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

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

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

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

One year ago this month, President Biden and Congress took action through the American Rescue Plan (ARP) Act of 2021. To support Government-wide implementation, the President appointed an ARP Implementation Coordinator in the White House, building on the model he oversaw as Vice President in 2009 for implementation of the American Recovery and Reinvestment Act (ARRA). The ARP has enabled efforts to combat COVID-19, provided much-needed immediate economic relief, and helped get our children back in schools. The Biden Administration has distributed critical relief to more than 6 million small businesses through the Paycheck Protection Program (PPP), Economic Injury Disaster Loans (EIDL), Shuttered Venue Operators Grants, and the ARP Restaurant Revitalization Fund; supported households through Economic Impact Payments, unemployment insurance (UI), and the expanded Child Tax Credit; and provided flexible funds to State, Tribal, local, and territorial governments and school districts to fight COVID-19, keep schools open, address student learning loss, expand the workforce, and prevent cuts to services, as we saw during the recovery from the Great Recession.

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

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

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

The pandemic also laid bare serious cracks in under-resourced Government systems that struggled to deliver benefits effectively at speed. In particular, the 53 different systems run by states and territories that administer UI benefits were overwhelmed by the historic surge of claims—surging from 211,000 to 6.6 million per week in March 2020—that jammed the States' underfunded and outdated IT architecture. In January 2021, claims were still above 800,000 per week, which, despite a substantial drop from the unprecedented highs in early 2020, was a volume significantly higher than initial claims had ever been before the pandemic. The unprecedented volume in 2020 led to lengthy backlogs and delays for claimants, slowing payments to millions of individuals reliant on that relief. The resulting challenges encountered by State unemployment systems also led to a rise in improper payments, some portion of which involved payment to fraudsters. From July 2020 to June 2021, the estimated improper payment rate for UI totaled 18.7 percent, roughly 5-8 percentage points higher than during a normal, non-pandemic 12-month period. The full scope of problems accumulated in the UI system in the early pandemic period are still being discovered.

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

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

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

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

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

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

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

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

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

Soon following the passage of the ARP, in March 2021, OMB released Government-wide implementation guidance (M-21-20), *Promoting Public Trust in the Federal Government* *through Effective Implementation of the American Rescue Plan Act and Stewardship of the Taxpayer Resources*. This Government-wide guidance required agencies to institute robust financial controls as well as rigorous new reporting requirements for relief programs. These measures go meaningfully farther than what ARP required and also farther than was required by existing statutory reporting requirements. To ensure accountability and transparency, M-21-20 also required agencies to establish detailed and accurate award descriptions at the time of award—a longstanding recommendation of the oversight community. Additionally, recognizing the breadth of ARP programs and their recipients, M-21-20 established a framework for OMB and agencies to develop program-specific performance and financial reporting measures, tailored to the intended outcomes of a specific program. This program-specific approach is intended to balance transparency, accountability, recipient burden, and program flexibility in order to facilitate appropriate program-level reporting.

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

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

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

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

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

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

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

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

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