

**WASTE, FRAUD, AND ABUSE GO VIRAL:
INSPECTORS GENERAL ON CURING
THE DISEASE**

HEARING

BEFORE THE
SUBCOMMITTEE ON GOVERNMENT OPERATIONS
AND THE FEDERAL WORKFORCE
OF THE
COMMITTEE ON OVERSIGHT
AND ACCOUNTABILITY
HOUSE OF REPRESENTATIVES
ONE HUNDRED EIGHTEENTH CONGRESS

FIRST SESSION

MARCH 9, 2023

Serial No. 118–10

Printed for the use of the Committee on Oversight and Accountability



Available on: *govinfo.gov*
oversight.house.gov or
docs.house.gov

U.S. GOVERNMENT PUBLISHING OFFICE

51–631 PDF

WASHINGTON : 2023

COMMITTEE ON OVERSIGHT AND ACCOUNTABILITY

JAMES COMER, Kentucky, Chairman

JIM JORDAN, Ohio	JAMIE RASKIN, Maryland, <i>Ranking Minority Member</i>
MIKE TURNER, Ohio	ELEANOR HOLMES NORTON, District of Columbia
PAUL GOSAR, Arizona	STEPHEN F. LYNCH, Massachusetts
VIRGINIA FOXX, North Carolina	GERALD E. CONNOLLY, Virginia
GLENN GROTHMAN, Wisconsin	RAJA KRISHNAMOORTHY, Illinois
GARY PALMER, Alabama	RO KHANNA, California
CLAY HIGGINS, Louisiana	KWEISI MFUME, Maryland
PETE SESSIONS, Texas	ALEXANDRIA OCASIO-CORTEZ, New York
ANDY BIGGS, Arizona	KATIE PORTER, California
NANCY MACE, South Carolina	CORI BUSH, Missouri
JAKE LATURNER, Kansas	SHONTEL BROWN, Ohio
PAT FALLON, Texas	JIMMY GOMEZ, California
BYRON DONALDS, Florida	MELANIE STANSBURY, New Mexico
KELLY ARMSTRONG, North Dakota	ROBERT GARCIA, California
SCOTT PERRY, Pennsylvania	MAXWELL FROST, Florida
WILLIAM TIMMONS, South Carolina	BECCA BALINT, Vermont
TIM BURCHETT, Tennessee	SUMMER LEE, Pennsylvania
MARJORIE TAYLOR GREENE, Georgia	GREG CASAR, Texas
LISA MCCLAIN, Michigan	JASMINE CROCKETT, Texas
LAUREN BOEBERT, Colorado	DAN GOLDMAN, New York
RUSSELL FRY, South Carolina	JARED MOSKOWITZ, Florida
ANNA PAULINA LUNA, Florida	
CHUCK EDWARDS, North Carolina	
NICK LANGWORTHY, New York	
ERIC BURLISON, Missouri	

MARK MARIN, Staff Director

JESSICA DONLON, Deputy Staff Director and General Counsel

BILL WOMACK, Senior Advisor

RYAN GIACHETTI, Counsel

MALLORY COGAR, Deputy Director of Operations and Chief Clerk

CONTACT NUMBER: 202-225-5074

JULIE TAGEN, Minority Staff Director

CONTACT NUMBER: 202-225-5051

SUBCOMMITTEE ON GOVERNMENT OPERATIONS AND THE FEDERAL WORKFORCE

PETE SESSIONS, Texas, Chairman

GARY PALMER, Alabama	KWEISI MFUME, Maryland <i>Ranking Minority Member</i>
CLAY HIGGINS, Louisiana	ELEANOR HOLMES NORTON, District of Columbia
ANDY BIGGS, Arizona	MAXWELL FROST, Florida
BYRON DONALDS, Florida	GREG CASAR, Texas
WILLIAM TIMMONS, South Carolina	GERALD E. CONNOLLY, Virginia
TIM BURCHETT, Tennessee	MELANIE STANSBURY, New Mexico
MARJORIE TAYLOR GREENE, Georgia	ROBERT GARCIA, California
LAUREN BOEBERT, Colorado	BECCA BALINT, Vermont
RUSSELL FRY, South Carolina	SUMMER LEE, Pennsylvania
CHUCK EDWARDS, North Carolina	JASMINE CROCKETT, Texas
ERIC BURLISON, Missouri	

C O N T E N T S

	Page
Hearing held on March 9, 2023	1

WITNESSES

Mr. Larry D. Turner, Inspector General, U.S. Department of Labor Oral Statement	5
Mr. Richard Delmar, Acting Inspector General, U.S. Department of the Treasury Oral Statement	7
Mr. Sheldon Shoemaker, Deputy Inspector General, U.S. Small Business Ad- ministration Oral Statement	8

*Written opening statements and statements for the witnesses are available
on the U.S. House of Representatives Document Repository at:
docs.house.gov.*

INDEX OF DOCUMENTS

- * Final Report of the Select Subcommittee on the Coronavirus Crisis, De-
cember 2022; submitted by Rep. MFume.
- * Statement for the Record; submitted by Rep. Connolly.
- * Questions for the Record: to Mr. Delmar; submitted by Rep. Sessions.
- * Questions for the Record: to Mr. Delmar; submitted by Rep. MFume.
- * Questions for the Record: to Mr. Delmar; submitted by Rep. Connolly.
- * Questions for the Record: to Mr. Turner; submitted by Rep. Sessions.
- * Questions for the Record: to Mr. Turner; submitted by Rep. MFume.
- * Questions for the Record: to Mr. Turner; submitted by Rep. Connolly.
- * Questions for the Record: to Mr. Shoemaker; submitted by Rep. Sessions.
- * Questions for the Record: to Mr. Shoemaker; submitted by Rep. MFume.
- * Questions for the Record: to Mr. Shoemaker; submitted by Rep. Connolly.
- * Questions for the Record: to Mr. Shoemaker; submitted by Rep. Garcia.

Documents are available at: docs.house.gov.

**WASTE, FRAUD, AND ABUSE GO VIRAL:
INSPECTORS GENERAL ON CURING
THE DISEASE**

Thursday, March 9, 2023

HOUSE OF REPRESENTATIVES
COMMITTEE ON OVERSIGHT AND ACCOUNTABILITY
SUBCOMMITTEE ON GOVERNMENT OPERATIONS AND THE FEDERAL
WORKFORCE

Washington, D.C.

The Committee met, pursuant to notice, at 2:02 p.m., in room 2154, Rayburn Office Building, Hon. Pete Sessions (Chairman of the Subcommittee) presiding.

Present: Representatives Sessions, Comer, Palmer, Higgins, Biggs, Donalds, Timmons, Greene, Boebert, Edwards, Burlison, Mfume, Norton, Connolly, Stansbury, Garcia, Frost, Balint, and Casar.

Mr. SESSIONS. The Subcommittee on Government Operations and the Federal Workforce will come to order.

I want to thank each of you for being here. It is now 2 on March the 9th. And with agreement—we are the minority and the majority—we are delighted to have the hearing today, which we are going to make sure that we get closer to working for a more efficient government on behalf of the taxpayer.

Without objection, the Chair may declare recess at any time.

I recognize myself for the purpose of making an opening statement.

I would like to welcome each of you to the first hearing of the newly configured Government Operations and Federal Workforce Subcommittee. I would like to offer welcome to the Ranking Member of the Committee, my friend, Mr. Mfume. Mr. Mfume, I look forward to working with you. And as we have agreed, even though this is all brand new, we are going to work together, but you should expect me to approach you about the items that I think are important, and I want to hear from you about those items which you believe we should, with joint agreement, undertake together.

Today, we will continue the work of this Committee that began last month to examine what is called waste, fraud, and abuse in the COVID relief programs. Already the Committee's work has made an impact in the form of the Biden Administration's long overdue anti-fraud plan, which was formally released in the wake of the full Committee hearing last month. We have yet to see the details of the plan, but this Administration has made certain that

they will brief us on this issue because it is important to them, it is important to us, and it is important to the American people.

So here we are, trying to work together, calling for bipartisan legislation, but we must do this, and it really sits right now on the feet of the Administration to make sure we all work together. We are not going to blame anyone. We want to run to fix, not fight. But hearing the experts last month, this Committee heard that Federal and state agencies were not prepared for this massive undertaking, which included a lot of money, of funds, and created an unprecedented demand and accelerated timeframes to deal with a pandemic. But the reality is fraud and improper payments in Federal programs have been growing, and these are not new problems. They are problems that must be addressed, and I have a sneaking suspicion we are going to find out we may be in the same circumstance again. So, it is up to all of us to work together to find better answers.

Another reality is that the amount of fraud and improper payments in the COVID relief program is so large that it is larger than the GDP of many other countries. So, we need to look past the past and determine the underlying problems, but we need to focus on the present, what is being done, and the future, what needs to be done. We need to determine what we need to do in terms of additional legislation. If it is required, we want to approach it as best we can together. And the statute of limitations on fraud cases likely to be extended, we will ask your opinion on that.

As our work continues, we need to examine why existing Federal capacities and capabilities, like the Treasury's Do Not Pay system, apparently did not serve as the most failsafe system during the pandemic. We need to examine efforts to protect against identity theft, a main factor in COVID fraud. This will lead us to GSA's Login.gov, intended to be a one-stop shop to verify the identity of those seeking Federal benefits. We need to hear from the private sector, both in terms of what technologies exist to protect against fraud, but also to make sure that we are bringing to bear those things which allow government quickly and ably to prepare itself for crisis. So, there is a lot that needs to be done as part of this: adopting a recurrent oversight model for the Subcommittee to track agency progress.

I want to thank today's witnesses. Mr. Turner, thank you for taking time to be with us today, Inspector General from the Department of Labor; Mr. Delmar, Acting Inspector General at the Department of Treasury; and Mr. Shoemaker, Deputy Inspector General at the SBA, Small Business Administration. So, Mr. Shoemaker, I understand you got this promotion six months ago, so congratulations. We are delighted that you are here. I also understand that you are appearing in place of Mr. Ware, the Inspector General, since he is at a memorial service for his grandmother. I hope that you would convey to him that your presence today is appreciated and that we wish him the best in this time of need for his family matters.

With that, I would now like to recognize the Ranking Member, my friend, Mr. Mfume, for any opening statement that he would

choose to make. The gentleman is now recognized for the purpose of making an opening statement.

Mr. MFUME. Well, thank you very, very much, Mr. Chair. I want to thank you for convening this meeting. I agree with what you said earlier that our purpose here is to find out what went wrong and how to make sure it doesn't go wrong again. And I want to add my thanks again to the three of you, as the Chairman just mentioned, individually and collectively, for what you do. And I know I keep saying it is a hard job, but it is a hard job because when it is done right, it really requires a great deal of going beyond the job description and working to find ways to make us better as a Nation. So, thank you again, Mr. Sessions. I am looking forward to working with you. This is our inaugural meeting of this Committee that has been established in the 118th Congress, and I am hoping that we can move forward in many ways on bipartisan issues to come up with solutions because at the end of the day, that is why we were all sent here.

Today, the Oversight Subcommittee on Government Operations and the Federal Workforce convenes. As I just said, it is the first hearing of the 118th Congress. As Ranking Member of the Subcommittee and as a Member who represents a large population of Federal workers, I look forward to supporting our Nation's hard working civil servants. And the American people, in my opinion, deserve a Federal Government that delivers responsible, credible, and effective policies and programs. Though we may differ sometimes in terms of our strategies and our programs, I believe that the Chair and I are seriously committed to serving the constituencies to the best of our abilities. And Chairman Sessions, again, I am looking forward to the many days and weeks ahead as we try to do that together.

Today, we hold the second hearing of this Congress focused on the subject of evaluating improper payments and fraud in pandemic programs. I want to remind my fellow Members that millions of Americans, regardless of their political affiliation or their geography, felt the effects of the global pandemic when individuals and families and communities desperately needed a lifeline. Congress acted swiftly to provide expanded unemployment benefits to workers. We directed administrative funding to states that were struggling to process skyrocketing unemployment insurance claims, and these expanded benefits over time helped millions of Americans to make ends meet. And my office alone worked with hundreds of constituents throughout the Greater Baltimore area to ensure that they receive these crucial dollars, these real dollars that were meant for real people.

The pandemic triggered, as we all know, economic uncertainty, particularly the disastrous things that have happened to our small business community, so much so that by April 2020, an estimated 45 percent of those businesses across the country unfortunately were forced to shut their doors. Thankfully, Congress's Paycheck Protection Program authorized the Small Business Administration to distribute a record \$800 billion to help affected businesses across the country continue to pay their employees. Unfortunately, what we have seen previously failed to implement the safeguards that

we in the Congress explicitly designed by statute, which exacerbated, in my opinion, the pandemic fraud.

On the other hand, Congress and the Biden Administration took decisive action to identify improper payments and to combat fraud. For example, congressional Democrats passed the American Rescue Plan, which included additional funding for Federal offices and offices of inspectors general to be able to do what all of you are doing, that is to combat fraud. We established the COVID-19 Fraud Enforcement Task Force, as you are aware. And in the previous Congress, while I served as vice chair of the Small Business Committee, we held substantial hearings on COVID-19 pandemic relief programs. We participated in numerous bipartisan briefings with the SBA. I co-sponsored and we all moved to pass H.R. 7352, the PPP and Bank Fraud Enforcement Harmonization Act of 2022, which, again, was a bipartisan bill to extend the statute of limitations and to be able to go after the bad guys that continued to commit PPP fraud. These are real solutions that helped the agencies to crack down on fraud and to make sure that our Federal dollars were being used and being sent to where they were intended to go.

In March 2020, the Subcommittee on Government Operations, led by my friend, Mr. Connolly of Virginia, held a hearing to explore how the Federal Government should, in fact, use data sharing, proactive analytics, and customer experience to research and to prevent improper payments and fraud before they occur.

Throughout the pandemic, many of us have fought hard on behalf of Americans all over the country. I would remind everyone that it was under Chairman Jim Clyburn's leadership that the Subcommittee on the Coronavirus Crisis held seven hearings focused on combating fraud in relief programs and recovered millions, at least \$109 million, and they are still recovering money that was improperly used and payments that went out improperly. Among the many accomplishments, that committee helped us to be able to do what we ought to do when things go awry, and that is to try to find a way to save taxpayers' dollars before they continue to become victims of fraud. And I would like to enter, Mr. Chairman, into the record the final report of that subcommittee.

Mr. SESSIONS. Without objection, it will be entered in the record.

Mr. MFUME. Thank you, sir, which details the major successes of that Democratic effort to prevent fraudsters from exploiting weaknesses in the program.

I would like to just close by saying I want to really be clear. Fraudsters must be identified, prosecuted, and sent to jail. This is theft, grand theft with a great deal of premeditation, and to be able to find a way to recover funds and to protect the innocent, I think is the very least we can do. And the innocent, in this instance, is the United States of America, which responded, as it should, to the great need that had come about as a result of the pandemic.

So, I look forward to today's hearing. Gentlemen, I would just say this to you also. Aside from the fact that I think you have a very hard job, we are looking to you to find out what you found out and to tell us how we can legislatively and in a bipartisan manner put in place the things that we need, based on your investigations, to stop a lot of what is still going on, but more importantly, to pre-

vent the things that are incubating now that we—and you have identified and we know are huge problems.

So, with that, Mr. Chair, I want to thank you again, and I yield back the balance of my time.

Mr. SESSIONS. I thank the gentleman, the Ranking Member, my friend, but also for his comments which we agree on. And so, we will shake hands here with an opportunity to begin that way, and we will work on this. I want to thank also the distinguished gentleman, the Chairman of the Committee, Mr. Comer, for him taking time to be with us today, also my colleagues that have joined us, and my colleagues and your colleagues that are on this side.

We will go through witness introductions here very quickly. The gentleman, Mr. Larry Turner, serves as Inspector General of the Department of Labor. He leads the organization in detecting and deterring waste, fraud, and abuse in the Department of Labor programs. This includes investigating fraudulent unemployment insurance claims and improper payments that resulted from COVID-19 pandemic programs. Our next witness will be the gentleman, Richard Delmar, serves as the Acting Inspector General of the Treasury Department. In this role, he conducts oversight of Treasury programs and operations, including the Coronavirus Relief Fund and the Coronavirus State and Local Fiscal Recovery Funds. He also supported the operation of the Pandemic Response Accountability Committee to bring together the IG's affected in all the areas. Last, Sheldon Shoemaker is the Deputy Inspector General at the U.S. Small Business Administration Office of Inspector General. He serves as a principal adviser to the IG and assists with conducting oversight of the SBA's programs and operations, including the Paycheck Protection Program and the Economic Injury Disaster Loan program.

Gentlemen, I would ask pursuant to Committee Rule 9(g), the witnesses would please stand and raise their right hands to be sworn, and the gentlemen will affirm at the end, if you would choose.

Do you solemnly swear or affirm that the testimony that you are about to give is the truth, the whole truth and nothing but the truth, so help you God?

[A chorus of ayes.]

Mr. SESSIONS. Let the record reflect that all three witnesses, thank you very much, answered the question in the affirmative, and thank you very much.

We are now going to begin those opening statements. Mr. Turner, you will be first. Mr. Delmar, you will be second. Mr. Shoemaker, you will be third.

The gentleman, Mr. Turner, is recognized.

STATEMENT OF LARRY D. TURNER, INSPECTOR GENERAL, U.S. DEPARTMENT OF LABOR

Mr. TURNER. Good afternoon, Chairman Sessions, Ranking Member Mfume, and distinguished Members of the Committee. Thank you for the opportunity to testify today. Although the OIG oversees all DOL programs, my testimony focuses on our oversight of the Unemployment Insurance Program. The views expressed here are

based on the independent work of the OIG and are not intended to reflect DOL's positions.

Mr. Chairman, the OIG remains committed to assisting DOL and Congress in improving the efficiency and integrity of the UI Program. Strengthening the program to prevent and detect fraud is key to ensuring that unemployed workers quickly receive needed benefits while safeguarding taxpayer dollars. For many years, the OIG has highlighted significant concerns with DOL and states' ability to deploy UI benefits expeditiously and efficiently while ensuring integrity and adequate oversight. The pandemic compounded these challenges, creating a perfect storm. As the OIG reported, states were not prepared to process the historic volume of claims, resulting in significant delays. Initial reliance on claimant self-certification rendered the PUA Program susceptible to fraud, and the unprecedented infusion of Federal funds gave fraudsters a high value target to exploit.

That, combined with ease of identity theft and system weaknesses previously identified by the OIG, allowed criminals to defraud the program. DOL recently reported an annual improper payment rate estimate of 21.52 percent for Fiscal Year 2022. When applied to the approximately \$888 billion in UI benefits paid during the pandemic, at least \$191 billion could have been paid improperly, with a significant portion attributable to fraud.

Following the passage of the CARES Act, fraud against the UI Program exploded. Since April 1, 2010, the OIG opened more than 198,000 UI investigative matters. This represents 1,000 times increase in the volume of our UI work. The OIG took immediate action to respond to this crisis. After passage of the CARES Act, we issued an advisory report identifying initial areas of concern for DOL and the states. Since then, we released several additional reports. We also hired additional investigators, strengthened our data analytics program, and worked with DOJ to create a national UI fraud Task Force. We leveraged CIGI and PRAC resources, implemented outreach and education with the states, and collaborate with PRAC, DOJ and the Secret Service to recover fraudulent funds. We also engaged with international law enforcement partners to pursue transnational organized criminal groups.

The OIG efforts resulted in more than 700 search warrants executed and 1,200 individuals charged with UI fraud. These charges resulted in more than 500 convictions, 11,000 months of incarceration, and now \$105 million of investigative results. We also identified \$45.6 billion in potentially fraudulent UI benefits paid to four high-risk areas.

In response to our recommendations, DOL instituted efforts to improve the UI Program. However, several OIG recommendations remain unimplemented regarding OIG's access to UI data: state staffing and IT modernization, guidance and assistance to the states, and controls for improper payments.

Mr. Chairman, I want to take a minute to highlight three challenges impacting our work. First is data access. For years, the OIG requested access to data to proactively monitor the UI Program. Given the magnitude of the issues at the start of the pandemic, we took the unprecedented step of issuing IG subpoenas to all state work force agencies. The data allowed us to identify billions in po-

tential fraud. However, the subpoena process took months and delayed our ability to detect fraud.

Second, the statute of limitations associated with pandemic UI fraud will start to expire in early 2025. UI crimes often include complex schemes and require significant resources and time to investigate. Last year, we recommended that Congress extend the statute of limitations. Third, our work is being impacted by resource limitations. The OIG received \$38.5 million to oversee close to \$1 trillion in expanded programs. Unfortunately, it will be fully expended by April 2024. Combined with a lower-than-expected Fiscal Year 2023 appropriation, our funding is insufficient to maintain the level of oversight we deployed during the pandemic. However, the President's recent proposal to provide OIG with \$100 million would allow us to continue fighting pandemic-related fraud beyond 2024.

Mr. Chairman, thank you for the opportunity to testify about our work overseeing the UI Program. I 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 that you or any Members of the Committee may have. Thank you.

Mr. SESSIONS. Mr. Turner, thank you very much. We are going to take you up on the activities that you talked about, and that will be done together. Mr. Delmar, you are recognized.

**STATEMENT OF RICHARD DELMAR, ACTING INSPECTOR
GENERAL, U.S. DEPARTMENT OF THE TREASURY**

Mr. DELMAR. Thank you, Mr. Chairman, Ranking Member Mfume, and Members of the Subcommittee. I am Rich Delmar, the Acting Inspector General of the Treasury Department. Thanks for inviting me to discuss our office's oversight work to address wasteful spending in pandemic recovery programs.

Among the three acts that we are talking about here, Treasury's responsibilities and workloads have expanded greatly since 2020. The Department, other than the IRS, is tasked with programming for over \$655 billion in aid to more than 35,000 recipients, including state, local, territorial, and tribal government entities, all in a relatively short period of time. My office is responsible for oversight of 12 programs, and I will talk today about four of them where our oversight has found improper payments, fraud, question costs, and internal control problems. They are the Air Carrier Payroll Support Program, the original Coronavirus Relief Fund, the Emergency Rental Assistance Program, and the State and Local Fiscal Recovery Fund.

The Air Carrier Payroll Support Program requires Treasury to provide financial assistance to passenger and cargo air carriers and related contractors for the continuation of payments of employees' wages, salaries, and benefits. Among the three acts, a total of \$63 billion has been and will be made available to these recipients. We are mandated to audit the certified financial reports that a subset of this eligible universe provides to Treasury and that determines the funding amounts that they receive. In our work, we found that unclear guidance and rules resulted in systemic calculation and reporting mistakes. We worked with Treasury to correct this, and the applicants resubmitted their reports, but it allowed self-certifi-

cation with no independent Treasury review of the financial information. This is not fully effective, and we are working with the Department to get a statistically reliable estimate of improper payments.

Moving on. The Coronavirus Relief Fund appropriated \$150 billion for making payments to states, territories, tribal governments, and qualifying units of local government for costs incurred between March 2020 and December 2021, or December 2022 for tribal entities. Through our reviews of the quarterly audited awardee reporting, through audits and desk reviews, we have identified question costs of \$2.6 billion thus far for unsupported and unallowable charges to the CRF. We have identified internal control deficiencies, such as lack of supporting documentation, unallowable costs, and payroll expenses not supported, and we expect that these types of findings will likely occur in other Treasury programs if not corrected.

Under the two emergency rental programs, \$47 billion was approved for grants to states, territories, tribal governments, and certain units of local government. We are auditing Treasury's implementation of the program, and we have noted concerns with an overall delayed standup of the grantee reporting portal and Treasury's compliance monitoring functions, which impedes monitoring and audit. These ERA programs have engendered a lot of coverage and a lot of complaints that we have received. We have set up a cross-functional component made up of auditors, investigators, and lawyers to review and process these complaints to determine whether they warrant investigation, or audit, or referral to another agency for resolution. That is a significant priority for us.

Last, the \$350 billion State and Local Fiscal Recovery Fund has a broader set of allowable uses. And we have been auditing the implementation of this, and we have noted, again, a delayed standup of the portal for grantee reporting and monitoring functions, and this, of course, impedes monitoring and audit.

So, in sum, I would say that the challenge of quickly setting up operations to disperse large quantities of money to large networks of recipients created issues. The Agency should not solely rely on self-certification by entities. Relief guidance needs to be accurate and issued quickly. The absence of internal controls creates problems for people getting money that they are not entitled to. Failing to stand up timely reporting capabilities creates monitoring challenges. Watchdogs need timely access to the data, and program integrity can be enhanced by other means such as state and local enforcement, both criminal and civil. Thank you for the opportunity to testify before you.

Mr. SESSIONS. Mr. Delmar, thank you very much. Mr. Shoemaker, you are recognized.

STATEMENT OF SHELDON SHOEMAKER, DEPUTY INSPECTOR GENERAL, U.S. SMALL BUSINESS ADMINISTRATION

Mr. SHOEMAKER. Chairman Sessions, Ranking Member Mfume, and distinguished Members of the Subcommittee, on behalf of Inspector General Ware, who is unable to be here this afternoon due to a death in his family, thank you for the opportunity to appear before you today. I am honored to represent the dedicated men and

women of SBA OIG and their work to combat fraud and improper payments in SBA's pandemic response programs.

Our office proactively raised awareness of the risk associated with loan programs intended to mitigate economic damage and disasters. Prior to the kickoff of SBA's pandemic response programs, we issued three white papers to offer insights learned from our decades of oversight, including oversight of SBA's role in the Nation's response to the Great Recession of 2008 and natural disasters, such as major hurricanes. Our insight offered key internal controls for policymakers to consider in mitigating the risk of fraud and improper payments, put another way, to avoid a pay-and-chase model.

Though SBA's programs are credited for bolstering the Nation's small businesses during the pandemic, our oversight has found the internal control environment did not prevent or deter fraud, and, in many instances, did not provide assurance that eligible recipients receive funds. SBA's first round of PPP loans resulted in 14 years' worth of lending in 14 days, and its EIDL Program included a bridge grant up to \$10,000 to expedite funds to assist the Nation's small businesses and instill confidence in the Nation's economy. As the program swelled to more than \$1 trillion, so did the risk to taxpayers.

Our oversight efforts identified systemic weaknesses that existed prior to the pandemic were further strained by the effort. For example, SBA's disaster response programs are consistently at risk for improper payments. This is due in large part to the speed at which the disaster loans are delivered relative to the calibration of the internal control balance. We can see the parallels in SBA's response programs. While fraudulent payments are considered improper, not all improper payments are the result of fraud. However, the fraud committed in SBA's programs has been characterized as the biggest fraud in a generation. We have unleashed the power of data analytics in our oversight fueled by the expertise and experience of our criminal investigators, auditors, and analysts. We intend to publish an estimate of the fraud existing within PPP and EIDL Programs in mid to late spring.

Our office has designated SBA's Pandemic Response Program as the most significant top management and performance challenge facing the Agency. Our oversight reviews and resources are directed toward this challenge along with other top management challenges. To date, we have issued 29 pandemic-related reports with dozens of recommendations for corrective action to the Agency. In one report, we questioned the expenditure of \$4.5 billion in EIDL Advanced Program. The criteria in place allowed for \$1,000 in grant money for each employee, up to 10 employees. We found \$4.5 billion in payments to sole proprietors that exceeded the allowable \$1,000 per employee. A simple system control that disallowed payments over \$1,000 for each employee or a validation with tax identification records could have prevented these improper payments.

We also found in both PPP and EIDL, the Department of Treasury's Do Not Pay list was not included within the initial internal control environment, resulting in billions of dollars of likely improper payments. The EIDL Program also was rife with suspected identity theft, with SBA having received over 1.6 million com-

plaints associated with EIDL applications. When identity assurance is not provided to the internal control environment, we can anticipate improper payments and fraud.

With our law enforcement partners, we have taken the fraud fight directly to the doorsteps of the wrongdoers. Our investigative work has resulted in 793 indictments, 635 arrests, 446 convictions, and that is as of January 2023. Also, over \$8 billion in EIDL funds have been returned to SBA by financial institutions and another \$20 billion by borrowers. OIG has played a key role in the return of these funds by working with law enforcement partners, financial institutions, and educating the public about fraud in the pandemic relief programs. We are grateful for congressional action last year to extend the statute of limitations for PPP and EIDL to 10 years.

It is vital that sufficient resources also are available to our office to bring wrongdoers to justice and deter future wrongdoing. The Nation can depend on OIG to provide independent, objective, and timely oversight of SBA. Thank you for the opportunity to speak to you today. I am happy to answer any questions you may have of me.

Mr. SESSIONS. Gentlemen, thank you very much, the opportunity for you to be here highlights your viewpoints in working within your agencies. Mr. Turner and Mr. Shoemaker, what happened to the money that was recovered?

Mr. TURNER. Well, it was an easy target for fraudsters partly because of self-certification, I believe, and with the IG not able to go and get direct access to the data that we needed, we couldn't determine it earlier. But we were one of the first groups to identify that self-certification was a problem, and we brought it to the attention of the Department. I believe the first nine months with the self-certification went unchecked, and that had a lot to do with a lot of the fraud.

Mr. SESSIONS. OK. Mr. Shoemaker, you referred to money that was, as a result of the investigation, found and brought back. What happened to that money?

Mr. SHOEMAKER. Yes. As I indicated, there was \$20 billion returned from borrowers and \$8 billion by financial institutions. There is also money that is recovered through our investigations, so this money is coming back to SBA in multiple different vectors. And you know, the timeliness of it actually landing in the Treasury is an issue. We actually have an ongoing review to trace that money, to audit to ensure exactly where that money is coming back into the SBA programs so that it can be made available potentially for other uses or, at a minimum, be available within the Treasury.

Mr. SESSIONS. Mr. Mfume, would that be something that you would like to also have us work together on?

Mr. MFUME. It would be.

Mr. SESSIONS. They went out and got money, they brought it back in, what did you do with it.

Mr. MFUME. It would be.

Mr. SESSIONS. So, we will be following back up on that, and Mr. Shoemaker and Mr. Turner, I would like to flag that for you. We are interested in the money that was recovered, where that money exists, where it came back, where it exists, and what the legality is of those funds.

Mr. Turner, some of the things that we talked about today deal with issues that we spoke of down when Mr. Mfume and I were at your table and deals with getting data from states. Is this idea that you have that, that we are concurring on, something that you would like us to work together, or is it something that you would go do theoretically by yourself?

Mr. TURNER. Well, I think it would help to get help from you because our interpretation of the CARES Act allowed us to have authority to get that data. Also, the IG Act gives us the authority. However, the Department interpreted that they didn't have the authority to provide that directly to us.

Mr. SESSIONS. That is great. Mr. Shoemaker?

Mr. SHOEMAKER. On unemployment insurance?

Mr. SESSIONS. On the opportunity to work—whether you need our assistance to work with you on these problems in dealing with the states?

Mr. SHOEMAKER. SBA's programs are not state programs. The pandemic response programs—the PPP Program, SBA has lending partners, you know, which is across the Nation, but SBA's programs are not directed to the states.

Mr. SESSIONS. Right. Right. Where the problem is, is also in banks that represent those people, so we will have to work on that. Thank you very much, gentlemen. Mr. Mfume?

Mr. MFUME. Thank you, Mr. Chair. Well, gentlemen, one thing we are sure of, and that is that the road to hell is still paved with good intentions. We were in an absolute national emergency. Members of this body on both sides of the aisle and in the other body all were searching for answers. We had to come up with a way to appropriate funds to get them out. And as I listen to your testimony now regarding what you have found, the best intentions there have often gone astray, and that is why I keep getting back to what you found, what you think we ought to do with it, and how that we never, ever make these kinds of mistakes again.

Mr. Shoemaker, I want to talk a bit about the Emergency Rental Assistance. That particularly got my attention because of this whole issue of self-certification, which I think everybody should have realized that a bell was going off. And I don't know if that was the case at SBA or anywhere else, but when you allow self-certification, you allow a lot of hanky-panky to take place. And there are a lot of people, unscrupulous people who took advantage of this, which is what I keep saying over and over again. I am glad you are prosecuting them, I am glad they are going to jail, and I am glad that for the people who pay their tax dollars. In this instance at least, there is some hope that some of the money will be recovered. And I am thinking particularly about senior citizens who really needed rental assistance, people with disabilities, our Nation's veterans, middle-class people who are unemployed, and poor people, all of which needed this Emergency Rental Assistance. And your findings are astounding, and I am just hoping that moving forward the lessons learned here are lessons learned forever.

Now, we extended the statute of limitations, as you mentioned. Do you think, or any of you think, there needs to be another extension beyond the 10-year window that we are in right now?

Mr. TURNER. I believe there should be an extension beyond the 10 years. You know, just the cases that we have alone that are open, 168,000, we figured it would take 11 years just to go through those cases, and we are getting 100 to 300 complaints weekly.

Mr. MFUME. OK. While I have you, Mr. Turner, you talked also about the impediment that you face in terms of data access. Can you expand on that for just a moment?

Mr. TURNER. Yes, I can. At the beginning of the pandemic, we had to issue IG subpoenas because we went to the Department, and we are not able to get them to agree as we felt that they should be able to provide us direct access. And I think going forward, if Congress could somehow be more explicit in terms of what can and cannot be done will probably be helpful. But anyway, I had to issue IG subpoenas, and that took months to get the data that we couldn't get the Department to give out guidance directly. And that also caused us some of the delay because we had to get it in a certain format in addition to that, but we didn't stop there with notifying the Department.

We also gave advisory reports and alert memos and met with Members of Congress to alert them to the problem. It was only because of what we put forth that that was officially changed nine months later, but at that point, about \$80 billion had gone through the PUA Program.

Mr. MFUME. And do you find now with this sort of congressional oversight, by way of committees that have jurisdiction over many of these agencies, that they are complying faster, or is it about the same in terms of your access to their data?

Mr. TURNER. Well, we have a temporary fix in place right now that expires at the end of the year. So, we are trying to work with the Department, and they have given grants to the states that comply with our requests. But again, that agreement expires at the end of the year, and then there is about a 14-month delta there between them using the rulemaking process to try to put a rule in place.

Mr. MFUME. And unfortunately, there is no way we can truncate the subpoena process, so compliance, I think, is the best remedy there. And I hope the word at least goes out from this hearing to all respective agencies of the government that they have to find a way to provide access to this data. I am surprised that you have got, how many pending, 180,000?

Mr. TURNER. We have 162,000 that are open complaints right now that we are still going through.

Mr. MFUME. OK. So, the suggestion for an extension, again, on the statute of limitations is well taken and well heard. Mr. Turner, one quick thing and I will yield. I don't have any time left. Would direct hiring authority expedite the recruiting process and enable your office to recruit a deeper pool of candidates to assist you?

Mr. TURNER. Yes, we believe so.

Mr. MFUME. Thank you very much. I yield back, Mr. Chair.

Mr. SESSIONS. Thank you very much. The gentleman from Arizona, Mr. Biggs.

Mr. BIGGS. Thank you, Mr. Chairman. I thank the witnesses for being here. The Federal Government spent \$5 trillion-plus in relief programs in response to COVID-19. And estimates vary widely,

but testimony from experts before this Committee last year suggested that waste, fraud, and abuse in the COVID-19 unemployment program alone exceeded \$400 billion, at least half of which went to organized foreign crime syndicates. So, I have got a bunch of questions for each of you. I am not going to be able to get to all of them, but I am going to start with Mr. Delmar. I will try to get back to you, Mr. Turner, so you are off the hook for the beginning. But, Mr. Delmar, the Treasury Department is responsible for managing coronavirus relief funds, state and local fiscal recovery funds, as well as several other funds. Can you provide the Committee with the total amount of funding that remains unspent across accounts at Treasury?

Mr. DELMAR. Yes, I can. We can actually give you a specific written summary.

Mr. BIGGS. When might we expect that?

Mr. DELMAR. I can get that to you next week, sir.

Mr. BIGGS. That would be beautiful. Thank you, Mr. Delmar, and that would include state agencies as well?

Mr. DELMAR. I am sorry?

Mr. BIGGS. Would that include what amount of money remains unspent in state agencies? Do you have that information?

Mr. DELMAR. I don't know. I will find out and I will get back to you.

Mr. BIGGS. OK. Does your office have, and you will need to get back to me, I am sure, on this, too, state-by-state numbers for unspent funding, both obligated and unobligated in programs that are unexpired or otherwise expired?

Mr. DELMAR. I believe we have them for overall, and I am sure we could probably find them on a state-by-state basis.

Mr. BIGGS. OK. If you could please provide what information you have to the Committee by next week, that would be great.

Mr. BIGGS. Mr. Turner, during testimony delivered to this Committee last year, we were informed that the California state auditor reported that the state's Employment Development Department was slow to take action to address unemployment insurance fraud. In total, California alone lost in excess of \$10 billion to fraudulent claims, and you have mentioned some of those. Can you identify for us some of the failures of the California Department?

Mr. TURNER. Well, let me just say, it was just not California. We found that some of those problems that California experienced was experienced throughout the country. I hear what you are saying, but it was really through our reviews—

Mr. SESSIONS. Could the gentleman answer the question—

Mr. BIGGS. Yes.

Mr. SESSIONS [continuing]. Specifically as it relates to California, please?

Mr. BIGGS. I am OK if you just say they all have self-identification, which was a problem. Are we getting back to that?

Mr. TURNER. Yes, with self-certification, and also there was stolen identity, stolen Social Security numbers.

Mr. BIGGS. So, you had ID theft as well?

Mr. TURNER. Correct.

Mr. BIGGS. OK. In what ways does the Department of Labor track state work force agencies that slow walked correction of fraud in UI Programs?

Mr. TURNER. State that again, please? I'm sorry.

Mr. BIGGS. Yes. In what ways does the Department of Labor track state work force agencies that slow walked correctives of fraud in the UI Programs?

Mr. TURNER. Basically, through our reviews and audits, we were able to take a look at are they meeting the standards. I think the standard is to issue those payments out between 14 to 21 days, and the average was one to two months.

Mr. BIGGS. Thank you. Mr. Shoemaker, with regard to SBA, a year ago—this is a year ago—there was estimates that there was \$76 billion in potential fraud in the SBA program. The SBA itself estimated \$78 billion. Secret Service estimated \$100 billion in improper payments. What is that number finally that SBA holds to now in improper payments?

Mr. SHOEMAKER. Thank you for the question. The number you are referring to was \$78 billion in the EIDL Program. That was a result of work from our office, and that was a collection of our reports that we remove the duplicates. So, we had a number, it was \$78 billion. That number is \$86 billion from ensuing work. That does not include the PPP Program. You know, our work in that area has uncovered probably another \$20 billion potential fraud in the PPP Program, but we have an ongoing project right now to come up with a comprehensive estimate of the fraud within the PPP and the EIDL Program. So currently what I could tell you, it will be more than \$100 billion.

Mr. BIGGS. Thank you, and then I just want to get back to you, Mr. Turner. I want to make sure I understand what is the estimate of the fraud that your Agency has uncovered, the IG's office has uncovered in the unemployment arena.

Mr. TURNER. We are looking at \$76 billion, and that is based on the fraud rate that the Department produced at 8.5 percent of \$888 billion, so \$76 billion, and we believe that is on the low end for the fact that PUA was not included in that number. And the Department will have the PUA number issued sometime this year is what they have told us.

Mr. BIGGS. All right. Thank you. I appreciate all of you being here. Thank you, Mr. Chairman. I yield.

Mr. SESSIONS. Mr. Turner, I would like to just ask a question just to follow up, be sure Mr. Mfume and I got it. Social Security numbers were duplicate to where they went to two people, or it went to a different person that may not have qualified?

Mr. TURNER. It went to kind of both. We had Social Security numbers that were stolen off the dark web, and in some cases, we have one person file for claims in 42 different states.

Mr. SESSIONS. Thank you, Mr. Turner. The gentlewoman from the District of Columbia, Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman, and I appreciate this hearing. The Pandemic Response Accountability Committee, Mr. Shoemaker, provides independent oversight of approximately \$5 trillion in pandemic relief spending and helps coordinating to facilitate oversight by Federal inspectors general. Congressional Demo-

crats enacted the American Rescue Plan, which provided an additional \$40 million to the Pandemic Rescue Accountability Committee to further strengthen their oversight. In 2021, the Pandemic Response Accountability Committee created the so-called Pandemic Analytical Center of Excellence—we call that PACE—a leading-edge analytic platform that inspectors general can leverage to root out and prevent fraud. So, Mr. Shoemaker, my question to you is how has your office leveraged the enhanced data analytics capabilities that the PACE offers to optimize the effects of your limited resources?

Mr. SHOEMAKER. Thank you for the question. Our office in the early days of the pandemic received over 100,000 hotline complaints. That was within the first year. We typically receive less than 1,000. That number has since increased to over 230,000, so we engaged the PACE to help us triage those hotline complaints. That was at the initial stage. We have since developed an in-house data analytics capability where we have further refined that process to use topic modeling artificial intelligence to distill that 230,000 leads into 81,000 actionable leads, which equates to about 100 years' worth of investigative work for our office.

The PACE also has what we would consider a kind of a groundbreaking effort of shared service where they put in place a blanket purchase agreement for data scientists, data validate, data visualization, and data structuring. We have taken advantage of that contracting vehicle. So, the limited number of data scientists we have within our office—we also have contracted data scientists to help us do our work, so we are using the data scientists to basically force multiply our criminal investigators so we work harder and smarter with these tools.

Ms. NORTON. All right. So, as I understand it, enhanced data analytics do save you valuable time and resources by enabling your office to determine which complaints to pursue. That is correct?

Mr. SHOEMAKER. That is correct, and at SBA OIG, we have basically integrated data analytics into heart of our oversight.

Ms. NORTON. Mr. Shoemaker, how could codifying the capabilities of the PACE ensure that you and other inspectors general can more effectively and efficiently conduct oversight?

Mr. SHOEMAKER. At the early stages, they were a resource that we were able to leverage. So, the fact that you would want that resource to be available during the next disaster for the inspector general community, I think that that is a worthwhile investment.

Ms. NORTON. Thank you. Mr. Delmar, do you agree that access to a permanent and effective data analytics capability would help you do your job?

Mr. DELMAR. Yes, ma'am. Like Mr. Shoemaker, we have set up an in-house data analytics function. We have hired several data professionals, and we have found that it is an excellent tool to just basically get our arms around the incredible volume of information that we are getting from all the reporting from all the thousands of recipients. And it gives us an opportunity to make sense of the raw numbers and detect trends, detect where problems are.

We do a lot of what we call risk analysis to decide where the best places are to devote our resources with the best chance of finding mistakes and finding fraud, so I think the big thing about the

PACE is it is a lesson from the last time. The Recovery Operation Center with the RAD board back in the crisis of 2008, that was not maintained, and so when this new crisis came, oversight was pretty much starting from scratch. And for the matter of that, the Department was in a lot of ways starting from scratch. Having an in-house capability and saved knowledge will make it quicker and more efficient to be able to respond to the next crisis.

Ms. NORTON. Thank you. Thanks very much, Mr. Chairman.

Mr. SESSIONS. Thank you very much. The gentleman from North Carolina, Mr. Edwards.

Mr. EDWARDS. Thank you, Mr. Chairman. To all of you, thank you for being here. We appreciate you taking time. My questions are for Mr. Turner. Your office issued an advisory around claims using Social Security numbers that were filed in multiple states, used for deceased persons, of Federal inmates, and used to file for unemployment claims with suspicious email accounts. What mechanisms exist for states to know when Social Security numbers are used in multiple states?

Mr. TURNER. Well, I think going through NASWA, the Integrity Data Hub is a tool that they can use to compare and cross reference Social Security numbers.

Mr. EDWARDS. And you say they can use it, yet this happened. So, were they not using it?

Mr. TURNER. Well, it is not mandatory. It is not required for them to belong to that or participate in the IDH. So, it is optional, and not all states participate.

Mr. EDWARDS. Maybe we can change that. In December, you issued to the Department a qualified opinion on its financial statements, in part because it could not support \$7.9 billion in unprocessed claims. How are there still unprocessed claims?

Mr. TURNER. We would like to know the same. Part of it has been because some of the appeals that some of the states have made or some of the claimants have made has not really been processed, and some states have not even reported the status, and that is what really caused that. And so, the \$7.9 billion that the Department mentioned was really kind of a guess and we needed more accountability and more proof, and that was the work that needed to be done by the Department.

Mr. EDWARDS. Thank you for that. What are the key metrics that this Subcommittee should track to determine if progress is being made to prepare for the next crisis and to protect against fraud and improper payments generally in unemployment programs?

Mr. TURNER. Well, I think there are several. One I would say would be the improper payment rate. The other one would be the fraud rate. And then I think also if the Department could keep track of whether we get permanent access to the data that we are requesting would be another thing they could look at, as well as the PUA rate, which is supposed be released at the end of the year. Those will be the four things that I would say.

Mr. EDWARDS. OK. And your office has referred over 23,000 fraud matters, I understand, that don't meet Federal prosecution guidelines back to the states for further action. Are you tracking somehow what the states do with those cases?

Mr. TURNER. Yes, we do. When we refer those cases, we do track those. We also plan on doing audit work to see exactly what they did with those cases.

Mr. EDWARDS. OK. Last question from me. I served on the Oversight Committee in North Carolina for our unemployment program, and I know that during the pandemic, we were issued a couple of sequestration orders from the Federal Government to return several hundred thousand, maybe even a few million dollars of unemployment money that we had received. Would you know what the total amount of unemployment money is that was sequestered from around the country?

Mr. TURNER. I am not sure what that would be because unemployment insurance is an entitlement, so I don't know why that would have been sequestered.

Mr. EDWARDS. All right. Thank you. Mr. Chairman, I would like to yield the rest of my time to Representative Biggs.

Mr. SESSIONS. Mr. Biggs? I am sorry, would the gentleman state that again who he would like to give the—

Mr. EDWARDS. I was going to yield the balance of my time to Representative Biggs, but I am told that he is—

Mr. SESSIONS. You can't see him. He is not here.

Mr. EDWARDS. OK.

Mr. SESSIONS. The gentleman yield back his time?

Mr. EDWARDS. Yes, sir.

Mr. SESSIONS. The gentleman yields back his time. Thank you very much. The distinguished gentleman from Florida, Mr. Frost.

Mr. FROST. Thank you, Mr. Chairman, and I appreciate you all being here today. Unemployment insurance programs are essential to emergency lifelines. Obviously, when the pandemic hit, millions of Americans could not work. Congress passed expanded unemployment benefits to keep people fed, keep people housed. The government did its job, but it quickly became obvious that without functional state infrastructure, which we have spoken about a little bit, to distribute it, that aid, a lot of times, can get wasted. That is where a lot of waste, fraud, and abuse really stems from. And we have to talk about these antiquated state unemployment insurance systems wasting the time and abusing people who are facing hard times.

I want to return quickly to a question that my colleague from Arizona had brought up. He seemed pretty specifically concerned with the state of California's unemployment system. Mr. Shoemaker, you indicated that identity theft was one of those issues. Would you say this issue was unique to California, or did many states experience this problem with identity theft verification?

Mr. SHOEMAKER. I believe Mr. Turner was speaking about unemployment insurance relative to California. For SBA, though, the EIDL Program did experience identity theft. I would be happy to speak to that, but I think the question about California is to Mr. Turner.

Mr. FROST. Yes, Mr. Turner?

Mr. TURNER. Yes. I think in the early days, the first maybe five or six months, California had a high rate because there was not really the scrutinization when it came to Social Security numbers.

Mr. FROST. Yes. Was this a problem that was unique to California, or if any other states—

Mr. TURNER. No, that was a problem that occurred throughout the country.

Mr. FROST. OK. So, it was a problem that occurred throughout the country. You know, in my state, there are reports that have come out that show that our Governor, Governor DeSantis knew before the pandemic that Florida's unemployment system had major problems, glitches, and different messages. There was no really serious attempts to help remedy those problems. At the height of the pandemic, my state of Florida actually had the worst unemployment system, slowest unemployment system, in the country in terms of processing claims, and at one point, the system crashed. People had to move to using paper forms. The state representative of mine, Anna Eskamani, had to really step up to really help people through the process, and we are still hearing from constituents that are having problems with the website right now. This means in days of hunger, people not knowing if they have enough money to buy groceries, and *et cetera*. You know, it helps increase that anxiety and desperation.

Mr. Turner, are certain states still challenged to pay unemployment insurance claims in a timely manner?

Mr. TURNER. Certain states are still challenged. In part, it has been because of the lack of IT modernization that we have pointed out on a lot of our reviews, and the antiquated systems that they had at the beginning of the pandemic, which still have not been completely addressed.

Mr. FROST. What is being done to modernize these states' IT systems so that way, unemployed workers don't suffer, you know, lengthy delays to receive their benefits?

Mr. TURNER. Well, I think it is going to require more oversight on the Department's part to make sure that the funds that are being given are being utilized. During the Recovery Act of 2010, there was \$7 billion that was set aside for IT modernization, and I think about \$2 billion of that actually went to benefits payments, and another \$1.3 billion did not get used in the time that it was required.

Mr. FROST. Got you. Got you. Now, to, like, you know, turn to the solutions. You know, Congress enacted the American Rescue Plan, \$3.1 billion to modernize and strengthen Federal unemployment insurance systems. Mr. Turner, if a state unemployment insurance system is modernized, do you think that directly translates to more efficient and effective user experience?

Mr. TURNER. Without a doubt.

Mr. FROST. And would you agree that that means there is less waste, there is less fraud, there is less abuse when we are able to put more money into those IT systems?

Mr. TURNER. Yes, I would agree with that.

Mr. FROST. OK. Thank you. I pray that my home state of Florida will take advantage of the opportunity to modernize the IT system so constituents are better served. Thank you all for your time, and I yield back.

Mr. SESSIONS. And the distinguished gentleman from Florida, Mr. Donalds, is recognized.

Mr. DONALDS. Thank you so much, Mr. Chairman. Mr. Turner, actually to pick back up, you mentioned just in the previous line of questioning that about \$2 billion of the \$7 billion that was in the Recovery Act was actually used for benefit payments, not modernization. Is that correct?

Mr. TURNER. That is correct, and they were allowed to do that within the rules of the dispense of those funds. So, it was allowed, but that is what happened to it, yes.

Mr. DONALDS. Do you know what the allocation was of the \$2 billion that was used across the various states? Was that proportionally used?

Mr. TURNER. I can't answer that. I am not sure.

Mr. DONALDS. OK. All right. I just wanted to get clarification on that because, I mean, like a decade ago, which is typical of Washington, we said you could spend X amount of money on this, and then in rulemaking, it gets changed to be used for Y, you know. Maybe sometimes you might wonder why some of these things don't get solved. I would actually argue for our colleagues as we appropriate dollars into the future, if we say it should be appropriated for X purpose, it should not be allowed to be used for Y purpose.

Mr. TURNER. I would agree with your recommendation.

Mr. DONALDS. Is that fair?

Mr. TURNER. That is what I would suggest, yes.

Mr. DONALDS. Actually, to the other IGs, is that a fair recommendation for Members of Congress to not be loose with appropriating standards?

Mr. DELMAR. I would say, sir, that, you know, the more clear the legislation is, the more clear Congress' intent is on what is to be benefited and what isn't, the more efficient the rule making and the guidance will be, and the more efficient the actual administration of the program will be.

Mr. DONALDS. All right. Mr. Shoemaker, you can comment as well if you would like to.

Mr. SHOEMAKER. I would just align myself with the comments.

Mr. DONALDS. Well, I appreciate that because, you know, somebody who has, you know, been a legislator now in two different legislative bodies, yes, a clear direction from the legislature, in this particular instance, Congress, is necessary to help you guys do your jobs and the agencies alike. So maybe that is homework for myself and for my colleagues on both sides of the aisle. Real quick, Mr. Shoemaker. You talked a little bit about the Treasury's Do Not Pay List with respect to the EIDL Program. Do you want to expand upon your thoughts about why SBA was not using Treasury's Do Not Pay List?

Mr. SHOEMAKER. Yes, thanks for the question. These programs are calibrated for speed, and I believe SBA at the time just did not put that control in place. And then even once they did put the control in place, there is a validation that is required whenever you get a positive hit. You know, they are not always, you know, a definitive hit, so it does take resources to verify. So, I believe that they calibrated the control environment to not include that just for the sake of speed. And of course, we see the results of that, because

what occurs is you have that lack of assurance that only eligible entities are receiving those funds.

Mr. DONALDS. OK. And I appreciate that. A real quick question for all of you, and Mr. Delmar, I am going to start with you. Does Treasury have an accurate accounting of the amount of taxpayer dollars that have been distributed to deceased individuals?

Mr. DELMAR. I believe overall it does. I mean, the amounts that go out can be quantified. The problem in the reporting is, from the recipients, we don't always get all the data that we need and we do not get it in a timely fashion, and some of the recipients have their own infrastructure problems that we have seen delays and, you know, incomplete responses. And the purposes to which—

Mr. DONALDS. And not to cut you off, but when you say recipients, do you mean individuals? Do you mean organizations? Do you mean business?

Mr. DELMAR. Organizations.

Mr. DONALDS. OK. So, there are organizations that Treasury sends money to that do not have enough computers, enough ability to respond back to the information that Treasury requires for dispensing those funds?

Mr. DELMAR. We have seen examples of that.

Mr. DONALDS. And Treasury still dispenses the funds?

Mr. DELMAR. Well, I do not know off the top of my head, you know, how often and how recently the funds have gone out. We can certainly get you follow-up information on that.

Mr. DONALDS. Well, Members, look, it looks like we got somewhere else that we got to figure something out because if Treasury is sending money out and there are requirements for information, and the recipients aren't getting that back to Treasury, why are we sending them money? I mean, it is like a simple thing. If I am going to give you \$10 and I say, hey, but I need this, and you do not do it, you don't get \$10 more from me. That is just a personal thing.

Real quick, just wrapping up. Mr. Turner, Mr. Shoemaker, I don't know if you can comment. Do your areas, Labor or SBA, do they keep track or have an accounting of money going to deceased individuals?

Mr. TURNER. We have \$267 million.

Mr. DONALDS. Billion or million?

Mr. TURNER. Million.

Mr. DONALDS. Million?

Mr. TURNER. Yes.

Mr. DONALDS. Well, you almost scared me with that one. That is \$267 million scares me too, you know. OK. All right.

Mr. TURNER. But we identified \$45.6 billion. That was part of what we found in our review of those four areas, and \$267 million of that was for deceased individuals.

Mr. DONALDS. Forty-five billion dollars went out. I know I am a little slightly over, Mr. Chairman. May I ask your indulgence just to clarify this point?

Mr. SESSIONS. I appreciate the gentleman continuing his line of questioning as any Member of this Committee would get that to clarify questions.

Mr. DONALDS. OK. Thank you, Mr. Chairman.

Mr. SESSIONS. The gentleman may continue.

Mr. DONALDS. I appreciate that. Thank you, Mr. Chairman. Just to clarify. We have \$45 billion through the auspices of the Department of Labor that have gone out, of which \$267 million has gone to deceased individuals?

Mr. TURNER. Yes, and that is potential fraud, but, yes, the number \$267 million is correct.

Mr. DONALDS. All right. Listen, thank you so much, Mr. Turner. Thank you for the indulgence, Mr. Chairman. I yield back.

Mr. SESSIONS. Mr. Donalds, thank you very much. The gentleman yields back his time. The gentleman from Texas, Mr. Casar.

Mr. CASAR. Thank you, Mr. Chairman. In the 35th District of Texas, we stretch from East Austin down to the west side of San Antonio. The No. 1 industry that employs folks in my district is service and hospitality. My constituents are overwhelmingly cooks, servers, hotel workers, barbacks, the folks that oftentimes lost their jobs during the pandemic. And so, to be really clear, there is nobody that would be more upset about fraud and abuse of unemployment insurance and fraud and abuse of critical programs that were to keep their lives running and to keep them alive than the working-class folks in my district. And that is why I am so appreciative that the Biden Administration has put forward such significant funds to looking out for fraud, especially from large criminal organizations and oftentimes wealthy individuals that were trying to game the system.

So, Mr. Turner, how would President Biden's allocation of tens, if not hundreds of millions of dollars to prosecuting systemic pandemic fraud address your findings on fraud in DOL pandemic assistance programs?

Mr. TURNER. Thanks for asking that question. Currently, the money that we have for ARPA expires at the end of this fiscal year, and in the first and second quarter, the rest of the CARES Act fund will expire. So, if we are able to sustain the level that we are currently operating under, we will need some funds right away, and so that \$100 million that the President is proposing would really help us do that. One of the caveats that I would say is that we need it right away because without that, we are going to lose, through attrition, about 30 employees this year and another 20 next year, so I just want to point that out. But it would really be very helpful for us to be able to go after some of those fraudsters that we have been talking about.

Mr. CASAR. And you expect that the investments we make in pursuing that kind of fraud, we are going to get more than that amount of money back?

Mr. TURNER. Well, let me just say this. I can't say that because, like——

Mr. CASAR. But that is your hope?

Mr. TURNER [continuing]. Once fraud goes out of the door, it is hard to get it back. What we can do is go after the fraudsters that committed these atrocities, so that is what I would tell you, but it is quite hard and very complicated in getting funds back. We have identified about \$905 million that we through our work that we have been able to get back, and that is not all in funds. That is just through the process of the judicial system, civil cases that we

are able to get, and it takes a while for it to go through the judicial system where it may be four or five years before we actually see some of that.

Mr. CASAR. I appreciate that, and either for you, Mr. Turner, or whoever else here is appropriate. I also just saw that in the budget that was released today that there were continued significant investments in making sure that we recover funds and make investments in holding people accountable that are committing this kind of fraud. Is there any further information that we need, Mr. Shoemaker?

Mr. SHOEMAKER. Sure. The President did put forward a request for \$100 million. I can assure this Subcommittee that you will receive return on investment from our office on that \$100 million. Our current base budget was \$24 million. We have returned \$9.2 billion in dollar accomplishments in just three years alone, which represents an exponential return on investment. The President put forward a budget for our office in Fiscal Year 2024 of \$63 million. Those funds, as Mr. Turner said, are critical to our office. If we do not receive those funds, we will be in the same situation as Mr. Turner, where we will have to, you know, consider the attrition rate next year, in Fiscal Year 2024. So, it is critical that we have our base budget of Fiscal Year 2024 as well as the supplemental funds that were asked for last Thursday.

Mr. CASAR. Thank you, Mr. Shoemaker. I think you proved to us how that kind of investment can make a really big difference. I think it is a core function of what we should be doing as oversight. Mr. Sessions likely recalls that there once was a legendary chairman of this Committee, Jack Brooks from Beaumont, who, whether administrations were Republican or Democratic, made sure that we were going after fraudsters in this way. So, I hope that is a portion of the President's budget that we can have some bipartisan support for to continue that kind of work. Thank you. I yield back my time.

Mr. SESSIONS. The gentleman yields back his time. Thank you very much. The distinguished young gentlewoman from Colorado, Mrs. Boebert.

Mrs. BOEBERT. Thank you, Mr. Chairman. Almost three years of COVID madness, mask mandates, vaccine mandates, a \$4.6 trillion spending spree, school, church, statewide shutdowns, this Committee is finally committed to getting to the bottom of the \$560 billion in taxpayer money that was lost in waste, fraud, and abuse. The GAO estimates that there is still \$90.5 billion in COVID-19 relief funds that remain available for obligation and are vulnerable to that same waste, fraud, and abuse. GAO and IGs have identified multiple recommendations to protect against waste, fraud, and abuse that have yet to be implemented by the Biden Administration. Instead, they have thrown more money at the problem. Rather than being reactive and spending more money to find money, the Federal Government should enact policies to ensure that this kind of abuse never occurs again.

Media reports have found that payments were made to over a half a million Federal prisoners, Japanese citizens living in Japan, illegal immigrants, and 1.1 million deceased individuals. In addition to this, our office issued an advisory around claims using Social Security numbers filed in multiple states and filed under sus-

picious email accounts. Now, I know that some of my colleagues have inquired about these Social Security issues that we are having, but, Inspector General Turner, if I may, what mechanisms are currently in place for states to identify these suspicious Social Security numbers and identify these instances of fraud before they happen?

Mr. TURNER. I would say IT modernization is one of the keys, but also, a lot of the states are using the Integrity Data Hub, which the national association like workforce agencies are using. Our only challenge with that is that that is a volunteer, you know, program, so it is not required, and so, therefore, they do not get a chance to do the cross matching that is needed.

Mrs. BOEBERT. OK. Good to know that that is just volunteer. And are there any specific challenges states are having to access the Master Death File at the Social Security Administration?

Mr. TURNER. I believe that the IDH as well, that is where they can do that cross match, and they do use the——

Mrs. BOEBERT. Yes, sir.

Mr. TURNER [continuing]. Master Death File.

Mrs. BOEBERT. And it was also mentioned that your office has referred over 23,000 fraudulent claims that cannot be processed federally back to the states for further action, and you are tracking those. Have any criminal referrals aligned with this—been made from any of the IGs? Have there been any kind of criminal referrals issued for the waste, fraud, and abuse?

Mr. TURNER. Are you saying about from the 23,000 or just in general?

Mrs. BOEBERT. In total?

Mr. TURNER. There is——

Mrs. BOEBERT. I am sorry. I know about the 23,000.

Mr. TURNER. OK.

Mrs. BOEBERT. But over all of this, have there been any?

Mr. TURNER. Yes, we have 1,200 indictments and we have had——

Mrs. BOEBERT. OK.

Mr. TURNER [continuing]. Six-hundred convictions.

Mrs. BOEBERT. Incredible. Thank you. And Inspector General Shoemaker, with over \$76 billion of potential fraudulent PPP and EIDL loans, what is SBA's plan to investigate these cases, and how does your office plan to conduct the oversight for this plan?

Mr. SHOEMAKER. Sure. So, our investigative work so far has resulted in 793 indictments, 635 arrests, 446 convictions. We have received \$20 billion returned from the borrowers in the EIDL Program as well as \$8 billion from the financial institutions. We have over 500 cases ongoing at present, and we work cooperatively with the DOJ Joint Strike Forces. You know, we bring evidence to the prosecutors, they are willing to take these cases, and the wrongdoers are getting significant sentences, four, five years.

Mrs. BOEBERT. Thank you very much, Inspector General, and actually, Inspector General Delmar, same question to you. Any criminal referrals, indictments, prosecutions that have taken place?

Mr. DELMAR. Yes, ma'am. I don't have the number with me. I can certainly get that for you. We have worked with the Department

of Justice, and we have worked with some state agencies as well. We also pursue and encourage civil remedies to recover the funds.

Mrs. BOEBERT. Thank you very much. I appreciate all three of you being here and testifying before this Subcommittee today. I appreciate your work and your service, and with that, I yield.

Mr. SESSION. Thank you very much. The distinguished gentleman from Vermont is recognized. Excuse me. You would think I could read. The gentlewoman, Ms. Stansbury, from New Mexico.

Ms. STANSBURY. Thank you, Mr. Chairman, and thank you also to our Ranking Member, and I want to just start this afternoon by thanking you especially for the tone you set in this Subcommittee hearing of bipartisanship, of collaboration, and of true oversight. That is truly in the spirit of why we are here, and I really appreciate it.

Mr. SESSIONS. And I thank the gentlewoman. And I hope that you will expect the same from Mr. Connolly, Mr. Mfume, and myself because we intend to deliver that on behalf of the American people, and I thank the gentlewoman for recognizing that.

Ms. STANSBURY. Thank you. I am proud and excited to be able to serve on this Subcommittee. I am a former Federal employee myself. I worked at the Office of Management and Budget, and I was a program examiner there. And so I know very well the work of our OIGs and the critical work that you do to investigate waste, fraud, and abuse in our agencies, make sure that individuals who are conducting their affairs in a way that is not congruent with the oaths that we take are held accountable, and that, ultimately, this body, Congress, is able to take action in order to have accountability as well as our court systems.

I know today we are here to talk about pandemic relief. I did want to follow on one of the comments that you made, Mr. Turner, about the perfect storm that happened at the beginning of the pandemic. I was serving in the New Mexico State House at the time, and I really appreciate the way you characterized the situation because I think for folks who were sort of in the trenches trying to implement these programs, it is hard for folks to understand. In my district alone, we had thousands and thousands of people who suddenly were home. They had no way to earn income. They had rent or their mortgages coming up. They had no way to get groceries. And in my communities that I represent, which are predominantly low income and many folks who are on fixed incomes, Medicaid, Medicare and, of course, other programs, it was an incredibly difficult time.

And what I saw on the front lines of our state agencies is that they just were not prepared. They did not have the infrastructure. They didn't even have the IT infrastructure to handle the volume of phone calls and emails that they were getting, more or less the ability to serve all of the needs, and I think we also saw this at the Federal level with the SBA. When I took office in the summer of 2021, we had a number of our constituent cases that involved individuals whose SBA loans had been stolen through passwords through the system, so I think we all know that it was an incredibly difficult time. Our Feds, our state entities really rallied and did their best, and I want to thank those of you who were serving at that time. I know it was a really difficult time.

I know that the main focus of this hearing is really on oversight of the pandemic programs themselves, but since we are here and this is our first hearing, I would love to just do a quick lightning round with my remaining two minutes from each of you to just hear from you generally what tools and resources would help you do your jobs better as inspectors general and how can Congress actually help. And we will start with Mr. Turner and then rapidly go down the line.

Mr. TURNER. I think direct access to data would help us. It would allow us to get to issues faster. Had we had direct access, then we wouldn't have had to wait nine months to find the problems that were going on with the PUA. I also think modernization. As you mentioned, there are a lot of antiquated systems, and it is a game changer to have IT that is really modern. It does not take, you know, long for IT systems to be antiquated, and to go 10 years or 15 years is quite a while.

Ms. STANSBURY. Absolutely. And Mr. Delmar?

Mr. DELMAR. Data access, certainly. IT modernization, certainly. One thing I would say is we found that the no-year and multi-year funds that we got to do our work with respect to the CRF and a couple of other programs were very helpful, and that would be a good idea to be able to focus over the length of the program, funds devoted to enabling the oversight.

Ms. STANSBURY. Thank you very much, and Mr. Shoemaker?

Mr. SHOEMAKER. We received \$25 million in the CARES Act and \$25 million in ARPA as supplemental funds no-year money. Those funds will be exhausted by 2024. We have approximately 185 dedicated men and women working for us. The President has put forward a budget for our base in Fiscal Year 2024 that would allow us to sustain that as a permanent resource. SBA as an agency is forever changed, so we need to match that with our oversight. And the systemic weaknesses that SBA experienced on a day-to-day basis, the strain that it was under, we believe that we can provide, you know, a lot of oversight to drive corrective action.

Ms. STANSBURY. That is extremely helpful. Thank you, gentlemen, and thank you to your staffs who are sitting behind you for serving the American people. We appreciate you.

Mr. SESSIONS. The gentlewoman yields back her time. Thank you very much. The distinguished gentleman, my friend from Louisiana, Mr. Higgins, is recognized.

Mr. HIGGINS. Thank you, Mr. Chairman. Gentlemen, I am going to move pretty quickly here. Each of you, "Yes" or "No," are you familiar with the various Do Not Pay systems?

Mr. DELMAR. Yes.

Mr. TURNER. Yes.

Mr. HIGGINS. Mr. Turner?

Mr. TURNER. Yes.

Mr. HIGGINS. Mr. Delmar?

Mr. DELMAR. Yes.

Mr. HIGGINS. Mr. Shoemaker?

Mr. SHOEMAKER. Yes.

Mr. HIGGINS. OK. So, for the purposes of clarity for the Americans watching, Do Not Pay systems, in my understanding, is the Treasury inspector general oversees the Bureau of Fiscal Service,

which operates a Do Not Pay system, the systems or data matching services that agencies use to help to prevent fraudulent payments in various systems. And further, there is another layer of that system that the Consolidated Appropriations Act in 2021, is my understanding, allows the Social Security Administration to share its state-reported death data with the Treasury Department's DNP portal. So there appears to be, prior to many of these fraudulent payments going out, an effort by Congress and by the executive branch to put protective measures in place whereby our bureaucracies would not send out billions of dollars of fraudulent payments in manners that are shocking to Americans when they are revealed.

I am going to ask Mr. Delmar and Mr. Turner to respond. I am advised that largely regarding COVID payments, the DNP systems, why they were not used, or underused, or set aside, for what reasons I do not know, and that the Social Security Administration's death record system was not utilized to filter payments before they went out. So, we are talking about responding as a Congress and working together with the executive branch to protect against this ever happening again. It does not appear that the protections we had in place were utilized to stop it from happening this time. Mr. Turner, please respond?

Mr. TURNER. Yes, I think part of the problem is that the states were inundated and some states did not participate in the Integrity Data Hub, which actually has access to the Master File, so that was part of the problem. Also, I think in their—

Mr. HIGGINS. Well, let me interject, Mr. Turner, not to cut you off, good sir, but to stay in this dialog because the American people are watching and the government had no problem telling us every night how many people allegedly were dying of COVID. There seemed to be plenty of death records available through the CDC because we were inundated with data about how many people were dying allegedly of COVID. It turned out they died with COVID, but that is another story for another day. So, you are saying that you did filter your payments through death records?

Mr. TURNER. What I am saying to you is not all states did because not all states participate, but also unemployment insurance is an entitlement, which is not affected by the Do Not Pay list.

Mr. HIGGINS. But the Do Not Pay systems, again, my understanding—it is not my area of expertise. It is why you gentlemen are here. We are asking. Doesn't the Do Not Pay system protect against, say, the same name used multiple times at different addresses or the same address with hundred different names, or, you know, a variety of reasonable reviews that computers conduct to protect against fraudulent payments. Isn't that what the Do Not Pay systems are?

Mr. TURNER. I would have to defer to Mr. Delmar.

Mr. DELMAR. The Do Not Pay system takes in data from a number of other data bases. You mentioned the Social Security Death Master File. The 2021 appropriation did create a three-year opportunity for Social Security to provide that information to DNP. It is supposed to start by the end of this year and go for three years. It is my understanding that the Department—

Mr. HIGGINS. Were other filters engaged, sir, before payments were sent out for COVID moneys that were fraudulently accessed protecting against, say, multiple payments going to the same address under different names, et cetera?

Mr. DELMAR. Well, the DNP system, whatever information was in there, in addition to the Death Master File, there are a couple of other systems from other agencies that the Fiscal Service would like to get to make the DNP a more complete resource to provide a filter.

Mr. HIGGINS. Thank you, gentlemen. Mr. Chairman, I am not sure I actually got an answer here in the five minutes, but I yield my time. I am expired.

Mr. SESSIONS. The gentleman yields back his time. The gentleman from California, Mr. Garcia, is recognized.

Mr. GARCIA. Thank you very much, Mr. Chairman. I thank our witnesses. I appreciate you all being here today. Just a few broad notes. Before joining Congress, I was mayor of Long Beach, California. It is a city of about half a million people, and I was mayor the entire time during the COVID emergency. I think it is important to remember that this was the single largest loss of life event not just in my city, but in the country. In the modern era, it was a devastating emergency. It was serious at every level, and certainly, when you have that level of an emergency, mistakes are going to be made along the way, and I think overall, agencies did the very best to respond in the best way possible.

I am personally very proud of the response that we had in our community. The White House called our response in Long Beach a national model. The Governor called the response the best in the state. And so, I think we did what we could, but we also made, like every single community across the country, some mistakes that we learned from. I think the idea here, and hopefully, the goal of this Committee and many others is that we can work to prevent future pandemics so if a pandemic were to arise, that we do the best we can to address them and to get folks support and help. And I know that is something that all of you are working to ensure that our systems are at a better place in the future.

The CARES Act, American Rescue Plan literally saved communities, saved states, and saved cities, and we know this because we have seen the data. I know it by what I saw in my own community. And so, I want to thank all of you for also looking into these programs and for also the work that you have done in ensuring that the money is being spent adequately and in the right places, so thank you for that. Through that money, we funded testing programs, we funded lifesaving programs for families, and helped small businesses across the community, which is important. And also, I think one thing we have heard throughout the Committee is a lot of attacks on programs and the PPP Program, which is understandable, but this all started, and the pandemic started, and this program and PPP started under President Donald Trump.

And so, I understand that when the President set up initially the response and the programs, it wasn't perfect. There were mistakes that were made, and as much as I wish the Trump Administration had done a lot more to help small businesses to set up this program so there would be less fraud and less abuse—I wish that

would have happened—it didn't happen. But I also understand that we were in a national emergency, and sometimes folks, and particularly public servants across Federal agencies, are doing the best that they can.

I very much support the work that was done to support small businesses. We saved small businesses and communities, and I am very grateful for that, and I want to also, just beyond that, on the PPP Program ask a specific question. It is something that relates to a few instances in California. We have had numerous workers reach out to our office and others in the state that are concerned that some of the PPP funds that may have gone to large corporations. And in this particular case, we are talking about hotel workers where PPP funds may have not gone to the workers themselves or to support some of the salary needs that were part of the requirements for certain loans.

My direct question, and perhaps this can be for the SBA inspector, for Mr. Ware, SBA OIG currently has tens of thousands of complaints, I believe. How are those being prioritized right now?

Mr. SHOEMAKER. Thank you for the question. In regards to size standards, we actually have an ongoing review right now looking at the size standards relative to PPP. So, if you have constituents that have complaints, you know, please contact our hotline to give us that information. We certainly will take that into consideration.

How are we looking at our hotline? So, I indicated we have 230,000 hotline complaints. We have used data analytics, specifically artificial intelligence, machine learning through a process called topic modeling to differentiate the complaints into eight buckets. Of that, we have identified 81,000 of actionable leads. We are now marrying that data with the actual PPP loan data, and in doing so, we will prioritize our work to look at the cases that have the most impact, that instill the most integrity within SBA's programs, and I say that because we have limited resources. We have 51 criminal investigators.

Mr. GARCIA. I appreciate that, sir. For example, in this case, I have been certainly approached by a group of workers and some of our hotel workers that have big concerns about some of the PPP loans. And if we are able to directly maybe get that information to you about this specific instance, that would be very helpful to them, and I do appreciate your time.

Mr. SHOEMAKER. Thank you.

Mr. GARCIA. Can I get that commitment, sir?

Mr. SHOEMAKER. Absolutely.

Mr. GARCIA. Thank you very much, sir. And with that, Mr. Chairman, I yield back, and as I do, I also want to thank the Committee for what has been a pretty productive subcommittee meeting, so thank you.

Mr. SESSIONS. Thank you very much. The gentleman yields back his time. The distinguished gentlewoman from Georgia, Ms. Greene.

Ms. GREENE. Thank you, Mr. Chairman. I appreciate it. And gentlemen, I thank you for coming before the Committee today and discussing this very, very important issue, especially given that our government has the American people in over \$31 trillion in debt. So, we appreciate you helping track that down and where it goes.

Since all the money has been spent on COVID, there is approximately over \$400 billion missing, which is extremely concerning to most Americans, and I just want to talk for a brief second about how difficult it has been. Obviously, everyone knows this: the government shutting down our economy, shutting down businesses, paying people basically to stay home, the difficulties for employers to get their employees to come back to work to start going again. And, you know, here we have the GAO estimates that the total fraud in pandemic UI Programs amounts to at least \$60 billion.

Just a brief question for you, Mr. Turner. Were there any states that seemed to be particularly vulnerable to fraud and improper payments in their UI Programs?

Mr. TURNER. We saw across the country most states exhibit the same problems and challenges, saw all of them that were vulnerable, and there was vulnerability that was displayed.

Ms. GREENE. What types of problems were there?

Mr. TURNER. Again, the multi-state claims with stolen identities was the No. 1 problem. Just multi-claims and people filing for numerous people, to include deceased individuals, prisoners, suspicious email, multi-states.

Ms. GREENE. Chasing down those basically criminals, has that been something that your Department has been putting a lot of time to?

Mr. TURNER. Without a doubt, I mean, from day one. And we have only maybe just scratched the surface, so that has been the biggest challenge for us.

Ms. GREENE. Approximately how many charges have you filed or how many people have you filed charges against?

Mr. TURNER. Twelve hundred indictments and 600 charges, and just kind of let me give you an example of the scope of what we have been dealing with. You know, before COVID, before the pandemic took place, we had maybe 100 cases or complaints a year on UI fraud. Since then, we have been getting 100 to 300 a week.

Ms. GREENE. Wow, that is a considerable amount. Thank you for answering my question. I would like to ask about the Do Not Pay system. I know you all have been asked about this a good bit before. The Office of Management and Budget and the Treasury Department jointly maintain the Do Not Pay system, which is a free service that agencies can use to verify a recipient's eligibility for payment. I would just like to ask Mr. Delmar, Mr. Turner had said previously that some states don't use the Do Not Pay system. Is that correct, and if so, why not?

Mr. DELMAR. I believe they are now required to, but that wasn't always the case. So, I think the combination of they have made improvements in their interface, it is an easier system to use than it was, and the additional data bases that we talked about, the Death Master File and a couple of others. And one point I was going to make is the current legislation allows a three-year use of the Death Master File for DNP, so that would go from the end of this year through the end of 2026, roughly. I think there is a proposal to make that a permanent allowance, and I think that would do a lot to make the system more effective in stopping multiple payments or ineligible payments.

Ms. GREENE. Right. There seemed to be plenty of them, I think. Did all agencies involved in pandemic relief use the Do Not Pay system?

Mr. DELMAR. I don't think all did. I can get you more specific information and address your question, you know, with a lot more depth, and we will do follow-up on that.

Ms. GREENE. Great. Thank you so much.

Ms. GREEN. The Pandemic Response Accountability Committee found 69,323 questionable Social Security numbers allegedly used to obtain \$5.4 billion in COVID relief according to a report. Mr. Shoemaker, do you know what happened to that money, and was it ever recovered?

Mr. SHOEMAKER. In this specific instance, no, I do not know if that money was recovered. It could possibly be associated with ongoing cases or cases in the past. That was a different type of a project. That was a data analytics project just to review, but what that report indicates is a very powerful resource, which is the Social Security Administration. That data is not readily available to the Office of Inspector General. It is not readily available to programs whenever they stand it up.

So, when we talk about the instances when an agency may not have used Do Not Pay, the government has data available. If that data is made available, we are in the business of best evidence. If you are an auditor or you are an investigator and you are looking for the best evidence, you go to the source. If that source data is available in the programs and in oversight, we certainly can unlock the power of that data.

Ms. GREENE. Right. Well, that makes sense. In October 2020, your office said that SBA's management continues to insist that its controls are robust despite overwhelming evidence to the contrary. Do you still agree with that assessment?

Mr. SHOEMAKER. Certainly, that assessment at that time, and I believe that, that assessment has been proven true. The over 700 indictments and 600 arrests is further proof that there is rampant fraud in the EIDL Program.

Ms. GREENE. Thank you very much. I yield back my time.

Mr. SESSIONS. The gentlewoman yields back her time. Thank you very much. The distinguished gentleman from Virginia, Mr. Connolly, is recognized.

Mr. CONNOLLY. Thank you, Mr. Chairman, and thank you to Mr. Mfume, the Ranking Member, for having this hearing. This is the old part of my old subcommittee, so I look forward to working with you as we progress. And thank you to our witnesses for being here today. I must say I am impressed with the data you presented us in terms of indictments, prosecutions, convictions, and recovery.

I think it is important to remember the context. Congress, in the worst pandemic in 100 years, in which people, by the way, did not allegedly die. They died. Almost a million and a half Americans are dead. Mr. Garcia didn't mention it, but I believe his mother and stepfather succumbed to COVID when he was the mayor of Long Beach. All of us have stories of loved ones, and friends, and associates who died from COVID because protocols weren't in place, vaccines weren't yet ready. We did not know how to manage this unknown thing, but also the economy was collapsing.

Let us go back to April 2020. The economy was contracting by double digits. Today, the economy is growing at almost three percent. Unemployment was hitting depression level. Today, the unemployment rate is 3.4 percent, and what plagues us is not enough workers. Manufacturing was contracting. Small businesses were failing about half a million a week, something like that. We pumped \$5 trillion into the economy, and it worked. We turned around the economy. We saved small businesses. We saved state and local governments. We saved people's jobs. We kept food on the table. We kept people in their homes free from eviction or repossession. It was a massive enterprise, and in that massive enterprise, we know there are bad actors who are going to cheat, and that is where you come in and try to help us prosecute those individuals and to recover taxpayer dollars that are and were at risk.

Mr. Shoemaker, I remember particularly the Small Business Administration, and I'll focus on the other part of our Subcommittee, which is the IT part. I believe the basic IT platform for SBA is E-Tran. Is that correct?

Mr. SHOEMAKER. The 7(a) lending program, yes, the E-Tran.

Mr. CONNOLLY. Yes, and I believe back in April 2020, the normal annual budget of SBA is about \$20 billion a year. Is that correct?

Mr. SHOEMAKER. I think that is high.

Mr. CONNOLLY. That might even be high?

Mr. SHOEMAKER. Yes. Yes.

Mr. CONNOLLY. And we pumped \$600 billion into SBA in April 2020?

Mr. SHOEMAKER. Yes.

Mr. CONNOLLY. Over 30 times the normal budget of SBA. Is that correct?

Mr. SHOEMAKER. That is correct. So, SBA, its normal 7(a) lending portfolio was about \$35 billion. So, the CARES Act authorized \$349 billion, and as you indicated, I believe Congress had a concern at that time. There were oversight resources put into place, but what was not foreseen was another \$300 billion infused into the program.

Mr. CONNOLLY. Correct.

Mr. SHOEMAKER. And another \$150 billion, to take us to \$813 billion.

Mr. CONNOLLY. And the problem was that we wanted it to get to Main Street, to the mom and pop businesses, small, minority owned, women owned, veteran owned, that don't normally participate maybe in SBA programs. And that meant we had to find out-reach to them quickly and to perhaps broaden the number of financial institutions and the kinds of financial institutions that might manage those portfolios.

Mr. SHOEMAKER. That is correct. There were approximately 2,000 SBA lenders in the 7(a) Program. That number was expanded over to 5,000 lenders to ensure that the money could, you know, make it out into Main Street.

Mr. CONNOLLY. Right. So, I think SBA is a great example. We wanted this money to go out quickly to save the economy, and to save businesses, and to keep people employed and the public served, and that put a huge burden on SBA. I mean, you had to kind of retrofit almost overnight, and there were lots of hiccups

along the way. But how would you grade the agency's performance overall, though, when we look back on it in an unprecedented pandemic with unprecedented amounts of money and demand for loans and loans turned into grants?

Mr. SHOEMAKER. So, our office at the inception of the pandemic, you know, our job was to let SBA know of the risk and vulnerabilities that we saw based upon our past oversight experience. And in doing so, we let the Agency know that strong guidance to the lending community would be vital to ensuring these programs are issued timely, and then also to have a robust internal control environment.

So, what is asked of any agency for any program, you know, would have been an expectation of SBA at that time, would be to have an objective. The objective would be to provide assistance to eligible entities, and the ask from that point would be to establish an internal control environment to meet that objective. And so, from OIG's perspective, it is to have assurance, you know, that is what the internal control environment will be.

But you are absolutely right. There were guardrails that were lowered as a result of that. You know, for example, the Congress did not allow SBA to utilize tax transcripts for the EIDL Program. The Congress also mandated the PPP Program have self-certification as part of the process. So, when we talk about underwriting in the PPP Program, we are not talking about underwriting that is anywhere near what a 7(a) underwriting would look like. So those guardrails were substantially lowered, and when you don't have assurance of an eligible entity, you, at a minimum, are going to lead to an improper payment, and, as we see in these programs today, fraud.

Mr. CONNOLLY. Thank you, and thank you, Mr. Chairman, and thank you, Mr. Mfume.

Mr. SESSIONS. The gentleman yields back his time. The distinguished gentleman from Greenville, South Carolina, Mr. Timmons, is recognized.

Mr. TIMMONS. Thank you, Mr. Chairman. We had a hearing about a month ago on pandemic relief fraud. PPP came up, and I asked Horowitz, the IG of DOJ, why he does not just get Treasury or SBA to run a report of any business that got a PPP loan that either didn't have withholdings in 2019 or the formula was off. The formula was technically your highest month in 2019 times 2.5. Generally, that is how it was. And if that formula was substantially divergent from what it should have been, then he goes and looks into it.

And I didn't realize this, but he said that would be great. I wish I could have that, but it is illegal. They can't give me that. This is H.R. 1476, and what it does is it tells Treasury to run the report. It is two separate reports. It is a list of every business that had no withholdings whatsoever in 2019 that got a PPP loan because that is clearly fraudulent. Well, there is an exception to that, or any business, the PPP loan they got was four times their high month in 2019, which is we are giving them some breathing room. I am not trying to get people that were close. I am trying to get people that just stole. That seems like a pretty good plan. What are

your thoughts? Do you think it is good legislation? Who wants to start? We will start with Treasury, Mr. Delmar.

Mr. DELMAR. My office does not have oversight of the IRS, but that said, you know, I agree with what Mr. Horowitz said about the extent of Section 6103 and the uses to which tax information can be put. But if your legislation is a specific exception to the general prohibition in 6103, I am sure it would have——

Mr. TIMMONS. Have that effect.

Mr. DELMAR [continuing]. A useful effect.

Mr. TIMMONS. And again, we are not giving them anything other than just this report, and that report would be sufficient to go and subpoena other records to then build the case to then start arresting people. So, it seems to me that this legislation, if it was signed into law, would accomplish the objective. And I guess, to his credit, the President is trying to achieve the same objective. He just wants to blow \$300 million to achieve it.

So back and front, two pages. If he signs this into law, it saves \$300 million. I mean, I guess we are still going to spend some money, because we are going to have to hire some additional prosecutors because it is going to be a lot of people, but at the end of the day, we are going to recover—it is allegedly up to \$100 billion. You have already identified \$5 billion, so if there is \$50 billion to \$90 billion out there, we are going to recover some. It is going to cost a lot of money to pursue it, but it is going to save a lot of money. I mean, all Americans can agree that if \$100 billion was stolen through the PPP loan program, I mean, I think these people need to be held accountable. I don't think that is a partisan issue.

Let's go to Mr. Shoemaker. I mean, SBA has all of this data. The legislation says that Treasury is going to work with IRS and SBA to deliver this report to the Attorney General. I mean, this wouldn't be hard for you to do. You have software. I mean, you have access to this information, do you not?

Mr. SHOEMAKER. We do have access to the PPP data. The SBA does have access to some of the tax transcripts, but the data run that IG Horowitz is indicating, that is not available to us at present.

Mr. TIMMONS. OK. So that would be IRS?

Mr. SHOEMAKER. Yes.

Mr. TIMMONS. Well, the IRS and SBA are going to have to work on this together, and that is what the legislation as drafted says——

Mr. SHOEMAKER. Yes.

Mr. TIMMONS [continuing]. Because they are going to need your help to see the PPP amount and then the alleged justification, and then the actual tax records will show whether it was legitimate.

Mr. SHOEMAKER. An indication, yes.

Mr. TIMMONS. And again, there are always going to be exceptions, but overwhelmingly, this will achieve the desired objective and save the \$300 million that has being proposed to throw at it, but also likely recover quite a bit.

Mr. SHOEMAKER. The thing that I believe that we need to think through, this is after the fact. This is pay-and-chase. Imagine if this control was on the front side.

Mr. TIMMONS. It would have delayed the ability to get the money out, I am sure, and at the end of the day, we were building the cars. We were driving 90 miles an hour down the road. I will say that SBA and the government brought my faith back into humanity during COVID. People were working enormous amounts of time to get the needed relief out the door, and so I appreciate all the work that the Federal Government did to achieve that objective. I am over time. Mr. Chairman, thank you. I yield back.

Mr. SESSIONS. The gentleman from South Carolina yields back his time. The gentlewoman from Vermont, Ms. Balint.

Ms. BALINT. Thank you, Mr. Chair, and thank you, Mr. Turner, Mr. Delmar, and Mr. Shoemaker. I know it has been a long afternoon, so I really appreciate your time. I was on the front lines dealing with the pandemic in Vermont. I was leader of the Vermont Senate, and what I remember most about that time was thousands and thousands of Vermonters calling my office, calling my colleagues with one message over and over again. We are desperate, right? We can't afford food. We can't afford our housing. And the answer for many of them was the Federal assistance they received in expanded unemployment benefits and through the Paycheck Protection Program.

So obviously, these are huge national programs. We are all, I think, in agreement that we have to make sure we are rooting out fraudsters, that we are making sure that we are, you know, holding scammers accountable, but I want to put a face to this program, PPP in particular. When Vermonters think about that program, they think of places like Otter Creek Child Center and College Street Children's Center. The PPP Program helped these childcare centers stay afloat in the early days of the pandemic so that they could continue serving families. People were desperate for how it was that they were going to continue to get the care that their children needed.

And, you know, according to folks who work at Otter Creek Child Center in Middlebury, PPP helped us support both families and teachers through our closure period from March 18 to May 31. That is 2020. The funds allowed us to continue to cover payroll, keep spots available to families for when we reopened in June 2020, and PPP provided a critical safety net and a stress relief in a very uncertain time and a very stressful time. So, the funds allowed us to successfully reopen in June 2020, meeting all required state and Federal mandates, while only being at 50 of capacity because of extenuating circumstances related to the pandemic. So, I can say I am here as a Member of Congress, newly elected, but I am also here as a mom, and a former teacher, and a member of my community, and I know how critical that program was.

PPP meant that hundreds of kids could keep getting high-quality early childcare at places like Otter Creek and College Street Children's Center. It also meant that their parents could stay in the work force or get back into the work force, something that we are all still struggling with.

So, as I said earlier, we need these programs to have integrity, right? We need to hold fraudsters and scammers accountable, not just to the Federal Government, but accountable to their commu-

nities and the resources they were taking away from organizations that desperately needed that money.

So, Mr. Shoemaker, can you just take me through how did fraudsters take advantage of PPP Program and the expanded program we called EIDL, or the Economic Injury Disaster Loan programs? Can you just give me some examples? And I apologize. I was needing to be in another hearing. That is how it is in Congress. You got to be in the other hearing. You got to run back. So, if I am, you know, asking you something you have already covered, please forgive me, but if you could highlight that, that would be helpful to me.

Mr. SHOEMAKER. Sure. Within PPP, there are a number of different fraud scams. In Oregon, there was a dentist. There was \$170 million attempted to be stolen across all the programs, RF programs alone. In May 2022, there was a scam called My Buddy Loans, where these individuals, they put 400 applications in for EIDL loans. Millions of dollars were lost, and so what you have is identity theft, and SBA's programs did not provide an assurance of identity, so you had those types of scams. You had romance scams where, you know, folks were duped. You had false businesses, false documentation, where, if you had assisted an internal control to validate the information, that could prevent that.

So those are the types of scams that are out there, but, you know, IG Ware is sort of famous for this. Fraudsters are going to do what fraudsters do. They are going to come for the money, so you have to have the internal controls to root those guys out before they, you know, tear down the system.

Ms. BALINT. I appreciate that. So, in essence, I think we all want to try to focus on solutions here, right? It is a "yes/and." Yes, we helped a lot of people and we need to do it better in the future. And so, I want to make sure that we are continuing to make the investments that inspector generals need in order to make sure that the money that we are setting aside is going to those individuals and those organizations that desperately need it and not going to fraudsters. So, I thank you for your time. I yield back.

Mr. SESSIONS. The gentlewoman yields back her time. Now I recognize the distinguished gentleman from Alabama, the chairman of the Policy Committee for Republicans, the gentlemen, Mr. Palmer.

Mr. PALMER. I thank the Chairman, and I associate myself with the gentlelady's remarks "running back and forth." It is very aerobic being in Congress. I have got some serious issues with how your agencies have handled the fraud. Would you repeat—and I don't remember who the witness was that gave the amount of fraud that we think cumulatively has occurred. Did I hear it could be as high as \$800 billion?

Mr. TURNER. I know we calculated fraud to be \$76 billion, and this is on the conservative side. That is Labor.

Mr. SHOEMAKER. In PPP and EIDL, you know, currently our work has demonstrated approximately \$100 billion in potential fraud, but we have an ongoing assessment that is due out in mid to late spring to be a comprehensive look at PPP and EIDL fraud.

Mr. PALMER. Have you heard that it could be as high as \$800 billion?

Mr. SHOEMAKER. No.

Mr. TURNER. I have never heard that amount.

Mr. PALMER. You never heard that amount?

Mr. TURNER. I think the most I have heard was \$400 billion. And again, we do not know where that came from because we get our rate from the Department, and that is what our numbers are based on.

Mr. PALMER. And I was involved in trying to get to the bottom of the fraud in the state of Alabama. I was trying to get information, but in my working with some of the investigators, I found it very difficult. They were being denied access to information. That included deputy inspector general from the Department of Labor, Alabama investigators. I am concerned that the amount of fraud is substantially higher than what you gentlemen have acknowledged, and I just wonder how diligent, Inspector General Turner, the Department of Labor is going to be in trying to recover this. Is there any hope to recover this amount of money that has been taken fraudulently?

Mr. TURNER. Well, let me just assure you we take fraud serious, and we—

Mr. PALMER. I didn't ask you that. I am asking you are you focused on this.

Mr. TURNER. Yes, we are. We are focused on it, but we also realize that once fraud leaves out the door, it is so hard to get back because there are so many factors beyond our control.

Mr. PALMER. Well, one of those factors that all of you are dealing with are in some cases states that are not willing to work with you. Is that a fair assessment?

Mr. TURNER. I don't know if that is a fair assessment when it comes to recovery because the states as well as other law enforcement agencies, to include PRAC and DOJ, have all been partners, and we have all been working this together.

Mr. PALMER. Well, the GAO recommended that the Department of Labor collect data on the overpayments, what you have done in the pandemic unemployment assistance program. And it was done with regular unemployment payments, and the Department of Labor agreed to do that. But as of September of last year, only 30 states have reported some of this data. So, if you can't get the states to report, I don't care how much you are personally interested in trying to recover it, you are not going to get very far, are you?

Mr. TURNER. I agree totally with you. You made my case for me. We need direct access, and that is what we have said from day one, and that is what we continue to say today.

Mr. PALMER. Mr. Chairman, it might be good if we start bringing in some secretaries of labor from the states to have a discussion about this. And one of the reasons I am so concerned about it is that every dollar of this fraudulent money that we sent out is borrowed. We just heard the director of the Congressional Budget Office yesterday tell us that in 10 years, the cumulative spending on interest on the debt will reach \$10.9 trillion. Part of that interest is going to be on money that was stolen through these pandemic relief programs.

I think we owe it to the American people to do everything that we can within our power to recover this and hold people account-

able, and part of the problem was that we didn't put guardrails on this to reduce the amount of fraud, particularly on unemployment. We had states taking applications from foreign IP addresses. They were not requiring employer verification of layoffs. They were allowing people to personally certify themselves for this, and I could go on and on the list.

And it was very lucrative. If you looked at this on an hourly wage rate for a regular 40-hour week, we were not only making people whole, we were making people pretty well off. And I just think, Mr. Chairman, that it is not enough to just hold this hearing. And I know the frustration that I am sure each one of you feel because I think you are committed to ensuring that the taxpayers' dollars are well spent and appropriately spent. But I think we may need to continue this and maybe bring in some secretaries of states from some of these states where it was even more egregious than it was in all of them and try to get to the bottom of this because we owe it to the taxpayers. We are paying an interest on it. I yield back.

Mr. SESSIONS. I thank the distinguished gentleman for his comments. And, in fact, I would want to yield now time to Mr. Mfume for any closing comments, and then we will close this one, folks. At this time, the distinguished gentleman is recognized.

Mr. MFUME. Thank you very much, Mr. Chairman. I just want to, again, express my appreciation to the three witnesses, to you, and to other Members of this Committee for delving into this. It has been a bipartisan effort, and I assume it will continue that way. And there are a lot of ideas that have come out of this hearing, particularly the extension of the statute of limitations and other things, so I thank you very much. Sir, I yield back.

Mr. SESSIONS. The distinguished gentleman, the Ranking Member yields back. I, too, want to, as we started this hearing, to thank each of you and your staffs. But let's extend that also to the people who were back and IGs all across the country that you have that worked diligently on behalf of the taxpayer, and I believe as part of rule of law, and I believe part of Americanism. So, I want to thank each of you.

We have had a consensus conversation, even though some have come and gone and come and gone, about where we are going to gather ourselves together, and I would expect to be able to politely offer that to you for your feedback so that we continue down the road. Mr. Mfume and I will work together, and we expect you to do the same with us, and we thank you very much.

This ends the hearing today, and our thanks to each of you.

[Whereupon, at 4:08 p.m., the Subcommittee was adjourned.]

