as previously mentioned—to individuals with social security numbers: filed in multiple states, of deceased persons, of federal inmates, and with suspicious email accounts. In June 2021, we issued a subsequent alert memorandum²²

¹⁸ Alert Memorandum: The Pandemic Unemployment Assistance Program Needs Proactive Measures to Detect and Prevent Improper Payments and Fraud, Report No. 19-20-002-03-315 (May 26, 2020), available at: <https://www.oig.dol.gov/public/reports/oa/2020/19-20-002-03-315.pdf>

¹⁹ COVID-19: More Can Be Done to Mitigate Risk to Unemployment Compensation Under The CARES Act Report No. 19-20-008-03-315 (August 7, 2020). Available at: <https://www.oig.dol.gov/public/reports/oa/2020/19-20-008-03-315.pdf>

²⁰ COVID-19: States Cite Vulnerabilities in Detecting Fraud While Complying with The CARES Act UI Program Self-Certification Requirement Report No. 19-21-001-03-315 (October 21, 2020). Available at: <https://www.oig.dol.gov/public/reports/oa/2021/19-21-001-03-315.pdf>

²¹ Alert Memorandum: The Employment and Training Administration (ETA) Needs to Ensure State Workforce Agencies (SWA) Implement Effective Unemployment Insurance Program Fraud Controls for High Risk Areas, Report No. 19-21-002-03-315 (February 22, 2021). Available at: <https://www.oig.dol.gov/public/reports/oa/2021/19-21-002-03-315.pdf>

²² Alert Memorandum: The Employment and Training Administration Needs to Issue Guidance to Ensure State Workforce Agencies Provide Requested Unemployment Insurance Data to the Office of the Inspector General, Report No. 19-21-005-03-315 (June 16, 2021). Available at: <https://www.oig.dol.gov/public/reports/oa/2021/19-21-005-03-315.pdf>

where we increased that identification to almost \$17 billion in potential fraud in these same four high-risk areas. The potentially fraudulent UI payments we identified occurred during a limited time period, from March 2020 to October 2020, and covered only the four noted high-risk areas.

- In May 2021, we reported²³ that DOL and states struggled to implement the three key new UI programs that posed the greatest risk for fraud, waste, and abuse: PUA, PEUC, and FPUC. Specifically, DOL's guidance and oversight did not ensure states: implemented the programs and paid benefits promptly; performed required and recommended improper payment detection and recovery activities; and reported accurate and complete program activities. This occurred primarily because states' information technology (IT) systems were not modernized, staffing resources were insufficient to manage the increased number of new claims, and, according to state officials, ETA's guidance was untimely and unclear.
- In September 2021, we reported²⁴ on our assessment of DOL and states' strategies to reduce UI overpayments related to work search—the leading cause of improper payments prior to the pandemic. We found ETA and state strategies did not consistently reduce UI overpayments related to work search. The agency was unable to consistently reduce these overpayments mainly because states had varying work search laws and requirements, with some more stringent than others. For example, in one state, we determined that, on average during Program Year (PY) 2018,²⁵ a claimant could complete one valid work search contact in as few as 11 seconds. In addition, ETA inappropriately excluded certain types of overpayments from improper payment estimates for the UI program. As a result, UI improper payment rates were considerably understated for FYs 2017 through 2020.
- In November 2021, we reported²⁶ the Department's first-in-25-years qualified opinion on its consolidated financial statements and one material weakness related to UI COVID-19 funding. This was due to the Department being unable to provide sufficient evidence for \$47.3 billion it estimated for UI claims for unemployed weeks that occurred prior to the expiration of the UI pandemic programs that were still in appeal or had not yet been processed as of September 30, 2021. This was also due to unreliable reporting of \$4.4 billion in UI benefit overpayments due to certain states non-reporting of UI overpayment activity.

²³ COVID-19: States Struggled to Implement CARES Act Unemployment Insurance Programs, Report No. 19-21-004-03-315 (May 28, 2021). Available at:

<https://www.oig.dol.gov/public/reports/oa/2021/19-21-004-03-315.pdf>

²⁴ Unemployment Insurance Overpayments Related to Work Search Underscore the Need for More Consistent State Requirements, Report No. 04-21-001-03-315 (September 29, 2021). Available at:

<https://www.oig.dol.gov/public/reports/oa/2021/04-21-001-03-315.pdf>

²⁵ PYs start July 1 and end June 30 each year; PY 2018 started July 1, 2018, and ended June 30, 2019.

²⁶ FY 2021 Independent Auditor's Report on the DOL Financial Statements, Report No. 22-22-003-13-001 (November 19, 2021). Available at: <https://www.oig.dol.gov/public/reports/oa/2022/22-22-003-13-001.pdf>

OIG Recommendations

The OIG has made several recommendations to DOL and Congress to improve the efficiency and integrity of the UI program. Key recommendations follow.

OIG Recommendations to DOL

OIG Access to Claim and Wage Data

- Facilitate the OIG's access to UI claim data for audit and investigative purposes
- Take immediate action to require the National Association of State Workforce Agencies (NASWA) to refer information to ETA and the OIG on suspected fraud, waste, abuse, mismanagement, or misconduct

Staffing and Systems for Prompt Payments during Emergencies

- Continue to work with states to develop, operate, and maintain a modular set of technological capabilities (i.e., staffing and replacing IT legacy systems) to modernize the delivery of UI benefits that is sufficient to manage and process sudden spikes in claims volume during emergencies or high unemployment
- Create a rapid response team consisting of federal and state officials capable of providing technical and other assistance to SWAs impacted by major disasters
- Conduct a study to assess: the technological needs of the UI programs to determine the capabilities that need to be upgraded or replaced; the features necessary to effectively respond to rapid changes in the volume of claims in times of emergency or high unemployment; the capabilities needed to ensure effective and equitable delivery of benefits; and the capabilities to minimize fraudulent activities
- Develop standards for providing clear and reasonable timeframes to implement temporary programs to establish expectations for prompt benefit payments to claimants

Controls for Improper Payments

- Establish effective controls, in collaboration with SWAs, to mitigate fraud and other improper payments to potentially ineligible claimants, including multi-state claimants, claimants who used social security numbers of deceased individuals and federal inmates, and claimants with suspicious email accounts
- Develop and implement cause-level reduction targets to gauge and monitor the effectiveness of strategies implemented by states to reduce work search overpayments
- Include in the UI improper payment estimate: (1) overpayments related to work search formal/ informal warnings; and (2) payments to claimants who provide no or insufficient documentation to support eligibility with respect to work search
- Incorporate the impact of UI improper payments related to temporary programs, such as those created by the CARES Act, into the traditionally estimated improper payment rate calculations

- Develop policies and procedures to coordinate with SWAs to obtain the necessary UI program information needed (for DOL financial statements) to support related balances and assumptions, and to perform benchmarking and/or other analyses to validate new assumptions

Guidance and Assistance to States

- Assist states with claims, overpayment, and fraud reporting to create clear and accurate information, and then use the overpayment and fraud reporting to prioritize and assist states with fraud detection and recovery
- Examine the effectiveness of Benefit Accuracy Measurement's²⁷ contact verification process to ensure it reflects the current methods claimants use to seek work
- Inform states that formal and informal warnings are not permissible under Federal work search law

Coordination with Congress

- Work with Congress to establish legislation requiring SWAs to cross-match in high-risk areas, including to individuals with social security numbers: filed in multiple states, of deceased persons, of federal inmates, and with suspicious email accounts

DOL Recommendations to Congress

In addition, Congress should consider legislative proposals included in prior DOL budget requests and pass legislation to improve UI program integrity. The DOL proposals include the following:

- allow the Secretary of Labor greater authority to require SWAs to implement UI corrective actions related to performance and integrity;
- require SWAs to use the NASWA's Integrity Data Hub (IDH) and the State Information Data Exchange System;
- require SWAs to cross-match UI claims against the National Directory of New Hires;
- require SWAs to cross-match UI claims with the U.S. Social Security Administration's prisoner database and other repositories of prisoner information;
- allow SWAs to retain 5 percent of UI overpayment recoveries for program integrity purposes; and
- require SWAs to use UI penalty and interest collections solely for UI administration.

²⁷ Benefit Accuracy Measurement (BAM) is a quality control statistical survey used to identify errors and support corrective action in the state UI system. It usually focuses on the three major UI programs—regular UI, Unemployment Compensation for Federal Employees, and Unemployment Compensation for Ex-service members. The BAM data are an estimate of the total improper payments in the UI program, in each state and the nation as a whole, based on a statistically valid examination of a sample of paid and denied claims.

These legislative proposals are consistent with previous OIG findings and recommendations to improve the UI program.

DOL's Progress

While concerns persist within the UI program, DOL has instituted efforts to focus on program integrity when implementing the CARES Act and other pandemic-related UI programs. These efforts include establishing agreements with states to comply with all applicable requirements to receive funds, issuing operating guidance, and providing technical assistance to SWAs individually and through webinars. DOL has included requirements for SWAs to focus on program integrity in guidance relevant to pandemic-related UI funds. In addition, DOL has reinforced the need for SWAs to actively work with the OIG to address fraud in the UI program.

The Department has facilitated OIG's access to UI data for audits and evaluations only to CARES Act UI and other temporary UI programs enacted in response to the pandemic that expired in September 2021, but it has not for all UI programs. In addition, ETA has required grant recipients to share state UI data with the OIG as a condition of the fraud prevention grants offered under the American Rescue Plan (ARP) Act, which will provide such access through December 31, 2023. However, not all states will receive the grants and the data provided to the OIG will be incomplete. The OIG needs access to all UI program data to effectively do its job.

Further, the UI Integrity Center, established by DOL through a grant and operated by NASWA, has continued to develop the IDH to serve as a secure portal for SWAs to cross-match public and private sources of data, including new tools that will help prevent improper payments. DOL is working with NASWA's Integrity Center to further enhance SWA participation in and use of NASWA's IDH through additional guidance and regular communication with SWAs.

On August 31, 2021, the Department announced the establishment of the Office of Unemployment Insurance Modernization to provide oversight and management of the \$2 billion allotted to UI initiatives by the ARP Act of 2021. The funding is aimed at preventing and detecting fraud, promoting equitable access, ensuring timely benefits payments, and reducing backlogs. Of this \$2 billion in funding, two grant programs have been set up: (1) a \$140 million program for fraud grants to be awarded to states to cover subscription costs for identity verification tools, establishment and expansion of data analytics, and implementation of cybersecurity defense strategies; and (2) a separate \$260 million program for equity grants to be awarded to states to improve customer service and claimant outreach, reduce claims backlogs, and improve access for workers in communities that may have historically experienced barriers to access.

OIG Challenges Overseeing the UI Program**Data Access**

The power and use of data and predictive analytics enables OIG auditors and investigators to continuously monitor DOL programs and operations to prevent, detect, and investigate fraud. Continuous monitoring serves as a deterrent to fraud, allows the OIG to promptly discover areas of weakness, and enables DOL management to timely correct problems. However, the OIG's ability to proactively detect UI fraud through our audit and investigative activities continues to be significantly hampered by the OIG's lack of direct access to UI and wage data.

Prior to the pandemic, DOL asserted that it lacked the authority to require states to provide UI data to the OIG for audits and investigations. As a result, the OIG was forced to take the unprecedented step of using Inspector General subpoenas to obtain this critical data. That process took many months and delayed our ability to detect fraud early in the pandemic. The Department revisited its position and on August 3, 2021, issued an Unemployment Insurance Program Letter (UIPL) advising SWAs they must provide UI data to the OIG for benefits paid during the pandemic. However, this was a temporary measure that sunsetted on September 6, 2021. Once the authority in the UIPL expired in September, the OIG was back to the Office of Audit not having access due to the Department's interpretation of their own regulation that it lacked the authority to require states to provide UI data to the OIG for audits and investigations.

The OIG needs access to all UI program data to effectively do its job. In our June 16, 2021, alert memorandum, we recommended that ETA amend 20 CFR 603.5 and 603.6(a) through the rulemaking process and that ETA meet with the OIG to develop a permanent approach for the OIG to access to UI data. We were optimistic that the Department would work on their regulation prior to the expiration of the August 3, 2021, UIPL, which did not happen. ETA has required sharing of state UI data as a condition of the fraud prevention grants offered under the ARP Act of 2021, which will provide such access through December 31, 2023. However, the grants provide the OIG access only for those states who choose to participate and only for the grant period. Given that all states are not receiving grants, the data provided to the OIG will be incomplete; additional subpoenas may be necessary.

Congress should consider legislative action to allow DOL and the OIG to have direct access to UI claimant data and wage records for our oversight responsibilities. Real-time direct access to SWA UI claimant data and wage records systems would further enable the OIG to quickly identify large-scale fraud and expand its current efforts to share emerging fraud trends with ETA and SWAs in order to strengthen the UI program and likely prevent fraud before it occurs.

In addition, the data analytics based on the direct access would further enable our auditors to identify program weaknesses and recommend corrective action that will

improve the timeliness of UI benefit payments and the integrity of the UI program. To underscore this point, based on the data that was provided to the OIG, our data scientists in our Offices of Investigations and Audit worked collaboratively to identify billions of dollars in potential UI fraud paid in specific high-risk areas.

Resource Limitations

The OIG received a total of \$38.5 million in supplemental funding during the pandemic to help oversee the expanded DOL programs and operations. The OIG greatly appreciates the \$38.5 million in additional funding appropriated by Congress. However, additional funding is needed to oversee an estimated \$872.5 billion in UI program funds. Today, the OIG has 109 field agents to investigate over 8,500 investigative matters currently assigned to our field offices and triage team. That is an average of 87 investigative matters per agent. This does not include the more than 140,000 additional UI fraud complaints that we are vetting from the NCDF. Similarly, the OIG has less than 100 auditors to oversee nearly \$549 billion²⁸ in DOL programs in FY 2021.

The OIG focuses the vast majority of its limited investigative efforts on the most egregious UI offenders. Due to the magnitude of fraud and our limited resources, our efforts to thoroughly evaluate complaints and initiate additional investigations on potentially actionable, high-impact investigations have been hampered. In addition, based on past oversight experience of federal UI disaster aid, the OIG expects to be actively investigating UI fraud relating to the pandemic for several years. Given the statute of limitations for most violations charged in UI fraud type prosecutions, and the extension of pandemic UI benefits under the ARP Act, the OIG will likely be conducting these investigations through at least September 2026. Finally, although the OIG has focused the majority of its investigative resources on UI benefit programs, the OIG has a vast investigative jurisdiction covering other high-risk DOL programs that continue to warrant significant investigative oversight.

In light of the unexpected FY 2022 appropriation for the OIG, which held the OIG to its FY 2021 funding levels, additional funding would allow the OIG to deploy more audit and investigative resources to address the ongoing fraud and provide oversight of the Department's efforts to manage the unprecedented level of funding in the UI program and ensure that we have sufficient funds to support our efforts past FY 2023. Also, additional funds would assist the OIG in maintaining and enhancing an IT infrastructure and data analytics program that would ensure that we can efficiently and effectively use the large amounts of data being generated by the extensive use of the UI program. Absent these additional funds, combined with the flat line budget for FY 2022, the OIG will find it difficult to maintain future staffing levels to continue to address our oversight requirements.

²⁸ FY 2022 Department of Labor Budget in Brief. Available at: <https://www.dol.gov/sites/dolgov/files/general/budget/2022/FY2022BIB.pdf>

Asset forfeiture²⁹ is another area where the OIG needs legislative authority to enable it to effectively investigate UI fraud and recover fraudulently obtained funds. Asset forfeiture is a critical legal tool that serves a number of compelling law enforcement purposes. Asset forfeiture is designed to deprive criminals of the proceeds of their crimes, to break the financial backbone of organized criminal syndicates, and to recover property that may be used to compensate victims and deter crime. The OIG is currently not a participant in the Treasury or DOJ forfeiture funds. The lack of authority to participate in these funds limits the OIG's ability to effectively recover ill-gotten proceeds of UI fraud. Statutory authority to seize illicit funds and forfeit them through participation in the Treasury and DOJ forfeiture funds would ensure that the OIG can effectively and efficiently combat UI fraud in the future.

OIG Ongoing and Planned Work

The OIG's efforts to strengthen and protect the UI program continue. In addition to working with our law enforcement partners to combat fraud in the program, we will be issuing additional audit reports covering critical areas of concern and opportunities for improvement in the UI program. Planned and in-progress³⁰ Phase 3 audit work includes:

- ETA's efforts to ensure UI program integrity;*
- state efforts to ensure claimant eligibility;*
- DOL's oversight of emergency UI administrative transfers to states;*
- ETA and state efforts to detect and recover overpayments;*
- adequacy of state IT resources;*
- adequacy of state staffing resources;*
- effectiveness of programs for nontraditional claimants;*
- effectiveness of the Temporary Full Federal Funding program;*
- effectiveness of the Short-Time Compensation program;*
- effectiveness of the Mixed Earners Unemployment;*
- effectiveness of the Emergency Unemployment Relief for Governmental Entities and Non-Profit Organizations program;*
- states' compliance with CARES Act UI reporting requirements;*
- ETA and states' efforts to address multi-state claimants;
- ETA and states' efforts to address claimants using deceased persons' social security numbers;
- ETA and states' efforts to address claimants using prisoners' social security numbers;
- ETA and states' efforts to address claimants with suspicious email accounts;

²⁹ According to DOJ, forfeiture "is the legal process by which title to an asset is transferred to the government...because that asset was derived from, used to facilitate, or involved in criminal conduct in a manner that subjects it to forfeiture under an applicable asset forfeiture statute." Department of Justice, Asset Forfeiture Policy Manual (2021). Available at: <https://www.justice.gov/criminal-afmls/file/839521/download>

³⁰ Audits in progress are marked with an asterisk (*).

- ARP Act Equity Grants; and
- impact of waivers on UI overpayments and fraud investigations.

Conclusion

Mr. Chairman, the OIG remains committed to providing vigilant oversight of the UI program. As I discussed today, keeping fraud out of the UI program through prevention efforts and controls and quickly rooting it out when it occurs are requisite undertakings to ensure that unemployed workers receive much needed benefits without delay, while protecting tax dollars directed towards sustaining the UI system. We will continue to work closely with Congress, DOL, and our law enforcement partners to keep these important benefits available for workers in need.

Beyond our UI work, the OIG's pandemic oversight will involve a substantial focus on other essential programs operated by DOL, including worker safety and health, and employment and job training programs. We will also continue oversight over numerous other areas including: combatting threats to the integrity of foreign labor certification programs; addressing the opioid crisis by fighting fraud against the Federal Employees' Compensation Act program; and overseeing the efficiency and integrity of other important DOL programs and operations.

Thank you for the opportunity to testify at today's hearing. I would also like to take a moment to thank the dedicated employees of the OIG, who continue to work tirelessly in support of the agency and our essential oversight mission.

I would be pleased to answer any questions you or the other members of the Committee may have.

DRUG ADVERSE EVENT COMPARISON

FDA AND CDC DATA: WORLDWIDE

	Adverse events	Deaths	Deaths/year
<i>1/1/1996 – 12/31/2021:</i>			
Ivermectin	3,886	401	15
HCQ	24,459	1,815	70
Flu vaccines	198,526	2,020	78
Dexamethasone	86,672	16,428	632
Tylenol	115,156	26,518	1,020
<i>Since 2020:</i>			
Remdesivir	6,998	1,721	861
<i>In 15 months:</i>			
Covid vaccines	1,168,894	25,158	20,289

FDA FAERS system, CDC VAERS system. Reports from all locations worldwide. Data as of Mar. 4, 2022; downloaded March 15, 2022.





Statement for the record of the
Senate Committee on Homeland Security and Government Affairs
Hearing on Pandemic Response and Accountability: Reducing Fraud and Expanding
Access to COVID-19 Relief through Effective Oversight

Answering Ten Key Questions on Pandemic Unemployment Benefits and Fraud

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March 17, 2022

The American Enterprise Institute (AEI) is a nonpartisan, nonprofit, 501(c)(3) educational organization and does not take institutional positions on any issues. The views expressed in this testimony are those of the author.

Answering Ten Key Questions On Pandemic Unemployment Benefits and Fraud

Matt Weidinger, Senior Fellow
American Enterprise Institute

Overview

The pandemic and government's response to it unleashed unprecedented demand for unemployment benefits – along with unprecedented fraud involving that taxpayer-provided assistance. As described below, major benefit expansions including \$600-per-week supplements and the provision of weekly checks to groups never before eligible for unemployment benefits resulted in record benefit payouts. For example, in the 18 months between when the pandemic struck in March 2020 and temporary federal unemployment programs expired on Labor Day 2021, a total of nearly [*1.6 billion weeks*](#) of state and federal unemployment benefit checks were paid out. That's the equivalent of three full months of benefits for every one of the 121 million households in the US.

Overall, state and federal unemployment benefits paid out during those 18 months totaled around \$900 billion, with massive federal costs simply added to the deficit. Recent estimates for fraudulent payouts range from a low of \$87 billion to as high as \$400 billion. Prior to the pandemic, the US spent \$27 billion on all unemployment benefits in 2019, meaning the current minimum estimate for fraud suggests losses equivalent to *three full years* of benefit payments in more normal times.

Attackers were drawn to enlarged benefits, which meant that an individual qualifying for just average weekly unemployment benefits between April 2020 and September 2021 could collect over \$46,000. But they also took advantage of policies meant to speed the payment of benefits. The Pandemic Unemployment Assistance (PUA) program proved especially vulnerable, including because it allowed claimants to self-certify their eligibility for benefits, which flowed to millions of individuals outside of the regular unemployment insurance system.

The following reviews those and other vulnerabilities and offers guidance for policymakers seeking to prevent a repeat of the enormous fraud inflicted on these programs in the past two years. It also points to additional reports and reviews – all released as these extraordinary benefits were being designed, paid, and in too many cases defrauded – for those seeking more in-depth information.

Ten Key Questions

1. *What major unemployment benefit changes have there been since the pandemic?*

Congress responded to the pandemic by creating unprecedented new and expanded temporary federal unemployment benefits, including:

- The Pandemic Unemployment Compensation (PUC) benefit, an unprecedented \$600 (and later \$300) per week supplement added to all state and federal unemployment benefits.
- The Pandemic Unemployment Assistance (PUA), another unprecedented program offering benefits for the first time to millions of self-employed individuals, independent contractors, and others not previously covered by state Unemployment Insurance (UI) programs.
- The Pandemic Extended Unemployment Compensation (PEUC) program, which provided as many as 53 additional weeks of benefits for those exhausting up to 26 weeks of state UI benefits.
- Full federal funding for the federal/state Extended Benefits (EB) program, which is typically 50 percent funded by states and provides up to 20 additional weeks of benefits in some states.
- Full federal funding of the first week of state UI benefits for states with no waiting week.
- Partial or full federal funding for Short-Time Compensation (STC) programs operated by states.

Those new and expanded temporary benefits were created in March 2020, extended in [December 2020](#), and extended again in the March 2021 American Rescue Plan. The expanded federal benefits generally expired on [Labor Day 2021](#), although most Republican-led states [ended them sooner](#).

For additional background, see:

[Unprecedented: A brief review of the extraordinary unemployment benefit response to the coronavirus crisis](#)

[Extended: A review of the current and proposed duration of “pandemic” unemployment benefits](#)

2. *How many people collected unemployment benefits during the pandemic?*

The number of individuals claiming state and federal unemployment benefits rose rapidly to record levels following the onset of the pandemic. For example, weeks claimed in all programs soared to a record [33 million](#) in June 2020, over two and a half times the pre-pandemic record of 12 million set in early 2010. However, instead of providing the number of *individuals* collecting benefits (as was often reported in the media), official Department of Labor data reflected the total number of benefit *claims* in a given week. As the Department of Labor regularly [noted](#) at the time, “Backdated claims data may be included in these figures.” Thus the over 30 million claims per week between May and July 2020 overstated the number of individuals who were actually collecting benefits – due to large numbers of [back weeks of benefits](#). Large back payments resulted from the massive surge in demand for state unemployment insurance (UI) benefits, along with the rollout of the unprecedented federal PUA program, which delayed first payments. Fraud likely contributed as well.

What is far clearer is the massive number of unemployment *checks* paid out during the pandemic. According to the US Department of Labor, during the roughly 18 months between when unemployment benefit claims surged in mid-March 2020 and when temporary federal programs expired on Labor Day 2021, a total of nearly [1.6 billion weeks](#) of state and federal unemployment benefit checks were paid out. That’s the equivalent of 13 weeks or three full months of benefit checks for every one of the [121 million households](#) in the US. That enormous figure means an average of 21 million unemployment benefit checks per week were paid out across the 18-month period, or the equivalent of paying benefits to one in six households each week. Meanwhile, the number of officially unemployed individuals was far less, averaging [around 12.2 million](#) per month during that period, while the unemployment rate averaged under [7.3 percent](#). The [difference](#) is attributable to backdated checks, fraud, and payments to individuals who “would not be working even without a pandemic,” according to University of Chicago economist [Casey Mulligan](#).

Of the 1.6 billion weekly checks, 932 million were federal unemployment benefits (under the PUA, PEUC, STC, and EB programs). That’s more weeks of federal benefit checks in just 18 months than were paid out [across six years](#) during and after the Great Recession of 2007-09.

For additional background, see:

[Unprecedented “Pandemic Unemployment Assistance” now paid to 1-in-3 unemployment benefit recipients](#)

[Why are there millions more ‘unemployment benefit recipients’ than ‘unemployed’ people?](#)

3. *How much in benefits could someone collect?*

For an individual consistently collecting the national average weekly unemployment benefit between April 1, 2020 and Labor Day 2021, state and federal benefits would have totaled over \$46,000. That’s the product of \$325 per week in state UI and then federal extended benefits over a total of 74 weeks, plus \$600-per-week federal supplements for the initial 17 weeks and then \$300-per-week supplements for another 41 weeks.

While the \$600-per-week federal supplement was available, [two-thirds of recipients](#) collected more in unemployment benefits than they earned while working. Most Americans [believed](#) the \$600 supplement discouraged recipients from going back to work. Even after the supplement dropped to \$300 per week, [nearly 40 percent](#) collected more in benefits than from working.

For additional background, see:

[If Congress extends the \\$600 unemployment bonus now, it may never go away](#)

[Even without the \\$600 bonus, many will continue getting bigger unemployment benefits than paychecks](#)

4. *How much has all this cost?*

Since the pandemic began, major federal unemployment benefits have cost [\\$672 billion](#); a temporary federal program providing generally \$300 supplements in August and September 2020 added [\\$44 billion](#); and another [approximately \\$12 billion](#) in fully federal benefits were paid under the EB program. State UI benefit spending between April 2020 and September 2021 totaled approximately [\\$170 billion](#). Thus all state and federal unemployment benefits paid during the pandemic totaled around \$900 billion.

For additional background, see:

[Headed for \\$900 billion in unemployment benefits](#)

[State unemployment benefit spending has hit record highs, too](#)

5. *Was any of that paid for?*

Almost all of the cost of federal pandemic benefits has been added to the deficit, under the March 2020 CARES Act, the December 2020 Consolidated Appropriations Act, and the March 2021 American Rescue Plan. Further, even though state UI payroll taxes are expected to rise over time to cover the cost of increased state benefit payouts, many states also have used federal deficit spending – in the form of federal pandemic “state aid” – to cover the cost of a significant share of recent state spending.

While nearly all of the cost of temporary federal unemployment benefits paid during recent recessions has been added to the deficit, the scope and scale of pandemic spending has been markedly greater than in prior recessions. For example, the over \$700 billion in spending on extraordinary federal benefits over primarily the 18 months since the pandemic began is well over twice the amount spent on such benefits [across six years](#) during and after the Great Recession of 2007-09. Key differences include the scale of supplements added to weekly benefits (\$600 and \$300-per-week pandemic supplements, compared with just \$25-per-week supplements during the Great Recession) and the major eligibility expansions reflected in the PUA program, which was unprecedented.

It is worth recalling that in prior decades Congress often used future federal payroll tax hikes to finance the cost of such extraordinary temporary federal benefit expansions. For example, that was the original purpose of the 0.2 percent FUTA “[surtax](#)” collected from 1977 through 2011. The over \$700 billion in federal unemployment benefit spending during the pandemic suggests that, if similar taxes were levied today, they would be enormous. As I reviewed in August 2020, “[T]oday’s federal UI tax of typically \$42 per worker per year would grow to \$482—a 1,048 percent increase—and stay there for a decade. The federal UI tax rate would skyrocket from 0.6 percent to 6.6 percent. ... That sharply elevated federal UI tax rate would be on top of [state payroll tax hikes](#) already coming to rebuild state UI trust funds.”

For additional background, see:

[Paying the bill for pandemic-related unemployment benefits](#)

6. How much in unemployment benefit fraud has there been?

In January 2022, the [Office of the Inspector General](#) (OIG) at the US Department of Labor conservatively estimated taxpayer losses since the pandemic began at \$87 billion. However, that figure was the result of applying the pre-pandemic 10 percent error rate for unemployment benefits to the massive spending increases since March 2020. In the end, the OIG admitted that losses “will be higher.” Some private sector experts estimate losses could reach [\\$400 billion](#). Senior Republicans on the House and Senate committees with jurisdiction over unemployment benefits asserted in an August 2021 [letter](#) that “fraud in COVID unemployment programs appears to be the greatest theft of American tax dollars in our nation’s history.”

Major states like California have admitted their error rates may reach [27 percent](#) or more. If national error rates averaged “only” 22 percent, the resulting \$200 billion in state and federal unemployment fraud would constitute the fourth largest pandemic program, by amount of spending.

For additional background, see:

[Unemployment benefit fraud could be the fourth largest stimulus program](#)

[New watchdog report offers lessons for reducing future unemployment fraud](#)

7. What’s the nature of recent UI fraud?

Before the pandemic, a significant share of unemployment fraud involved individuals who continued to collect benefits after returning to work. During the pandemic, the massive surge in claims as well as the unprecedented increase in benefits and eligibility created both a richer target and an easier path for criminals bent on defrauding the system, especially by claiming benefits using stolen identities.

The warnings of potentially massive fraud began almost immediately after federal pandemic benefits were created – and indeed [before](#) they began to be paid out in many states. For example, an April 2020 OIG [report](#) found that under the Disaster Unemployment Assistance (DUA) program on which the PUA program was modeled, improper payments went to over 71 percent of sampled recipients in one state. The OIG noted that, compared with DUA, “the risk of fraud and improper payments is even higher under PUA because claimants can self-certify their UI

qualifications.” Anticipating what was to come, the OIG noted that “identity thieves and organized criminal groups have found ways to exploit program weaknesses. Thus, improper payments stemming from fraudulent activity continue to pose a significant threat to the integrity of the UI program.”

For additional background, see:

[Inspector General warns new federal unemployment program at significant risk of abuse](#)

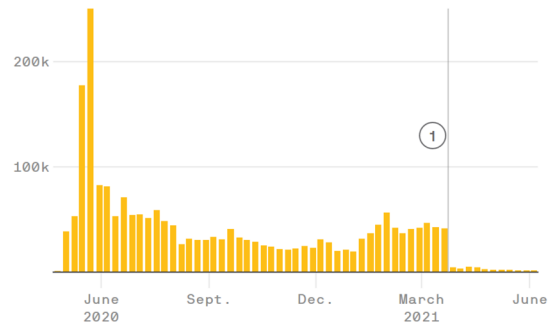
[Elevated claims and payments make unemployment insurance a bigger target for scammers](#)

8. *Which program has been the hardest hit?*

All programs have been affected, but by most accounts the federal Pandemic Unemployment Assistance (PUA) program has been the hardest hit. During that temporary program’s operation from April 2020 through early September 2021, repeated waves of fraud swept the states administering it. For example, Colorado officials [reported](#) in September 2020 that more than 75 percent of recent PUA claims “were determined to be fraudulent.” Driven by massive fraudulent PUA claims, in August 2020 an implausible [80 percent](#) of all 3.4 million workers in Arizona appeared to have applied for unemployment benefits. In [Guam](#), officials [reported](#) they experienced 90 percent fraud to 10 percent “good claims.” California PUA cases doubled from 3.1 million to almost 7.0 million in just two weeks in August 2020, forcing state officials to [admit](#) that “a big part of the unusual recent rise in PUA claims is linked to fraud.” Meanwhile, initial PUA claims dropped by a stunning [92 percent](#) when anti-fraud initiatives were implemented in New York.

New York weekly PUA initial claims

April 25, 2020, to June 12, 2021



(1) Fraud prevention implemented

Data: Department of Labor; Chart: Axios Visuals

For additional background, see:

[Fraud likely driving massive spike in pandemic unemployment assistance rolls](#)

[Congratulations, governor, your application for pandemic unemployment assistance has been approved](#)

9. Why was the PUA program so vulnerable to fraud?

Several features of the PUA program – included in the March 2020 law that created it – made it especially vulnerable to fraud.

For example, the PUA program allowed individuals to “self-certify” their eligibility for benefits. Spotlighting this flaw, the August 31, 2021 [report](#) of the [Pandemic Response Accountability Committee](#) included the following as “lesson #1”: “Self-certified information needs to be validated before payments are sent.” But PUA did nothing of the sort. Indeed, the committee noted that the design of PUA “intensified” the already high risk of fraud involving unemployment benefits by its “expanded eligibility to individuals who were not typically eligible for benefits (e.g., self employed and gig economy workers).”

Self-certification meant that PUA also lacked the third-party or employer verification that state UI programs depend on to ensure benefits are properly targeted. Maryland's Labor Secretary in July 2020 [described](#) how this practice left PUA open to over \$500 million in fraudulent claims there in the program's early months of operation: "The PUA Program, in particular, allows individuals to self-certify that they are unemployed due to the coronavirus, eliminating the regular check-and-balance that exists under the regular state UI program, increasing the potential for fraud."

Also, PUA for the first time offered unemployment benefits to self-employed individuals and independent contractors, who could remain on PUA for extended periods since they are not subject to recall by an employer as state UI recipients typically are. As a September 2020 [report](#) reviewing unemployment benefits in California described, "claimants of regular UI have been almost five times more likely to exit UI in any given week than those receiving PUA benefits." The same [report](#) also suggested that literally every self-employed person in California had applied for PUA benefits: "Since the start of the crisis, there have been 2.2 million PUA claims by individuals indicating previous self-employment. According to available estimates, there were only approximately 2.2 million self-employed individuals in CA prior to the start of the pandemic." The reality is more likely that criminals saw an assertion of self-employment as an easy route to getting on benefits and staying on for lengthy periods.

Unlike state UI, PUA included a guaranteed minimum benefit equal to at least half of the average weekly UI benefit recently paid in a recipient's state. Since PUA was payable to those who earned too little to qualify for state UI, that minimum benefit was paid to those who previously had very low earnings as well as some individuals who didn't previously work at all. When combined with the flat \$600 and later \$300-per-week supplements, that guaranteed minimum benefit contributed to the large number of recipients earning more on benefits than from working. And even without counting the federal supplements, nearly every former payroll employee on PUA (along with everyone who didn't previously work) collected more in PUA benefits than they earned from working. In such cases, the PUA guaranteed minimum benefit alone was frequently [several times](#) what such individuals earned from working.

Overall, these and other PUA features were intended to get as many benefits out the door as quickly as possible. While that may have made sense early in the pandemic, it also stoked demand among those intent on defrauding the system.

These PUA features also overturned longstanding policies designed to ensure that unemployment benefits flow only to eligible individuals.

It is worth noting that other unemployment benefit policies also contributed to surging fraud. For example, by subsidizing states that eliminated the prior waiting week before collecting benefits, federal policy prioritized rushing benefits out the door over ensuring the correct recipients qualified. Federal law also allowed states to waive the longstanding requirement that benefit recipients [search for work](#) as a condition of eligibility, eliminating a longstanding check on improper extended benefit collection. Again, while that may have made sense early in the pandemic, as businesses and the economy reopened, that requirement should have been promptly restored.

States also made mistakes that contributed to fraud and misspending. One glaring example was when [California and 14 other states](#) suspended the matching of unemployment benefit caseloads against prisoner databases – which was predictably followed by prisoners fraudulently collecting large amounts of benefits.

For additional background, see:

[Inspector General’s report confirms warnings of vulnerability of pandemic unemployment benefits to fraud](#)

[Senate ‘HEALS Act’ includes important fix to Pandemic Unemployment Assistance](#)

[New details about California’s rise in Pandemic Unemployment Assistance claims](#)

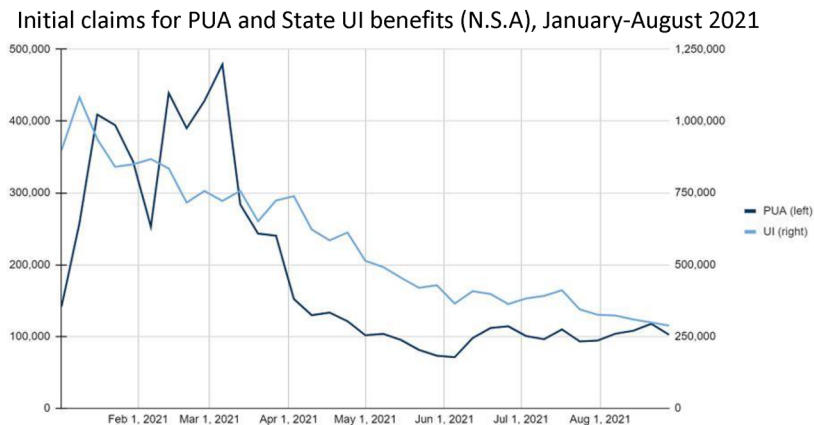
10. What can Congress do to prevent a repeat of this fraud and abuse?

In the near term, Congress and the Biden administration should work together with states to recover as much recent misspending as possible. However, the Department of Labor in February 2022 offered states [guidance](#) allowing additional “blanket waivers” against recovery. Republicans on the House Ways and Means Committee have [described](#) that as “unilateral action to sweep suspected fraud under the rug...allowing states to waive large numbers of suspicious claims and forgo restitution for taxpayers.”

Given the targeting of state and federal programs by international criminal groups,

a significant share of misspending due to fraud will likely remain unrecoverable. But policymakers should also recognize that state officials have little incentive to recover what to date has been mostly misspent federal funds. Any such recoveries require state effort and administrative expense, only to have the recovered funds revert to the federal government. To reverse that disincentive and encourage state efforts, some policymakers have rightly suggested allowing states to retain a share of any future recoveries of misspent federal funds.

Congress made some positive adjustments in the course of pandemic benefit programs. For example, the [December 2020 law](#) extending PUA also required that, starting in February 2021, new PUA claimants must provide proof of prior employment within 21 days of starting benefits or lose eligibility. States also were required to have procedures for verifying the identity of claimants. As displayed in the chart below, those changes were followed by rapid declines in initial claims for PUA benefits — which fell at a faster pace than first-time claims for state UI benefits over the same period:



Source: Department of Labor, [PUA](#), and [UI claims data](#). Data are not seasonally adjusted.

In the longer run, Congress should apply lessons learned during the pandemic to prevent a repeat of recent massive losses to fraud — as well as deliver better customer service to rightful recipients.

Those lessons include:

- *Don't allow individuals to self-certify their eligibility for benefits.* Unemployment programs should require proof of prior employment *before* benefits start to flow, not just within 21 days of their onset. That may result in minor delays in the onset of benefits for rightful claimants — who would likely receive several weeks of back benefits in an initial lump sum instead. But that minor delay would be well worth it if it helps prevent a repeat of the massive losses that taxpayers have experienced during the pandemic.
- *Ensure claimant identities are established before benefits are paid.* In the past year, many states started working with identity verification services to establish identities before benefits were paid. This should be standard practice.
- *Prevent benefits from exceeding prior wages.* If policymakers ever revive weekly supplements, they should ensure the system can tailor such benefits to each individual as a share of prior wages, and not result in total benefits exceeding earnings from work. As with employment and identity verification, this may require additional administrative expense. But if it prevents a recurrence of just some of the massive fraud in pandemic benefits, it will be well worth it.
- *Restore work search requirements.* Especially in typical recessions, benefits should be paid only to those who perform expected work search, to assist in their transition back to work.
- *Ensure benefits are tied to past and future tax payments.* If policymakers ever revive extraordinary benefits like PUA, they should ensure that potential recipients pay taxes into the system beforehand in order to qualify for benefits, and that future tax rates are experience-rated for actual benefit collection, as under the UI system. That would also address some (but certainly not all) of the return-to-work disincentives inherent in PUA benefits for gig workers and independent contractors.
- *Fix flaws in the counting of benefit recipients.* Data reporting issues (including [fraud and the counting of back weeks](#) of benefits) confounded

efforts to correctly understand the number of people collecting unemployment benefits early in the pandemic. As GAO concluded in November 2020, “Without an accurate accounting of the number of individuals who are relying on UI and PUA benefits in as close to real-time as possible, policy makers may be challenged to respond to the crisis at hand.” At a minimum, DOL should make it clearer that weekly claims are not the same as the number of individuals claiming benefits.

For additional background, see:

[New watchdog report offers lessons for reducing future unemployment fraud](#)

[Senate ‘HEALS’ Act includes important fix to Pandemic Unemployment Assistance](#)

[Government Accountability Office report highlights flaws in the counting of unemployment benefit claimants](#)

145

Questions for the Record

For Jason S. Miller

**“Pandemic Response and Accountability: Reducing Fraud and Expanding Access to
COVID-19 Relief through Effective Oversight”**

March 17, 2022

Senate Homeland Security and Governmental Affairs Committee

Contents

Sen. Peters	3
Identity Theft	3
IG Coordination	4
Intergovernmental Collaboration	5
Sen. Portman	6
COVID-19 Document Request	6
Sen. Hawley	7
SIGPR #1	7
SIGPR #2	8
SIGPR #3	9
Emergency Rental Assistance Program	10
CIGIE #1	12
CIGIE #2	13
CIGIE #3	14
Sen. Scott	15
COVID Supplemental	15
Emergency Unemployment Benefits	16
Sen. Sinema	17
Identity Theft	17
Login.gov	18

Sen. Peters**Identity Theft****Question**

In your testimony, you cite the May 2021 Initiative on Identity Theft Prevention and Public Benefits that put OMB in charge of a comprehensive effort to address identity theft challenges across the government. More recently, on March 1st of this year, the Administration published a fact sheet detailing upcoming steps it plans to take to address identity theft. Could you elaborate on the Administration's plan, including what actions may be outlined in a potential Executive Order?

Response

Since the President launched the Initiative on Identity Theft Prevention and Public Benefits in May 2021, we have been developing a whole-of-Government approach to help stop criminal syndicates before they prey on funds from Federal benefits programs. As a next step, the Administration is working toward an Executive Order to prevent and detect identity theft involving public benefits, while improving access, protecting privacy and civil liberties, and preventing bias that results in disparate outcomes. The Executive Order will also direct new actions to support the victims of identity fraud.

IG Coordination**Question**

In December of last year, OMB issued Memorandum M-22-04, which sought to improve agency coordination and collaboration with inspectors general. Can you explain why OMB issued this guidance and the improvements in agency IG coordination that have resulted from its implementation?

Response

Independence and collaboration are the hallmarks of the Administration's approach to oversight, with a focus on frequent, proactive, and open engagement with the oversight community on program design, financial controls, and reporting measures. To enable this approach, OMB has worked to repair relationships with agency Inspectors General (IGs) and the broader oversight community, including the Pandemic Response Accountability Committee (PRAC) and the U.S. Government Accountability Office (GAO). We have put the President's commitment into practice through the implementation of the American Rescue Plan, with new joint program design meetings among agency program officials, agency IGs, and PRAC leadership, yielding improved program design and financial controls and leading to more frequent, detailed, and rigorous reporting and continued cooperation and dialogue among agency leaders and their respective agency IGs.

To institutionalize the President's commitment and the lessons learned from these new practices, in December 2021, OMB issued M-22-04, Promoting Accountability through Cooperation among Agencies and Inspectors General. M-22-04 instructs Federal agencies to restore and respect the integrity and independence of their IGs and to ensure that IG offices can exercise their vital oversight role. It also details best practices for cooperating with IGs, protecting whistleblowers, and responding to IG recommendations to facilitate program improvements. It directs agencies to communicate clearly to all agency employees regarding this approach, providing a template for internal agency communications. These practices are being implemented in agencies.

Through the Administration's effort to implement the Bipartisan Infrastructure Law, the President and senior administration officials have actively engaged with IGs as implementation gets underway. OMB recently issued further guidance to agencies on proactive cooperation with agencies, IGs, and other oversight entities such as GAO during design of programs funded through the Bipartisan Infrastructure Law (see M-22-12).

Intergovernmental Collaboration**Question**

One of the key issues OMB and other witnesses identified was the need to improve cooperation and coordination between Federal and State, local, Tribal, and territorial (SLTT) entities – especially in areas where SLTT entities help administer federal programs. I recently introduced S. 3890, the Improving Intergovernmental Cooperation and Reducing Duplication Act of 2022. Can you explain how the provisions of that bill might improve coordination and collaboration between Federal and SLTT entities, especially when it comes to identity theft, data sharing, and securing information systems?

Response

OMB recognizes the critical importance of cooperation and coordination between Federal Government and State, local, Tribal, and territorial (SLTT) partners. I agree that additional steps are needed to further strengthen and improve intergovernmental efforts to support our SLTT partners, including streamlining processes and reducing their administrative burdens, improving data sharing and the availability of resources, and improving communication mechanisms to foster an ongoing dialogue. The administration has already taken several steps to improve intergovernmental cooperation and coordination through Executive Order 14058 on “Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government,” but more is needed. OMB supports legislative efforts that would provide clarity and reduce unnecessary operational friction between the Federal Government and our State, local, Tribal, and territorial partners.

I look forward to continuing to work with Congress on this legislation and other efforts that further help improve intergovernmental cooperation and coordination.

Sen. Portman**COVID-19 Document Request****Question**

On March 9 last year, Chairman Peters and I sent OMB a document request related to the Federal Government's COVID-19 response efforts. To date, we have received only a minimal response from OMB—about 1,000 pages, mostly public documents and case counts—and no documents or information related to the Biden administration's response to COVID-19.

- a. Will you commit to providing the Committee with all relevant documents and information requested, from both the prior and current administrations?
- b. What date do you expect to complete your response to the Committee? Please provide a specific month and year.
- c. Will you provide the Committee weekly updates or weekly bipartisan staff calls on OMB's progress in producing relevant documents until complete?

Response

- a. To date, OMB has made nine productions to the Committee since January 2022 and has produced over one thousand pages of documents from the Obama and Trump administrations and the Biden transition. Given the breadth of the request, OMB has worked with the Committee to identify priority items for production. OMB has committed to producing documents responsive to the Committee's priority items, which cover both the Trump and Biden administrations.
- b. OMB has committed to producing documents responsive to the Committee's priority items in two months.
- c. OMB has requested and would appreciate the opportunity to participate in regular bipartisan staff calls to discuss progress in producing relevant documents.

Sen. Hawley

SIGPR #1

Question

Please provide all communications between OMB or the White House and the Department of Justice concerning the Office of Legal Counsel's opinion Authority of the Special Inspector General for Pandemic Recovery to Oversee Programs Established Under the Cares Act, 45 Op. O.L.C. __ (April 29, 2021).

Response

The Department of Justice Office of Legal Counsel (OLC) requested OMB's informal views on the scope of the SIGPR's jurisdiction under the CARES Act. OMB provided its views to OLC for their consideration, consistent with OMB's standard practice. OMB's communications with DOJ are summarized in the cited opinion, and OMB had no other involvement in the development of OLC's opinion.

SIGPR #2

Question

What recommendations did OMB or the White House make to the Department of Justice concerning the scope of the Special Inspector General for Pandemic Recovery's (SIGPR) jurisdiction?

Response

OMB's communications with DOJ are summarized in the cited opinion.

SIGPR #3**Question**

Does OMB or the White House support restoring SIGPR's jurisdiction to encompass review of all Treasury pandemic-related programs and the Paycheck Protection Program?

Response

OMB supports continued cooperation and communication among agencies with the oversight community, including GAO and agency IGs, as we have demonstrated from the first day of this Administration, our work with the Pandemic Response Accountability Committee and agency IGs, and our release of OMB memorandum M-22-04 on Promoting Accountability through Cooperation among Agencies and Inspectors General. We understand that the Pandemic Response Accountability Committee and the Treasury Inspector General are continuing to conduct independent oversight over pandemic-related spending, including the two programs covered by the OLC opinion. OMB has not considered expansion of SIGPR's jurisdiction under current law.

Emergency Rental Assistance Program

Question

On March 16, 2022, the New York Times published an article titled Treasury Shifts \$377 Million Among States as Pandemic Housing Aid Dries Up. The article reports that “The Biden administration has clawed back \$377 million in federal emergency housing aid from states and counties, most of them controlled by Republicans, and redirected the cash to states that have been clamoring for more help, including New York, California and New Jersey.”

- a. Under what statutory authority were these funds moved?
- b. How much funding has OMB withdrawn from States with Republican governors under the Emergency Rental Assistance Program this year?
- c. How much funding has OMB redirected to States with Democrat governors under the Emergency Rental Assistance Program this year?

Response

a. The first \$25 billion of Emergency Rental Assistance (“ERA1”) was provided under Section 501 of Division N of the Consolidated Appropriations Act, 2021 (P.L. 116-260). Subsection (d) states “Beginning on September 30, 2021, the Secretary shall recapture excess funds, as determined by the Secretary...and the Secretary shall reallocate and repay such amounts to eligible grantees who, at the time of such reallocation, have obligated at least 65 percent of the amount originally allocated and paid to such grantee.” The \$377 million mentioned in the article refers to a subset of the amount recaptured pursuant to this requirement in March 2022.

b. The Department of Treasury outlined its Reallocation Process for ERA1 in guidance published October 4, 2021 and updated March 30, 2022 (<https://home.treasury.gov/system/files/136/Updated-ERA1-Reallocation-Guidance%203-30-%202022.pdf>).

For a list of grantees involved in the first round of reallocation in January 2022, please see <https://home.treasury.gov/system/files/136/ERA-Reallocation-Round-1.pdf>. Per Treasury, \$91 million was recaptured involuntarily. This first round amount was later increased by an additional \$6 million. In addition, \$875 million was voluntarily transferred within states and \$162 million was voluntarily transferred to the national pool.

For a list of grantees involved in the second round of reallocation in March 2022, please see <https://home.treasury.gov/system/files/136/ERA1-Reallocation-Round2-General-Pool.pdf>. Per Treasury, more than \$377 million was recaptured involuntarily. In addition, \$455 million was voluntarily transferred within states and \$168 million was voluntarily transferred to the national pool.

c. The Department of Treasury outlined its Reallocation Process for ERA1 in guidance published October 4, 2021 and updated March 30, 2022

(<https://home.treasury.gov/system/files/136/Updated-ERA1-Reallocation-Guidance%203-30-%202022.pdf>).

Please see <https://home.treasury.gov/system/files/136/ERA-Reallocation-Round-1.pdf> for the first round of reallocation in January 2022; per Treasury, State, local, and Tribal grantees received \$240 million in reallocated funds. Additionally, \$875 million was voluntarily transferred within states.

Please see <https://home.treasury.gov/system/files/136/ERA1-Reallocation-Round2-General-Pool.pdf> for the second round of reallocation in March 2022; per Treasury, State, local, and Tribal grantees received \$564 million in reallocated funds. Additionally, \$455 million was voluntarily transferred within states.

CIGIE #1**Question**

In your role on the Council of Inspectors General on Integrity and Efficiency (CIGIE), what steps have you or CIGIE taken to investigate findings of partisan misconduct by career employees at the Department of Homeland Security Office of Inspector General documented in the WilmerHale report dated December 2020?

Response

The Integrity Committee of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) receives, reviews, and refers to investigation, as appropriate, allegations of wrongdoing made against an IG, designated staff members in an Office of Inspector General, the Special Counsel, U.S. Office of Special Counsel, and the Principal Deputy Special Counsel. The Integrity Committee operates pursuant to its published policies and procedures, which provide the steps the IC will take to investigate allegations referred to the IC.

CIGIE #2**Question**

Multiple, independent whistleblowers have approached my office raising serious allegations about how CIGIE is handling investigations into the Department of Homeland Security Office of Inspector General, including the allegation that CIGIE investigators are threatening to accuse the office with “interfering” with the investigation if they comply with valid congressional oversight requests. What steps are you taking to ensure that the Integrity Committee does not engage in retaliatory investigations or interferes with congressional oversight?

Response

The Integrity Committee operates pursuant to its published policies and procedures, which provide the steps the IC will take to investigate allegations referred to the IC. Those policies and procedures are published online. Please see

https://www.ignet.gov/sites/default/files/files/ICP%26PRevised_Jan-2018_Rev1_Finalx.pdf and <https://www.ignet.gov/sites/default/files/files/ICP%26PAccessAddendum-March2021.pdf>.

CIGIE #3

Question

Please provide all records and communications between Members of CIGIE and officials at OMB discussing the pending nomination of any Inspector General over the past 5 years.

Response

OMB plays a critical role in supporting the Inspector General (IG) community as a liaison to the IG community on behalf of agencies to reinforce actions and communications necessary to ensure a well-functioning relationship between agency leadership and IG offices. Many IGs are nominated by the President and confirmed by the Senate. Questions about the pending nomination of any IG should be directed to the White House.

Sen. Scott**COVID Supplemental****Question**

How can the Biden Administration defend requesting \$30 billion more in taxpayer dollars for COVID-19 relief without these funds being offset by unspent COVID dollars? According to estimates by the Committee for a Responsible Federal Budget, unspent funds total \$800 billion dollars. Why won't OMB request that these funds be redirected to meet ongoing COVID-19 needs?

Response

Providing supplemental funding to meet critical emergency needs—such as natural disasters and national security crises—without offsets is not new—there is a long tradition of doing so. To address the pandemic, Congress repeatedly provided the prior administration with emergency funding on a bipartisan basis, without offsets—this is what we are requesting be repeated.

This Administration has regularly updated Congress on the status of existing COVID-19 relief, including funding that supports combatting the pandemic. These updates have been provided on a bicameral and bipartisan basis. We have consistently communicated the need for additional funding to meet urgent needs, including to secure a sufficient supply of monoclonal antibodies and antiviral medication.

Nearly all of the broader relief funding that is remaining has already been legally obligated or allocated to specific grantees and recipients. The vast majority of the tiny fraction available for repurposing has planned uses, including to support small businesses, farmers and ranchers, and veterans. Nevertheless, we are more than willing to discuss any specific ideas or proposals for repurposing the very small amount of available relief funding, so that we can meet this urgent need.

Emergency Unemployment Benefits

Question

As you know, states were not required to collect or report rates of fraud or error rates for pandemic emergency unemployment benefits. Further, the Administration recently issued a waiver to the states saying they would not be required to recoup erroneously dispersed emergency unemployment benefit funds. Please provide the Administration's rationale behind this decision and why it will not ask states to recoup these funds, which could total tens of billions of dollars?

Response

Consistent with prior emergency Unemployment Insurance (UI) programs enacted by Congress in previous recessions, the Department of Labor applied the fraud and error rates for states' regular UI programs to the emergency programs that were closely related to the regular UI programs (Pandemic Emergency Unemployment Compensation, or PEUC, and the portion of Federal Pandemic Unemployment Compensation, or FPUC, associated with regular UI and PEUC claims). There is no reason to believe that the fraud and error rates for these programs would be meaningfully different from the error rates of States' regular UI programs. In recognition that the Pandemic Unemployment Assistance (PUA) program is a meaningfully different program that requires a separate analysis of improper payment rates, the Department conducted a risk assessment of the program and is currently developing a methodology to report an improper payment estimate that will apply to the outlays made prior to the program's expiration in September 2021.

PUA was a novel program that was stood up in the midst of a crisis, and as a result many states made inadvertent errors that resulted in overpayments. The extreme delays in state processing led to some individuals receiving large and unexpected notifications of overpayments that accrued due to no fault of their own and of which they were unaware. The Continued Assistance to Unemployed Workers Act of 2020 (CAUWS) contained a number of provisions that changed and updated the pandemic UI programs, including the requirements for PUA. CAUWS amended Section 2102(d) of the CARES Act (15 U.S.C. 9021(d)) to allow for waivers of pandemic UI overpayments where both (A) payment of pandemic assistance was without the fault of the claimant and (B) repayment would be contrary to equity and good conscience. The Department released guidance on May 5, 2021, and on February 7, 2022, interpreting this waiver authority and providing a limited set of circumstances under which states may waive overpayments in line with the statutory requirements. Fraudulent claims cannot be waived and, in all of the proposed scenarios, the overpayment was solely the fault of the state agency.

Sen. Sinema**Identity Theft****Question**

I was pleased to see the March 1st announcement that President Biden plans to issue an Executive Order focused on preventing identity theft in public benefits programs. However, America's challenges with identity theft go well beyond government programs. We are seeing the same organized crime networks exploit inadequacies in our identity infrastructure to steal not just from government, but also banks, retailers, health, payments – identity theft impacts nearly every sector.

We cannot only focus on the public sector. Doing so would likely push more of the identity theft to other sectors, with the net result being that Americans are not any better protected from identity thieves.

Is the Administration planning to address these issues more holistically? Or look at ways where there are common challenges or barriers in both the public and private sectors, as well as whether there are opportunities to address these challenges or barriers simultaneously for both the public and private sectors?

Response

The Administration recognizes that identity theft is a nationwide challenge that spans sectors and can impact the public in many aspects of their lives. The Administration is developing an executive order that focuses on reducing identity theft in public benefits programs and taking care of victims of identity fraud, due to the acute challenges seen in administering pandemic relief funds and the challenges that Federal agencies have had in combatting inherited fraud in a way that is secure and equitable. The challenges and technologies used to tackle identity theft in public benefits programs are the same ones seen in the broader economy and society, and we expect the order to drive progress and innovation across sectors in the United States.

Login.gov**Question**

I have been hearing that Login.gov will solve identity verification problems for Federal agencies – but it seems like any new system they build will essentially be trying to replicate processes similar to those found at a state’s Department of Motor Vehicles during the identification verification process. Rather than require Americans to go through an arduous new process that clones the DMV experience in the digital world – are you looking at ways we can let Americans reuse that process, such as by accelerating “mobile driver’s license” apps that allow someone to ask the state agency that issued them a driver’s license to “vouch” for them in the digital world when they need to prove who they are online?

Response

Login.gov offers Government-wide user accounts with strong multi-factor authentication to the public, so that they can register an account in one place and use it with every participating federal agency program. Many Federal programs need to verify the identity of an applicant or user of their system, and Login.gov offers online identity verification services to serve those needs of agencies and the public.

As your question indicates, identity verification today can be an overly burdensome process for many members of the public, and the ability to “reuse” identity verification across government, to streamline the customer experience of government, is an administration priority. Mobile driver’s licenses remain a nascent technology that is not yet widely available to the general public. However, even technologies that are well-established and widely available to the public, such as smart phones, are still not always available or accessible to every part of the population that the Federal government has a responsibility to serve. Login.gov meets its mission as a shared service for the general public by providing multiple options to the public to authenticate and verify their identity, and is constantly evaluating the emergence of new technologies and incorporating them as appropriate.



U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.
Washington, DC 20548

Comptroller General
of the United States

May 6, 2022

The Honorable Gary C. Peters
Chairman
Committee on Homeland Security and Governmental Affairs
United States Senate

Pandemic Response and Accountability: Responses to Questions for the Record

Dear Chairman Peters:

Thank you for the opportunity to testify before the Committee on Homeland Security and Governmental Affairs on March 17, 2022 at the hearing titled, " Pandemic Response and Accountability: Reducing Fraud and Expanding Access to COVID-19 Relief through Effective Oversight." We also appreciate the opportunity to provide the committee with additional information in response to questions for the record. Our responses can be found in the enclosure to this letter.

Please contact me with any further questions.

Sincerely yours,

Gene L. Dodaro
Comptroller General
of the United States

Enclosures

cc: The Honorable Rob Portman, Ranking Member
Committee on Homeland Security and Governmental

Post-Hearing Questions for the Record
Submitted to Hon. Gene Dodaro
From Senator Kyrsten Sinema

**Pandemic Response and Accountability: Reducing Fraud and Expanding Access to
COVID-19 Relief through Effective Oversight
Monday, March 17, 2022**

1. The Government Accountability Office (GAO) has performed extensive work reviewing the Federal response to the COVID-19 pandemic. By passing the CARES Act, Congress repurposed the traditional loan origination process at banks and credit unions to provide federally-funded, forgivable loans to save small businesses during the pandemic, also known as the Paycheck Protection Program (PPP). The PPP saved countless jobs by getting money out quickly, but moving that much money that quickly also led to instances of fraud.

- a. Does the GAO know what percentage of PPP loans were fraudulent?

The extent of fraud associated with the COVID-19 relief funds appropriated, including those for PPP loans, to date has not yet been determined. Because fraud requires judicial or administrative determinations of intent, it takes considerable time for the scope of fraud to unfold.

So far, many individuals have already pleaded guilty to or been convicted at trial on federal fraud-related charges involving PPP.¹ Specifically, as of January 31, 2022, at least

- 238 individuals pleaded guilty to defrauding PPP—of these, 73 also pleaded guilty to defrauding the Small Business Administration's Economic Injury Disaster Loan (EIDL) program; 2 also pleaded guilty to defrauding the Department of Labor's (DOL) unemployment insurance (UI) programs; and 3 also pleaded guilty to defrauding EIDL and UI;² and
- 11 were convicted at trial for PPP-related fraud—of these, 5 were also convicted at trial for EIDL-related fraud.

Additionally, federal charges were pending against at least 222 individuals for attempting to defraud PPP as of January 31, 2022.³

The number of individuals facing fraud-related charges has continued to grow in the past two years and will likely increase, as these cases take time to develop.⁴ Federal entities continue to investigate and report on high levels of potential fraud. For example, in

¹The number of individuals involved does not reflect that number of PPP loans. For example, an individual could be charged related to multiple loans.

²One of these individuals was initially charged related to PPP, EIDL, and UI but only pleaded guilty to a UI-related charge.

³Of those 222 individuals, 68 also faced federal charges related to one or more other COVID-19 relief programs such as EIDL, UI, the Coronavirus Relief Fund, the Accelerated and Advance Payment Program, the Provider Relief Fund, and the Families First Coronavirus Response Act.

⁴The statute of limitations for mail fraud and wire fraud prosecutions is 5 years (18 U.S.C. § 3282), except for mail and wire fraud schemes that affect a financial institution, in which case the statute is 10 years (18 U.S.C. § 3293). Also, based on our analysis, these cases can take many years to resolve. For example, the Department of Housing and Urban Development OIG closed cases in 2017–2020 resulting from Hurricane Sandy in 2012.

October 2021, SBA OIG reported that from March 2020 through August 2021, it received 215,000 hotline complaints that alleged fraudulent activity in the PPP and EIDL program and has launched numerous investigations into this fraudulent activity.

b. Has the GAO retrospectively assessed the strategic decision Congress made to utilize this process by creating the PPP?

While we have conducted extensive evaluations of the Paycheck Protection Program (PPP) and reported on the program in multiple GAO products, we have not retrospectively assessed the strategic decision Congress made to utilize this process. However, based on our work on PPP, we have identified lessons learned from the program. Our April 2022 report discusses lessons learned such as the role of legislative direction, the need for a risk assessment when designing and implementing a new program, incorporating strong oversight from the beginning of a program, and taking steps to estimate improper payments and manage fraud risks.⁵

2. Last year, Senate members formed a bipartisan working group on risk-sharing and pandemics to identify a smarter, more fiscally responsible solution for business that leverages the power of insurance in the event of a pandemic. Such an insurance-based strategy would have the public sector backstop the private sector to ensure that there is a quick but precise response to help small businesses during a future pandemic event.

a. Do you believe that an insurance product, assuming it could be sustainably and responsibly written, would reduce the risk of waste, fraud, and abuse, relative to a repurposed loan product?

We are planning to start work this year under the CARES Act to examine, among other things, the availability and affordability of pandemic insurance coverage, the underlying reasons for the current state of the market, and options for a federal role in the provision of pandemic insurance coverage. We would be happy to keep you and your staff as well as the Committee informed of our progress.

b. Considering your broad expertise, and the previous work of the GAO related to terrorism risk insurance, what concerns would policy-makers need to address to ensure the success of such a system?

Our previously developed framework for providing federal assistance to private market participants could help inform the design of a federal insurance response to help address pandemic risk in the future.⁶ Drawing from lessons learned from financial crises

⁵GAO, *Current and Future Federal Preparedness Requires Fixes to Improve Health Data and Address Improper Payments*, [GAO-22-105397](#) (Washington, D.C.: Apr. 27, 2022).

⁶GAO, *Financial Assistance: Ongoing Challenges and Guiding Principles Related to Government Assistance for Private Sector Companies*, [GAO-10-719](#) (Washington, D.C.: Aug. 3, 2010). Building on lessons learned from prior financial crises, we identified guiding principles to help serve as a framework for evaluating large-scale federal assistance efforts and provided guidelines for assisting failing companies. We also draw upon prior terrorism risk insurance reports, including GAO, *Terrorism Risk Insurance: Market is Stable but Treasury Could Strengthen Communications about Its Processes*, [GAO-20-364](#) (Washington, D.C.: Apr. 20, 2020), *Terrorism Risk Insurance: Program Changes Have Reduced Federal Fiscal Exposure*, [GAO-20-348](#) (Washington, D.C.: Apr. 20, 2020), *Terrorism Risk Insurance: Market Challenges May Exist for Current Structure and Alternative Approaches*, [GAO-17-62](#) (Washington, D.C.: Jan. 12, 2017), and *Terrorism Risk Insurance: Comparison of Selected Programs in the United States and Foreign Countries*, [GAO-16-316](#) (Washington, D.C.: Apr. 12, 2016).

of prior decades, eight principles aim to protect taxpayer interests when the government intervenes in private markets to avert a systemic crisis. The following three of the eight principles may be particularly important to consider for a federal insurance mechanism for pandemic-related risks:

- **Problem definition and identification are critical.** Defining the problem could include establishing criteria for the type and magnitude of the effect of a pandemic that would be covered by a federal program. Similar to TRIA's certification criteria for acts of terrorism, Congress would need to establish a clear trigger for covered risk, the potential maximum level of federal exposure, or a cap in the longer term. Additionally, any assistance likely needs to be paid quickly to be useful, but regular commercial claims processing can be a long process.
- **Interventions should protect government—and thus taxpayer—interests.** Ensuring that any federal intervention in the pandemic insurance market protects government and taxpayer interests could involve minimizing exposure and losses by collecting an up-front fee or premium or establishing an industrywide recoupment mechanism, as TRIA requires. Measures also could involve ensuring that companies, particularly those with critical functions, take appropriate steps to manage their pandemic related risks. However, the insurance industry generally does not consider pandemics to be an insurable risk by the private market because policyholder losses would occur simultaneously and the frequency, duration, and magnitude of losses would be unpredictable and hard to measure, thereby making it difficult to charge adequate and affordable premiums. These same factors would pose a challenge to the federal government's ability to recover its share of losses, thereby exposing taxpayers, unless benefit caps are set at a level that may not prove sufficient to sustain affected small businesses throughout a pandemic.
- **In providing assistance, the government should take steps to mitigate moral hazard.** Moral hazard occurs when entities take more risk than they otherwise would because of the presence of insurance or other financial assistance. In general, mitigating moral hazard requires that federal assistance include terms to help ensure that private-market recipients do not take excessive risk because of the presence of that assistance. A federal insurance backstop without any requirements such as mandatory funding requirements or incentives could result in some policyholders relying on promised federal assistance rather than mitigating risk.⁷

⁷Mandatory funding requirements could include mandatory purchase or mandatory recoupment.



A Committee of the
Council of the Inspectors General
on Integrity and Efficiency

441 G STREET, NW, SUITE 1517, WASHINGTON, DC 20548

**“Pandemic Response and Accountability—Reducing Fraud and Expanding Access to
COVID-19 Relief Through Effective Oversight”**

March 17, 2022

**Post-Hearing Questions for the Record Submitted to the Honorable Michael Horowitz
from Senator Josh Hawley**

Question: What is the total amount of money that Congress has appropriated in response to the COVID-19 pandemic?

Answer: The [funding overview on our website PandemicOversight.gov](https://www.pandemicoversight.gov) displays funding from the six pieces of pandemic response legislation distributed into 17 major spending categories, including funds made possible through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, supplemental legislation, and the American Rescue Plan Act. Taken together, the total sum equals nearly \$5.227 trillion.

Question: Based on available evidence, what is your estimate for the total amount of funding that was distributed without authorization? You may include confidence intervals.

Answer: The investigative and oversight work of the PRAC, federal Inspectors General, the Government Accountability Office (GAO), and federal law enforcement remains ongoing. To date, while we have identified billions in improper payments and fraud, the ongoing nature of our work make it impossible for us to provide a reasonable estimate of the total amount of improper payments and fraud. Further, we still do not have all data on pandemic spending and, as the PRAC has previously reported, some of the spending data that we have received has gaps that make it difficult for the PRAC or the public to know with precision how certain federal funds were spent. Finally, it is our understanding that a significant amount of obligated funds have not yet been spent

Question: Based on available evidence, what is your estimate for the total amount of funding that was subject to fraud? You may include confidence intervals.

Answer: See my answer to the previous question. Further, any such estimation would require us to

differentiate between improper payments and fraud, and given the ongoing nature of our investigations, we are not yet in a position to do so.

Question: What efforts are you taking as DOJ IG and as Chair of the PRAC to investigate and report on civil rights violations during the pandemic, as a result of overzealous regulations that were later struck down as unauthorized (including regulations that violated religious liberties)?

Answer: As DOJ IG, the Inspector General Act provides that my office does not have jurisdiction to handle allegations of misconduct by DOJ lawyers that relate to the authority of DOJ attorneys to investigate, litigate, or provide legal advice. Such matters, pursuant to Section 8E of the Inspector General Act, are within the exclusive jurisdiction of DOJ's Office of Professional Responsibility. Regarding the PRAC, Congress provided in the CARES Act that the PRAC's mission is "to promote transparency and conduct and support oversight of covered funds and the Coronavirus response to: (1) prevent and detect fraud, waste, abuse, and mismanagement; and (2) mitigate major risks that cut across program and agency boundaries" (CARES Act, Section 15010(b)). Therefore, our focus at the PRAC has been on promoting transparency by providing the public with information about pandemic spending through our website, [PandemicOversight.gov](https://pandemicoversight.gov); conducting independent oversight of agency spending of pandemic funds; and preventing and detecting pandemic related fraud and improper payments. However, if in conducting our oversight work, we become aware of alleged civil rights violations or any others, we refer such allegations to the appropriate agencies.

Question: What efforts are you taking as DOJ IG and as Chair of the PRAC to investigate the harm to children from compulsory masking during the pandemic?

Answer: As DOJ IG, I am not aware of allegations of misconduct regarding the actions of DOJ employees in connection with compulsory masking of children. With regard to the PRAC, please see my answer to the previous question. Given this statutory mission, we do not believe this issue is within our authorities under the CARES Act.

**Post-Hearing Questions for the Record Submitted to the Honorable Michael Horowitz
from Senator Gary C. Peters**

Question: You spoke several times about the work of the Pandemic Analytics Center of Excellence (PACE) to help Federal agencies, Inspectors General, and the public access critical data about pandemic spending. Would you recommend that the PACE be made permanent? If so, should its scope be expanded beyond spending related to the COVID-19 pandemic and what other additional authorities or resources might the PACE need to provide useful data analytics, reporting, and visibility into federal spending?

Answer: We recommend that a permanent antifraud data and analytics capability be sustained for the Inspector General (IG) community. The Council of the Inspectors General on Integrity and Efficiency (CIGIE), through the PRAC, has made substantial investments to build this capability to support oversight of pandemic relief spending. After passage of the CARES Act, the PRAC moved swiftly to stand up a Pandemic Analytics Center of Excellence (PACE), leveraging leading practices and lessons learned from the defunct Recovery Operations Center (ROC) that sunset in 2015.¹ The PACE had to be built from the ground up and was not available to support IGs in the critical first year of the pandemic when federal programs were disbursing hundreds of billions of dollars in pandemic relief funds. The PRAC expended considerable time in identifying a solution and awarding contracts for data infrastructure and analytical tools, as well as establishing agreements to acquire data sets from OMB and multiple government agencies.

The PRAC is scheduled to sunset on September 30, 2025. If the PACE or its functionality is not authorized and appropriated to continue beyond this date, the IG community will again lose a valuable resource and the government will again face significant and avoidable oversight risks when our country encounters its next emergency or crisis that requires emergency relief funding and effective oversight of that funding.

To provide useful data analytics, reporting, and visibility into federal spending, a permanent antifraud data and analytics capability should have authorities such as criminal law enforcement authority to enable CIGIE access to necessary data to collaborate effectively with partners; explicit data access and sharing authority to gain valuable antifraud insights by connecting data across programs and agencies; and a permanent funding mechanism that involves a direct appropriation to CIGIE.

¹ The ROC was created by the Recovery Accountability and Transparency (RAT) Board in 2009 to provide analytics support for oversight by Inspectors General of the \$800 billion appropriated in the American Recovery and Reinvestment Act. Congress appropriated more than \$175 million to the RAT Board over the course of its almost seven-year existence. The RAT Board expended millions of dollars in appropriated funds to create and support the ROC, which was widely viewed as a critical tool in the RAT Board's and Inspectors General successful oversight of ARRA funds.

Question: Is there any current gap in oversight jurisdiction over any programs at the Treasury Dept, or more broadly, and pandemic funds?

Answer: We are not aware of any oversight gap in pandemic oversight jurisdiction of Treasury-related pandemic funds or pandemic response funding more broadly.

DOL-OIG Response to Post-Hearing Questions for the Record
“Pandemic Response and Accountability—Reducing Fraud and Expanding Access to
COVID-19 Relief Through Effective Oversight”

March 17, 2022

1. What is the total amount of money that Congress has appropriated under the unemployment insurance programs?

The Coronavirus Aid, Relief, and Economic Security (CARES) Act appropriated, without fiscal year limitation, sums necessary to make unemployment insurance (UI) payments as described. The Employment and Training Administration (ETA) has not provided the total amount ultimately distributed. The Office of Inspector General (OIG) estimated that up to \$872.5 billion will be paid in federal UI benefits for CARES Act programs and subsequent legislation.

Under an agreement with the Department of Labor (DOL), States made UI payments to claimants, and DOL made funding available to states covering the cost of additional payments, administrative needs, and other implementation costs.

- a. How much of this has the Department of Labor distributed?

ETA has not provided the total amount ultimately distributed. We estimated that up to \$872.5 billion will be paid in federal UI benefits for CARES Act programs and subsequent legislation.

- b. How much of this is known to have been subject to fraud?

ETA and the States are responsible for determining the fraud rates for their UI programs. In December 2021, consistent with our recommendation, ETA reported an improper payment rate of 18.71 percent for 2021, which ETA applied to two of three key pandemic UI programs. ETA states it will report the third program in 2022.

To establish the improper rate, ETA used the Benefit Accuracy Measurement (BAM) program for the regular UI program and applied it to the Federal Pandemic Unemployment Compensation and Pandemic Emergency Unemployment Compensation programs. Included in the public BAM reports, are the fraud rates for the regular UI programs for each specific state. (See <https://www.dol.gov/agencies/eta/unemployment-insurance-payment-accuracy/data>)

- c. Based on available information, what is your estimate for the total amount of these funds that were subject to fraud?

ETA and the States are responsible for determining the fraud rates for their UI programs. However, we have performed extensive audit and investigative work to combat UI fraud.

- As of February 2022, our UI investigations have resulted in: the execution of more than 450 search warrants; 749 UI fraud related indictments; and over \$830 million in investigative monetary results. We have also referred over 8,000 fraud matters that do not meet federal prosecution guidelines back to the states for further action.
- Early in the pandemic, the OIG worked with the Department of Justice (DOJ) to create the National UI Fraud Task Force, a nine -agency federal task force focused on law enforcement intelligence sharing, deconfliction, joint national and regional messaging, and the effective use of investigative and prosecutorial resources.
- The OIG has also been very engaged on DOJ's COVID-19 Fraud Enforcement Task Force (CFETF). We also have representation on CFETF subcommittees involving communication, forfeiture, and data, and co-chairs the task force's criminal enterprise subcommittee.
- In 2020 and 2021, the OIG supported DOJ's annual Money Mule Initiative, which aimed to raise awareness about and suppress money mule activity. The OIG conducted extensive internal and external outreach regarding money mules and identified and targeted money mules in coordination with DOJ and other partner agencies.
- We have issued ten UI reports, including alert memoranda for urgent concerns, involving the UI program. These included alert memorandums which identified nearly \$17 billion of potentially fraudulent UI benefits paid in four high risk areas: to individuals with social security numbers 1) filed in multiple states, 2) of deceased persons, 3) of federal inmates, and 4) used to file for UI claims with suspicious email accounts.

Based on this prior audit and investigative work, the improper payment rate for pandemic UI programs is likely higher than 18.71 percent. The reported fraud rates by state on the BAM reports have not been verified for accuracy by the OIG and range between 1 percent and 35.7 percent.

2. Prior to the pandemic, what efforts did the Department of Labor take to combat improper payments under the unemployment insurance programs?

The Department's pre-pandemic UI program integrity tools to detect fraud and other improper payments include:

- ETA provides oversight, guidance, and technical assistance for the federal-state unemployment compensation system. The guidance and technical assistance is primarily provided to states through Unemployment Insurance Program Letters

(UIPL), Training & Employment Notices (TEN), and Training and Employment Guidance Letters (TEGL).

- To comply with the Code of Federal Regulations' (CFR) requirement to institute quality control over UI benefit payments, ETA instituted UI Performs. UI Performs is the UI program's performance management system. The goal of UI Performs is cooperative management, planning and oversight leading to increasingly effective, consistent, efficient service to workers and employers.

The UI Performs system of oversight includes two performance tracking categories. The first category is Core Measures, which encompasses oversight on key performance areas representative of the health of the entire UI system. The Core Measures monitor key activities which have uniform national Acceptable Levels of Performance. In the second category, the federal partner also maintains Management Information data to facilitate analysis of performance and to assist in planning corrective activities when necessary. Management Information tracks state performance on subsets of Core Measures and on ancillary activities such as interstate and federal programs.

Performance deficiencies are addressed through the State Quality Service Plans (SQSP) process. The SQSP serves as the performance document and the grant document through which states receive administrative funding.

- The BAM program provides the basis for assessing the accuracy of UI payments. It is also a diagnostic tool for the use of Federal and State Workforce Agency (SWA) staff in identifying errors and their causes and in correcting and tracking solutions to these problems. Specifically, the BAM program is designed to determine the accuracy of paid and denied claims in three major UI programs (State UI, Unemployment Compensation for Federal Employees, and Unemployment Compensation for Ex-Service Members). BAM data is used to estimate overpayments in the UI program, in each state and the nation as a whole, based on a statistically valid examination of a sample of paid and denied claims. It does this by reconstructing the UI claims process for samples of weekly payments and denied claims using data verified by trained independent state BAM investigators.
- Section 7511, Part V, of the Employment Security Manual requires state unemployment compensation (UC) laws to include provisions for such methods of administration as are, within reason, calculated (1) to detect benefits paid through error by the state UC agency or through willful misrepresentation or error by the claimant or others, (2) to deter claimants from obtaining benefits through willful misrepresentation, and (3) to recover benefits overpaid under certain circumstances.

These required functions are accomplished through state agency Benefit Payment Control (BPC) units or other designated staff responsible for promoting and maintaining the integrity of the UI program through prevention, detection, investigations, establishment, and recovery of overpayments. BPC units or

designated staff also prepare cases for prosecution. The following BPC activities are required or recommended for states to implement to detect and recover improper payments for the regular UI programs on an ongoing basis.

- Three required activities:
 - National Directory of New Hires Cross-match
 - Quarterly Wage Records Cross-match
 - Systematic Alien Verification for Entitlement
- Eight recommended activities:
 - State Directory of New Hires Cross-match
 - Social Security Administration (SSA) Cross-match
 - Interstate Benefits Cross-match
 - State Identification Inquiry and IB8606 enhancements made to the Interstate Connection network cross-match to prevent concurrent claim filing in multiple states
 - State Information Data Exchange System
 - Identity Verification
 - Incarceration Cross-match
 - UI Integrity Center's Integrity Data Hub tools, including the Suspicious Actor Repository, Suspicious E-Mail Domains, Multi-State Cross-Match, Foreign Internet Protocol Address Detection, and Fraud Alert application

While the Department had the cited controls, we have repeatedly reported significant concerns with DOL and states' ability to deploy program benefits expeditiously and efficiently while ensuring integrity and adequate oversight, particularly in response to national emergencies and disasters. The OIG reiterated these concerns following the economic downturn created by the pandemic and the unprecedented levels of federal funding allocated to the UI program. As a result, in April 2020, we issued an advisory report identifying six initial areas of concern for ETA and the states to consider while implementing CARES Act UI provisions: state preparedness (including staffing and systems), initial eligibility determination, benefit amount, return to work, improper payment detection and recovery, and program monitoring.

Additionally, we issued several reports and alert memorandum early in the pandemic that highlighted program weaknesses. Specifically:

- In May 2020, we issued an alert memorandum describing our concerns regarding claimant self-certification in the Pandemic Unemployment Assistance (PUA) program;
- In August 2020, we reported states did not use existing tools effectively to combat fraud and other improper payments;
- In October 2020, we reported where states confirmed our concerns about fraud in the UI program; and
- In February 2021, we issued an alert memorandum that identified more than \$5.4 billion of potentially fraudulent UI benefits paid in specific high-risk areas as previously mentioned. In June 2021, we issued a subsequent alert memorandum

where we increased that identification to almost \$17 billion in potential fraud in these same four high-risk areas

3. What recommendations have you made to the Department of Labor to address fraud under the unemployment insurance programs?

The OIG has made several recommendations to DOL and Congress to improve the efficiency and integrity of the UI program. Key recommendations follow.

OIG Recommendations to DOL

OIG Access to Claim and Wage Data

- Facilitate the OIG's access to UI claim data for audit and investigative purposes
- Take immediate action to require the National Association of State Workforce Agencies to refer information to ETA and the OIG on suspected fraud, waste, abuse, mismanagement, or misconduct

Staffing and Systems for Prompt Payments during Emergencies

- Continue to work with states to develop, operate, and maintain a modular set of technological capabilities (i.e., staffing and replacing information technology legacy systems) to modernize the delivery of UI benefits that is sufficient to manage and process sudden spikes in claims volume during emergencies or high unemployment
- Create a rapid response team consisting of federal and state officials capable of providing technical and other assistance to SWAs impacted by major disasters
- Conduct a study to assess: the technological needs of the UI programs to determine the capabilities that need to be upgraded or replaced; the features necessary to effectively respond to rapid changes in the volume of claims in times of emergency or high unemployment; the capabilities needed to ensure effective and equitable delivery of benefits; and the capabilities to minimize fraudulent activities
- Develop standards for providing clear and reasonable timeframes to implement temporary programs to establish expectations for prompt benefit payments to claimants

Controls for Improper Payments

- Establish effective controls, in collaboration with SWAs, to mitigate fraud and other improper payments to potentially ineligible claimants, including multi-state claimants, claimants who used social security numbers of deceased individuals and federal inmates, and claimants with suspicious email accounts
- Develop and implement cause-level reduction targets to gauge and monitor the effectiveness of strategies implemented by states to reduce work search overpayments

- Include in the UI improper payment estimate: (1) overpayments related to work search formal/ informal warnings; and (2) payments to claimants who provide no or insufficient documentation to support eligibility with respect to work search
- Incorporate the impact of UI improper payments related to temporary programs, such as those created by the CARES Act, into the traditionally estimated improper payment rate calculations
- Develop policies and procedures to coordinate with SWAs to obtain the necessary UI program information needed (for DOL financial statements) to support related balances and assumptions, and to perform benchmarking and/or other analyses to validate new assumptions

Guidance and Assistance to States

- Assist states with claims, overpayment, and fraud reporting to create clear and accurate information, and then use the overpayment and fraud reporting to prioritize and assist states with fraud detection and recovery
- Examine the effectiveness of BAM's contact verification process to ensure it reflects the current methods claimants use to seek work
- Inform states that formal and informal warnings are not permissible under Federal work search law

Coordination with Congress

- Work with Congress to establish legislation requiring SWAs to cross-match in high-risk areas, including to individuals with social security numbers: filed in multiple states, of deceased persons, of federal inmates, and with suspicious email accounts

a. Has the Department of Labor agreed to implement these recommendations?

DOL has largely agreed to implement these recommendations, however, they generally have not yet been implemented.

The OIG needs access to all UI program data to effectively do its job. In our June 16, 2021, alert memorandum, we recommended that ETA amend 20 CFR 603.5 and 603.6(a) through the rulemaking process and that ETA meet with the OIG to develop a permanent approach for the OIG to access UI data. The Department revisited its position and on August 3, 2021, issued an UIPL advising SWAs that they must provide UI data to the OIG for benefits paid during the pandemic. However, this was a temporary measure that sunsetted on September 6, 2021. ETA has required sharing of state UI data as a condition of the fraud prevention grants offered under the ARP Act of 2021, which will provide such access through December 31, 2023. However, the grants provide the OIG access only for those states that choose to participate and only for the grant period. Given that all states are not receiving grants, the data provided to the OIG will be incomplete.

Data analytics based on the direct access would further enable our auditors to identify program weaknesses and recommend corrective action that will improve the timeliness of UI benefit payments and the integrity of the UI program. To underscore this point, based on the data that was provided to the OIG, our data scientists in our Offices of Investigations and Audit worked collaboratively to identify billions of dollars in potential UI fraud paid in specific high-risk areas.

4. The Department of Labor Occupational Safety and Health Administration issued an unlawful regulation requiring various employees to be vaccinated. This was later struck down by the Supreme Court as unlawful in *NFIB v. Department of Labor*, 595 U.S. ___ (2022).

- a. Has your office reviewed the Department's actions in promulgating this unlawful policy?

The OIG has not reviewed DOL's actions in promulgating COVID-19 Vaccination and Testing; Emergency Temporary Standard, 86 Fed. Reg. 61402 (November 5, 2021). We note that although the stay pending appeal has been reinstituted, the merits of the rule's legality is still ongoing in the federal courts.

- b. How many employees quit their jobs out of fear that they would be fired under this policy?

The OIG has not reviewed this area and therefore cannot provide this information.

- c. How many employees with bona fide medical concerns or religious objections to the COVID-19 vaccines ultimately received the vaccine out of fear that they would be fired under this policy?

The OIG has not reviewed this area and therefore cannot provide this information.