



## Testimony

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

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For Release on Delivery  
Expected at 10:15 a.m. EDT  
Thursday, March 17, 2022

# EMERGENCY RELIEF FUNDS

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

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

# GAO Highlights

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

## Why GAO Did This Study

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

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

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

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

## What GAO Recommends

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

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

March 17, 2022

## EMERGENCY RELIEF FUNDS

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

#### What GAO Found

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

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

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

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

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

I appreciate the opportunity to discuss the federal government's response to the COVID-19 pandemic. To address this crisis, Congress and the administration have provided about \$4.6 trillion in relief funding, as of January 31, 2022.<sup>1</sup> Agencies across the federal government acted quickly to stand up new programs and greatly scale up existing programs. Federal COVID-19 relief funds were distributed broadly to state, local, tribal, and territorial governments, businesses, and individuals to combat the effects of the pandemic on the public health system as well as the economy.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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## Background

### Federal COVID-19 Funding and Spending

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

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

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

the Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System.<sup>7</sup>

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

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

Dollars in billions

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

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

Major spending area	Total budgetary resources	Total obligations	Total expenditures
Other areas <sup>c</sup>	836.7	624.9	469.6
<b>Total<sup>d</sup></b>	<b>4,607.8</b>	<b>4,151.8</b>	<b>3,623.3</b>

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

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

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

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

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

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

<sup>d</sup>Because of rounding, amounts shown in columns may not sum to the totals.

## Internal Controls

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

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

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



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## Improper Payments

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

Since fiscal year 2003, cumulative improper payment estimates have totaled about \$2.2 trillion (see fig. 1).<sup>9</sup> For fiscal year 2021, the Office of Management and Budget (OMB) reported that federal agencies had estimated about \$281 billion in improper payments, which was an increase of about \$75 billion from the prior fiscal year and approximately double the amount reported in fiscal year 2017.<sup>10</sup> However, this estimate does not reflect all government-wide improper payments. Notably, several agencies with large programs that have been identified as susceptible to significant improper payments are not reporting estimates, and some reported estimates are not comprehensive.

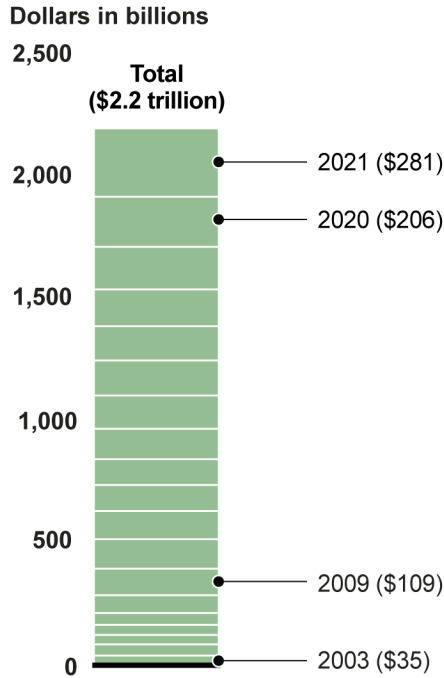
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<sup>8</sup>Improper payments include both overpayments and underpayments, any payments to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such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

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

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

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



Source: GAO. | GAO-22-105715

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

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

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

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

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

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## Fraud Risks in Federal Spending

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

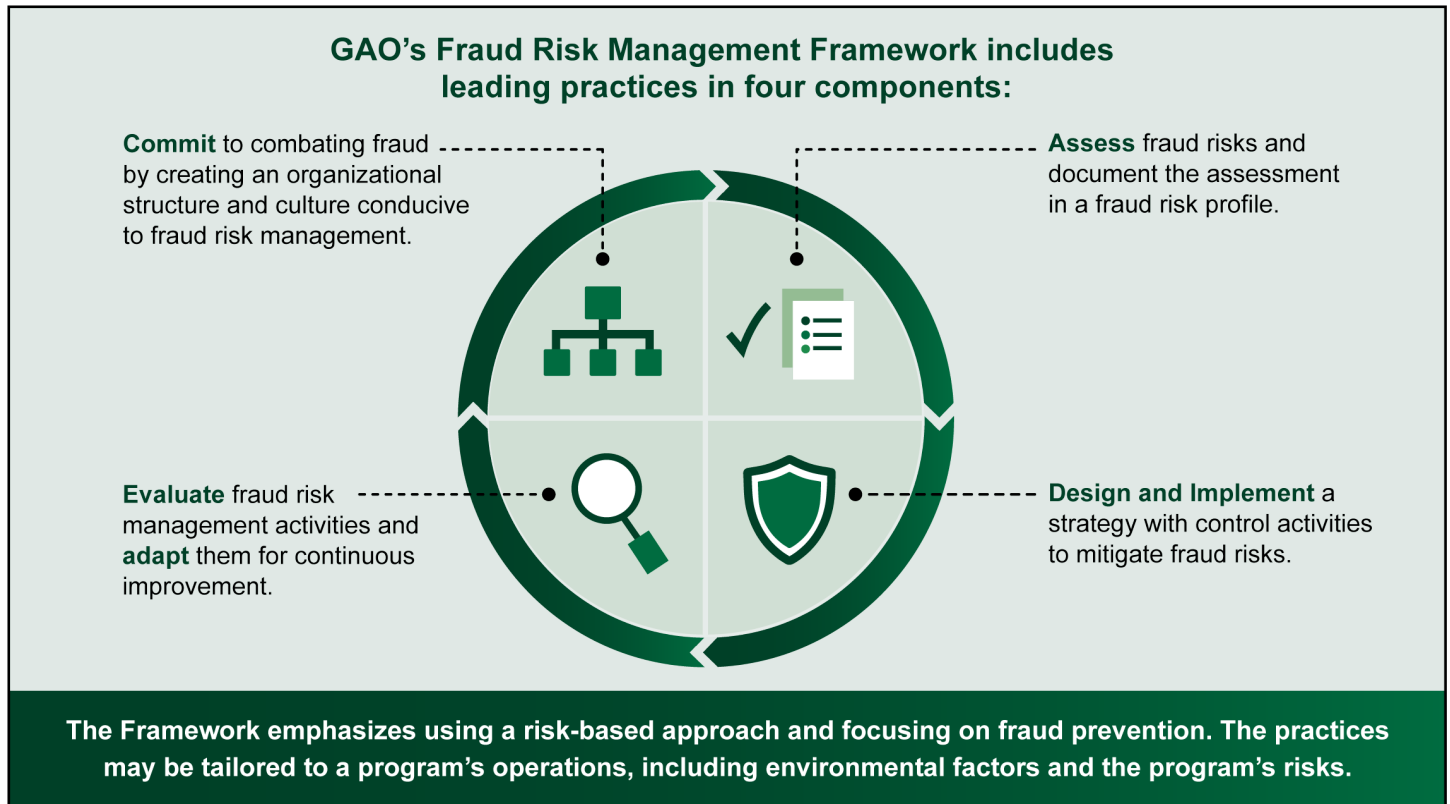
To help combat fraud in government agencies and programs—both during normal operations and emergencies—GAO published *A Framework for Managing Fraud Risks in Federal Programs* (Fraud Risk Framework).<sup>13</sup> Issued in 2015, the Fraud Risk Framework identifies leading practices for managing fraud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

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

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

Figure 2: Components of the Fraud Risk Framework



Source: GAO. | GAO-22-105715

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

<sup>14</sup>Pub. L. No. 114-186, 130 Stat. 546 (2016).

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

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

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

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

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

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

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

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<sup>16</sup>GAO, *COVID-19: Opportunities to Improve Federal Response and Recovery Efforts*, GAO-20-625 (Washington, D.C.: June 25, 2020).

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

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

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

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

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## Internal Controls

### **Paycheck Protection Program and Economic Injury Disaster Loans.**

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

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

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

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<sup>19</sup>[GAO-20-625](#).

<sup>20</sup>As of February 2022, SBA had partially addressed this recommendation.

<sup>21</sup>As of February 2022, SBA had partially addressed this recommendation.

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

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

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

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

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

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

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

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



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Post-payment Reviews and  
Recovery Audits

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

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

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

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

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

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## Recipient Eligibility and Identity Verification

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

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

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

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

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

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

<sup>30</sup>[GAO-22-105051](#).

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

In June 2021, the DOL Office of Inspector General (OIG) reported that it had identified nearly \$8 billion in potentially fraudulent UI benefits paid from March 2020 through October 2020.<sup>31</sup> DOL continues to invest in its own identity verification resources and has made funds available to states to address potential fraud and identity theft in the UI programs, but we recommended that it comprehensively assess fraud risk, such as identity theft, and examine the suitability of existing fraud controls. As of February 10, 2022, DOL had reported approximately \$32.6 billion in UI overpayments from April 2020 through December 2021, although these overpayments may not all have been the result of fraud.

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

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

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

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

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

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

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

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

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

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

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

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## Agencies Did Not Strategically Manage Fraud Risks

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

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

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

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

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

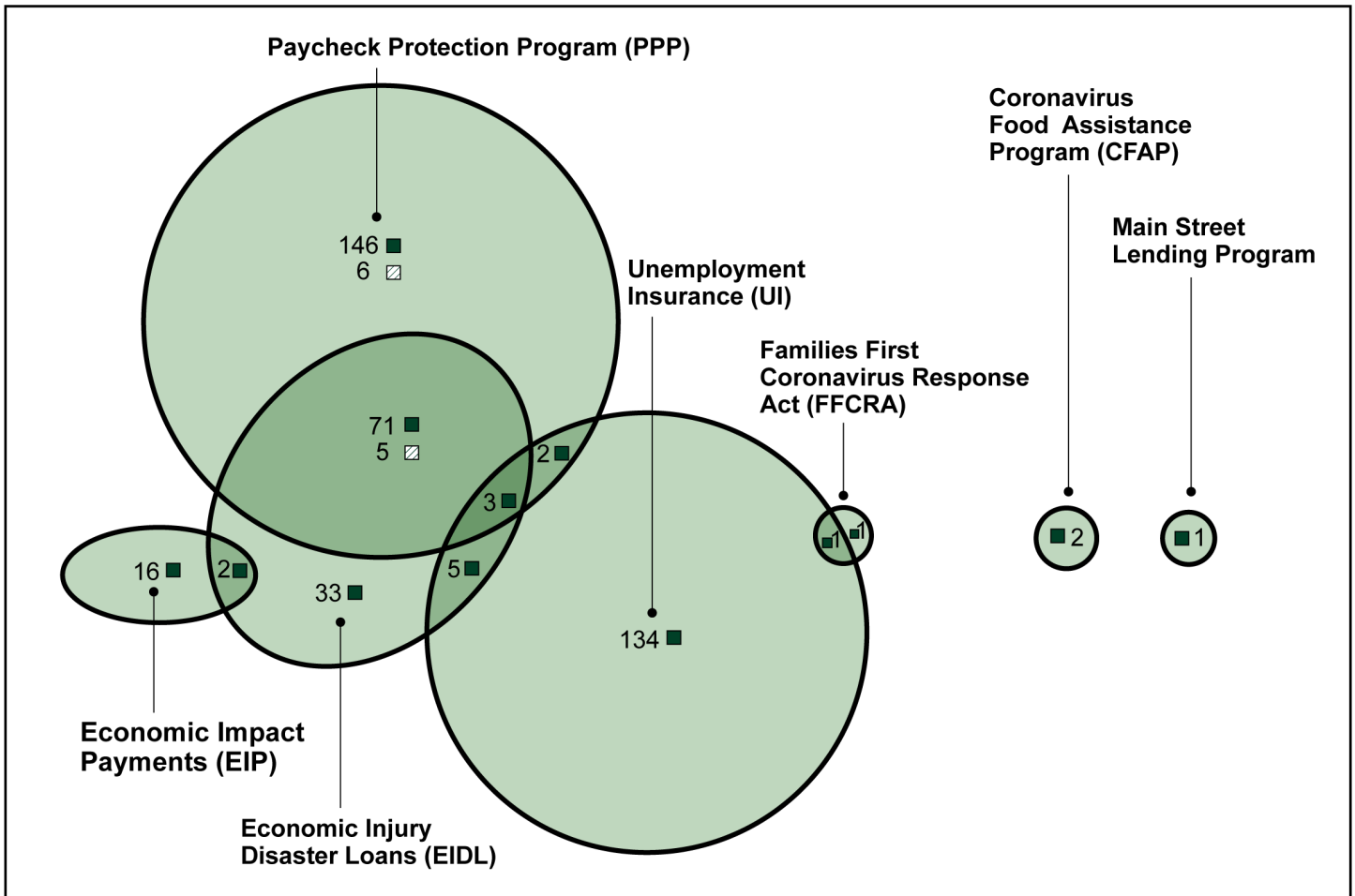
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(including the Internal Revenue Service), among others.<sup>38</sup> As shown in figure 3, the majority of these individuals pleaded guilty or were convicted at trial of charges related to SBA's PPP and EIDL program and DOL's UI programs.

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

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



**Number of individuals**

- Guilty pleas
- Convictions at trial

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

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

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

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

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

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

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

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



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

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

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

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

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

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<sup>40</sup>[GAO-22-105051](#).

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

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

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### Agencies Generally Did Not Estimate Improper Payments for Emergency Relief Programs

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

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

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

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

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

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

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

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

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

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

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

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<sup>44</sup>[GAO-21-191](#).

<sup>45</sup>[GAO-21-191](#).

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

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

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

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

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## OMB Did Not Issue Timely Guidance for Single Audits

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

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

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

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

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

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

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We found that OMB was delayed in providing single audit guidance for COVID-19 relief programs, including the Coronavirus Relief Fund, CSLFRF, and the ERA programs. For example, as we reported in July 2021, OMB officials told us that the 2021 Compliance Supplement would not include guidance for CSLFRF and other programs established by ARPA.<sup>49</sup> OMB provided auditors with a 6-month extension for submitting single audit reports for 2021.<sup>50</sup>

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

For example, in July 2021, we identified that California expended approximately \$7.5 billion of the \$9.5 billion Coronavirus Relief Fund payments allocated to the state between July 1, 2020, and December 31, 2020.<sup>51</sup> However, because California's fiscal year ends June 30 and given OMB's 6-month extension for entities with fiscal year ends of June 30, 2021, the single audit results of its Coronavirus Relief Fund spending for fiscal year 2021 will not be due until September 30, 2022, and the management decision letter regarding such findings will not be due until March 31, 2023—almost 3 years after California started spending the payments.

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

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

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

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

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

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## Agencies Lack Quality Federal Spending Data for Financial Management Reviews

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

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

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

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

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

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

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

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

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

<sup>55</sup>[GAO-21-387](#).



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the implementation and use of data standards.<sup>56</sup> However, this reporting requirement ended in 2021.<sup>57</sup>

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

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

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

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

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

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

<sup>59</sup>[GAO-22-104702](#).

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

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

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

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

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

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

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

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

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

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

**Establish a permanent analytics center of excellence to aid the oversight community in identifying improper payments and fraud.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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<sup>62</sup>Pub. L. No. 113-101, § 3, 128 Stat. at 1148.

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

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# Appendix I: Improper Payments across the Federal Government

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## Estimating Improper Payments

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

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

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

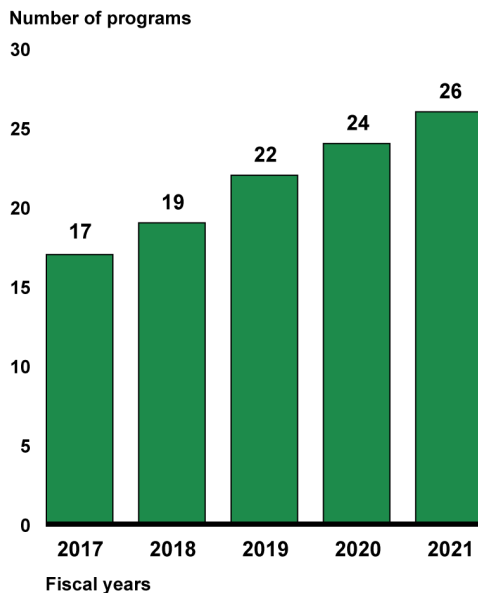
<sup>2</sup>Statutes that govern improper payment reporting define executive agency to mean a department, an agency, or an instrumentality in the executive branch of the U.S. government. 31 U.S.C. § 102.

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



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

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



Source: GAO. | GAO-22-105715

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

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

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

payment amounts.<sup>5</sup> It is also important to note that, with the exception of two DOL UI programs, the \$281 billion of reported fiscal year 2021 improper payment estimates generally do not include estimates related to the expenditures to fund response and recovery efforts for the COVID-19 pandemic. For example, the Small Business Administration (SBA) does not plan to report improper payment estimates for its Paycheck Protection Program (PPP) until its fiscal year 2022 agency financial report is issued, which will likely be in November 2022.<sup>6</sup> Moreover, DOL did not include two of its COVID-19 programs in its UI improper payment estimates.<sup>7</sup>

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### Managing Improper Payments for Emergency Assistance Programs

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

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

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

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

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

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# Appendix II: Matters for Congressional Consideration

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We are making the following 10 matters for congressional consideration:

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

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**Appendix II: Matters for Congressional Consideration**

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

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# Related GAO Products

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## Recurring CARES Act Reports

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

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

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

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

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

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

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

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

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

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## Other Related GAO Products

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

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

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

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

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

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

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

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

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

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

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

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

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