PANDEMIC RESPONSE ACCOUNTABILITY COMMITTEE
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PandemicOversight.gov

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before the

U.S. Senate

Committee on Small Business and Entrepreneurship

concerning

"From Fraud to Recovery: Restoring Integrity in Small Business Programs"

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Chair Ernst, Ranking Member Markey, and Members of the Committee:

Thank you for inviting me to testify at today's important hearing about improving program integrity in small business programs.

In March 2020, Congress created the Pandemic Response Accountability Committee (PRAC) as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide independent oversight of the over $5 trillion in emergency spending disbursed through more than 500 pandemic relief programs. Comprised of 19 federal Inspectors General (IGs), the PRAC routinely collaborates with local, state, and federal oversight partners to promote transparency in pandemic relief spending, reduce fraud, and hold fraudsters accountable.

With the support of and funding from Congress, the PRAC built a data analytics capability that has proven to be extraordinarily successful in identifying billions of dollars in improper payments and fraud in pandemic relief programs. The PRAC's track record of success over the past six years has validated the clear benefits of having an independent data-centric entity focused on helping the oversight community and agencies in the prevention and early detection of fraud, especially those risks that cross agency and program boundaries. Fraudsters do not follow government organizational charts; they steal from whichever program is most easy to penetrate. Inspectors general have one mission: to protect taxpayer funds by preventing and detecting fraud, waste, and abuse. Agencies, on the other hand, often prioritized speed of payment over reasonable due diligence in the pandemic. In the Paycheck Protection Program (PPP)'s first 14 days in April 2020 alone, about 1.7 million PPP loans were issued with disbursements of upwards of $343 billion.

To be clear, agencies that manage taxpayer-funded programs and the Department of the Treasury (Treasury) that disburses these funds have the primary, first line of defense responsibility to identify and mitigate fraud risks. The PRAC and IGs play a complementary role focused on identifying and thwarting emerging threats. This includes uncovering organized, often transnational criminal conspiracies, and complex trends, patterns, and hidden connections only visible using advanced analytics, sensitive law enforcement data, and fraud subject matter expertise.

I have served as the PRAC's Executive Director since July 2024 where I am privileged to work with 28 dedicated and talented federal employees and a team of contractors. Operating on an annual budget of approximately $18.5 million, to date the PRAC team has helped recover over $500 million for the taxpayer. Prior to this role, I spent over 29 years fighting fraud as a federal law enforcement agent at multiple agencies, with a specific focus on federal grant fraud.

With the support of Congress and in recognition of the success of the PRAC model, in July 2025 the One Big Beautiful Bill (OBBB) Act (Public Law 119-21) extended the PRAC's sunset date until September 30, 2034, expanded our jurisdiction to programs funded in the bill, and provided $88 million in funding to support our anti-fraud efforts. The entire PRAC team looks forward to fulfilling this new mandate and demonstrating how to prevent fraud, advance transparency and accountability, and improve government operations.

To facilitate our mission, we:

- prevent and detect fraud, waste, and abuse
- promote collaboration that enhances program integrity and protects taxpayer dollars
- ensure effective and efficient PRAC operations

We have collected key datasets and developed novel tools to enhance agency fraud prevention going forward. Through our efforts, we now have over 1 billion records from more than five dozen public, non-public, and commercial data sources. This includes over 15 million potentially compromised internet protocol addresses, email addresses, bank account numbers, street addresses, Social Security numbers (SSNs), and Employer Identification Numbers that pandemic fraudsters attempted to, or successfully used, to defraud federal spending. Our graph analytics database has 622 million nodes—such as tax IDs, phone numbers, internet protocol addresses, email addresses, and physical addresses—and 1.65 billion relationships, totaling 2.3 billion data points. Each dataset is subject to strict privacy and security requirements outlined in applicable memoranda of understanding or data-use agreements, and we rigorously adhere to those data governance standards. This data could be used to flag future applications or payments that are associated with any of these same attributes.

The PRAC is at the forefront of leveraging artificial intelligence, including machine learning, network analysis, natural language processing, and robotic process automation to efficiently collect, organize, and analyze text, documents, and other forms of data to provide rapid insights into potential fraud and other compliance risks. The time is now to use this data to prevent fraud schemes before taxpayer dollars are lost and hold wrongdoers accountable.

Investigating Pandemic Fraud

The PRAC's data analytics support also has been a critical asset used by law enforcement to root out issues like identity theft, multi-dipping, and organized schemes across multiple states. We provide robust investigative support to law enforcement partners, offering data management, advanced analytic capabilities, and investigative lead generation. The PRAC has used our CARES Act authority to create new models of coordination among federal IGs like the PRAC Fraud Task Force, a collection of over 50 agents from member IGs that investigate pandemic fraud. We have supported investigative requests related to PPP, COVID-19 Economic Injury Disaster Loan (COVID-19 EIDL), unemployment insurance, Restaurant Revitalization Fund (RRF), and Shuttered Venue Operators Grant programs.

The PRAC's investigative support to more than 50 federal law enforcement and Office of Inspectors General (OIG) partners has so far supported over 1,200 pandemic-related investigations, with over 24,000 subjects and a potential fraud loss of $2.5 billion.

We continue to use graph analytics and other advanced tools to support ongoing pandemic investigations for OIGs and law enforcement agencies, with a focus on identifying potential organized fraud schemes, often resulting in increased financial recoveries and a higher number of targets. The PRAC's cross program, cross agency capability is unique within government.

Case examples:

- The PRAC assisted in a case that led to an Alabama individual being sentenced to 114 months in prison for defrauding the PPP, COVID-19 EIDL, and RRF programs for herself and others. She submitted false business information and fabricated documents to obtain relief funds, charged upfront fees to file applications for others regardless of eligibility and used the funds for personal expenses. In total she attempted to defraud these programs of over $14 million.

- Fourteen people were charged with defrauding PPP of $53 million. The defendants allegedly submitted at least 29 fraudulent PPP loan applications to financial institutions that included inflated payroll expenses, doctored bank statements, and false tax forms. This case relied on data analysis provided by the PRAC.

- In New York, a judge delivered a 25-year sentence to a recidivist fraudster who stole over $1 million in pandemic relief funds. He and his co-conspirator, who received a nine-year sentence, used stolen identities, sham tax records, and corporate documents to successfully obtain PPP and COVID-19 EIDL funds.

- We assisted with analytics in the investigation that led to the sentencing of the two co-founders of one of the largest financial technology companies (fintechs) to facilitate PPP loans. Our analysts utilized graph analytics to identify shared connections among borrowers to develop a more comprehensive view of the broader network and support the identification of additional targets. This work helped the Small Business Administration (SBA) OIG identify new subjects and associated loans and the increase in the total estimated fraud loss.

- The PRAC assisted in a case in which an individual was convicted of fraud for knowingly submitting falsified financial records to obtain more than $1 million in

COVID-19 relief funds through the Shuttered Venue Operators Grant program, despite being statutorily ineligible.

- Six Oklahoma residents were sentenced in a $1 million PPP fraud scheme, creating fake businesses and fake identities to obtain fraudulent loans and deposit them into their own bank accounts.
- Two individuals were sentenced to a combined six years in prison for fraudulently obtaining more than $7 million in PPP and COVID-19 EIDL loans by submitting falsified payroll records, fake tax returns, and fabricated revenue documents to lenders and the SBA, and using the stolen funds for personal gain.
- Two Ohio individuals were sentenced to 56 months and 27 months, respectively, for fraudulently obtaining more than $4.2 million in PPP and COVID-19 EIDL loans by submitting applications containing false information and falsified tax documents for multiple businesses and clients, receiving 15-20% of the loan proceeds as kickbacks.
- A former bank manager was sentenced to 10 years in prison for participating in a conspiracy that attempted to obtain nearly $25 million in PPP and COVID-19 EIDL funds by submitting more than 90 fraudulent loan applications to multiple banks including his employer and a former employer.

We provide our law enforcement and IG partners, as well as U.S. Attorneys' Offices, with access to the PRAC's datasets, on-demand analytics, and investigative support. The statute of limitations for the PPP and COVID-19 EIDL were extended to 2030 and we continue to receive thousands of hotline tips from the public, generating leads for law enforcement investigations.

The PRAC's Fraud Prevention Focus

The PRAC recently issued our Strategic Plan for 2025 to 2030, highlighting our mission to promote and support fraud prevention and detection efforts across federal programs by leveraging innovation and data analytics. Of note is our objective to "demonstrate the value and effectiveness of fraud prevention." It is critical to show the clear and quantifiable benefits that result from investment in fraud prevention. We look forward to using this Strategic Plan to help inform the public, Congress, and other stakeholders about the important mission of the PRAC and guide our delivery of high-quality and impactful services.

In furtherance of these goals, we recently issued two Fraud Prevention Alerts that demonstrate the clear need to invest in and prioritize fraud prevention:

- In May 2025, we issued a fraud alert showing how we were able to compare data of individuals using similar identifying information who successfully received low-income housing benefits from the Department of Housing and Urban Development (HUD) as well as Paycheck Protection Program (PPP) loans from the SBA. We found that in over 40,000 cases, the applicant reported significantly higher income to SBA than to HUD. These anomalies indicated potential fraud in more than $860 million in PPP loans and an undetermined amount of fraud in low-income housing programs. These discrepancies may reflect intentional misreporting of income by individuals, or they could stem from identity theft involving one or both programs. As a result, individuals may have improperly obtained PPP loans or HUD housing benefits, effectively denying assistance to applicants who legitimately qualified.

- In June 2025, we issued another fraud alert outlining our findings regarding the use of potentially stolen or invalid Social Security numbers (SSNs) to obtain funds from three major pandemic relief programs: SBA's COVID-19 Economic Injury Disaster Loan program, PPP, and the Department of Labor's pandemic unemployment insurance programs. We randomly sampled identity records from 67.5 million applications that received funding from those three programs and provided the Social Security Administration (SSA) with the SSNs, name, and date of birth (DOB) from the randomly selected applications, and asked SSA to verify the validity of the data in the applications by answering three questions:

  (1) Was the SSN real?

  (2) If it was a real SSN, was the name and DOB provided by the applicant the same as the name and DOB in the SSA's records for that SSN?

  (3) Was the person living or dead?

  Importantly, we did not ask SSA for its records; we only asked for yes/no answers to our three questions, which SSA was able to complete in a matter of days. Based on SSA's responses, we estimated that these pandemic programs disbursed approximately $79 billion in potential fraudulent payments due to the use of over 1.4 million potentially stolen or invalid SSNs. Had our analytics platform been in existence at the outset of the pandemic, we could have used this verification process to timely identify this potential fraud before it occurred and provided the program agencies with the information needed.

These Fraud Prevention Alerts highlight how the PRAC's analysis can be used to verify identities and flag potential anomalies in applications before money is disbursed—without any undue delay in sending money to those in need. By using advanced data analytics to detect red flags and prevent fraud and other types of improper payments, the PRAC helps federal agencies learn from the past and prepare for future crises. These insights can guide how future emergency and non-emergency funding is designed and distributed—ensuring monies reach the right people at the right time.

Support to the Oversight Community

The PRAC has also continued to support our oversight partners with impactful projects, including:

- Risk Model for a $91 Billion PBGC Program: We continue to collaborate with the Pension Benefit Guaranty Corporation Office of Inspector General (OIG) to support a PRAC-developed risk scoring model to streamline the Special Financial Assistance application review process. This project includes 10 years' worth of data to help the OIG identify risky applications among more than 1,000 multiemployer pension plans. This effort helped identify plans for OIG review, which directly resulted in $261.9 million in civil and administrative recoveries to date.
- Risk Model for $11 Billion in FCC Programs: In collaboration with the Federal Communications Commission (FCC) OIG, we recently launched risk models related to three FCC pandemic programs [Emergency Connectivity Fund ($7.1 billion), Emergency Broadband Benefit ($3.2 billion), and COVID-19 Telehealth Program ($450 million)] and the 14,000 entities that participated in these programs. This project links and matches FCC data with existing PRAC data sources, including known pandemic fraud schemes, and identifies patterns, trends, and other risk indicators to help better target FCC OIG oversight efforts.
- Rick Model for SBA OIG Complaint Processing: This project helped the OIG triage the enormous increase in hotline complaints it experienced after the start of the pandemic. Prior to March 2020, the SBA OIG's hotline typically received fewer than 1,000 complaints per year. That rate increased to 6,000 complaints per week during the early months of the pandemic. Using the PRAC-designed risk model, SBA OIG investigators were better equipped to assess which of these complaints to pursue, saving them valuable time and resources.
- Analytic Center Expansion: This project involves expanding the PRAC's shared analytics center to a broader set of users and adding system enhancements to help Offices of Inspectors General detect potential fraud in OBBB Act or pandemic programs. The program currently includes data from nine sources and specific risk flags to allow auditors and investigators to more efficiently detect anomalies and leads for audit or investigation.
- Administrative False Claims Act (AFCA) Referral Tool: We are creating a robotic process automation (RPA) capability that can automatically generate referral letters related to Administrative False Claims Act matters to facilitate the recovery of taxpayer funds. We previously created an RPA solution to automatically review user-provided judgment and indictment documents to generate debarment letters. The AFCA RPA tool can leverage our existing capability to save resources.

Over the last five plus years, the PRAC has documented serious control weaknesses in federal pandemic programs that led to billions of dollars in fraud. Some of the PRAC's key findings include:

- the need to use tools beyond self-certification to verify applicants' identity and eligibility for funding.
- encouraging timely access to a consent-based verification system that would reduce the incidence of identity fraud, thereby helping protect victims of identity theft.
- ensuring key data elements such as applicant internet protocol addresses are retained to allow for pre- and post-award analysis.
- improving the tracking and reporting of subrecipient spending to increase transparency about the flow of federal dollars.
- leveraging existing federal data sources, such as the Treasury's Do Not Pay (DNP) system, to determine eligibility.
- providing recipients and program administrators with timely and clear guidance to ensure funds are disbursed efficiently and effectively.
- conducting joint meetings between the agency and OIG during the program design phase to enhance opportunity to identify and mitigate risks related to fraud and other forms of improper payments.

These and other findings are documented in PRAC oversight reports, *Lessons Learned in Oversight of Pandemic Relief Funds* and our *Blueprint for Enhanced Program Integrity*, which shares lessons learned and best practices to help strengthen federal programs, enhance stewardship of federal funds, and ensure that taxpayer-funded programs and assistance are delivered to those that Congress intended to reach.

Fraud Prevention Engine

The PRAC has also developed an artificial intelligence-enabled "Fraud Prevention Engine" that can review approximately 20,000 applications for federal funds per second to identify anomalies, trends, and patterns before funds are disbursed.

The purpose of this proof-of-concept project was to determine if such a model could be developed and to identify and address any technical hurdles. The model was trained using a sample of approximately 5 million SBA COVID-19 EIDL applications. The Fraud Prevention Engine includes modular components, including unsupervised machine learning models to detect anomalies, supervised machine learning models to identify similar patterns and identifiers as we have found in pandemic fraud cases, and rules-based flags such as invalid SSNs and Employer Identification Numbers. These anomalies can often reveal hidden connections such as a shared bank account amongst seemingly independent applicants. We are also building the capability to rapidly detect anomalies in supporting documentation submitted by applicants.

The Fraud Prevention Engine can flag applications requiring additional due diligence and applications with attributes indicative of organized criminal fraud rings, including those operating across multiple federal programs, and newly emerging threats to program integrity. In practice, the Fraud Prevention Engine will be adjusted for each distinct program to account for their specific risk profile.

Once an application for federal funds is analyzed by this tool and assigned a risk score, the PRAC would then provide feedback to the awarding agency and its OIG indicating one of three primary outcomes: 1) no issues identified; 2) irregularities, such as an invalid identifier, have been identified; or 3) significant issues have been identified that are indicative of a fraud scheme.

Applications in the third category, where we have predication of a potential fraud scheme, would be further analyzed by the PRAC and the applicable OIG to determine if a formal investigation, fraud alert, or other proactive action is warranted. To keep with our commitment to track and demonstrate the value of fraud prevention, we will track and share the statistical outcomes of the Fraud Prevention Engine's work.

We estimate that had our Fraud Prevention Engine been in use in March 2020 it would have quickly identified a significant number of funding applications for further due diligence and would have flagged potentially tens of billions of dollars in payments for further scrutiny <u>before</u> the funds were disbursed. This model demonstrates how advanced analytics can proactively identify high-risk applications, strengthen program integrity, and reduce the need for resource-intensive "pay and chase." The PRAC team looks forward to deploying this tool with federal partners.

Helping Prevent Fraudsters from Receiving OBBB Act Funds

The OBBB Act provides hundreds of billions in new spending primarily through the Department of Defense, the Department of Homeland Security, and the Department of Agriculture. The majority of this funding is for the procurement of goods and services, with some funding in the form of grants, direct assistance to individuals, or monies for agency use such as hiring.

Given the PRAC's expanded jurisdiction to the programs funded in OBBB Act, we are actively engaging with our partner OIGs to identify opportunities to prevent fraud in OBBB Act programs and ensure that the funding goes to those Congress intended. These projects will include risk dashboards to present a more complete risk picture and the new PRAC Fraud Prevention Engine to provide near instantaneous insights into patterns, trends, and anomalies and other indicators of potential fraud schemes. We have identified several specific programs where our data and technology can provide valuable insights to program officials and the oversight community to enhance due diligence efforts.

The PRAC is also exploring how we can add value to address a wider variety of fraud risks, beyond identity theft and eligibility fraud issues, in OBBB Act programs including collusive bidding, product substitution, Buy America Act violations, public corruption, foreign influence, and hidden relationships. This broader set of risks requires more in-depth analysis to identify such issues as suspicious bidding patterns and post-award schemes including presenting false claims or failing to follow terms and conditions of an award.

Of particular focus will be cross-program risks, including some state-run federally funded programs, as fraudsters rarely target just one government program but instead exploit program vulnerabilities wherever they exist. This more comprehensive view of fraud risks will help ensure that the right amount of money goes to the right person or entity for the proper purpose and that taxpayer dollars are better protected.

Collaborating with Partners to Add Value

A key to the PRAC's historic and future success lies in strategic partnerships across the federal oversight community, with the Department of Justice, including their COVID-19 Fraud Enforcement Task Force and the Antitrust Division's Procurement Collusion Strike Force, and the Government Accountability Office. This collaboration process also includes state and regional governments, who manage over 80% of federal grant dollars via subgrants. This flow of funds exacerbates existing fraud risks and adds additional risks. For example, most state-run federal funding programs lack information sharing frameworks across states to identify schemes impacting more than one state, such as when one Social Security number is used in multiple states.

The PRAC also maintains a critical relationship with the Department of Treasury Bureau of Fiscal Service's Office of Payment Integrity and their Do Not Pay (DNP) platform. It is important to note that the PRAC and Treasury's DNP system are complementary platforms that both work to protect taxpayer dollars from different angles, using different tools. The PRAC and the Office of Payment Integrity regularly collaborate, explore potential joint projects, and exchange information to ensure both organizations are efficient and effective in the fraud prevention space.

The PRAC is dynamic, identifying and acting on the unique fingerprints of potential fraud schemes and regularly identifying new risk indicators to use at the front end for prevention. Other federal systems like DNP are more static, compiling "bad actor" lists of previously identified entity or individual names that are already known to be suspicious, and allowing agencies to check that list before approving payment. To be clear, having a "bad actor" list that agencies can check against before sending out taxpayer funds is a valuable and important tool, and one that complements rather than duplicates what the PRAC provides. One of the unique aspects of the PRAC is our entity resolution code which can identify and determine that different stylings of an individual's name, DOB, and other information included in benefit applications across different federal benefits programs are all the same person. Entity resolution is a key requirement to address fraud.

Using entity resolution code and other unique tools, the PRAC focuses on providing insights into a broad set of risks, depending on the specific program, and identifies patterns, trends, anomalies, and hidden connections across the population of all applications. The PRAC's access to over 119 million applications for pandemic aid and over 127,000 known or suspected pandemic fraud cases result in comprehensive analysis of fraud and other compliance risks, and serves as an early warning system for organized, often transnational, criminal conspiracies and other emerging threats to program integrity.

Additionally, the CARES Act provided the PRAC the authority to store and leverage law-enforcement sensitive data and conduct criminal investigations—tools critical to uncovering hidden schemes and connecting bad actors.

Considerations for Congress

To further support the work of the PRAC, Congress should consider three additional measures:

1) extending the statute of limitations for all pandemic-related fraud from five to 10 years given the enormous scope of the fraud that we have uncovered to date, so that investigators and prosecutors have time to effectively pursue and hold accountable those groups and individuals that targeted and defrauded these programs;
2) updating the PRAC's name to better reflect the fraud prevention mission and focus beyond the pandemic;
3) expanding the PRAC's jurisdiction to ensure our fraud prevention tools can be applied to a broader set of government spending that cuts across agencies, such as grant programs.

Prevention is the Way

In one of the tens of thousands of pandemic fraud cases, a PRAC investigation identified one scheme involving more than 450 applications associated with $2.6 million in funded loans from over 100 applicants across 24 states. This is but one example where the proactive use of data and technology could likely have prevented or aided in the early detection of a scheme, mitigated the need for a resource-intensive investigation, and helped ensure taxpayer dollars are used as Congress intended.

Prevention and early detection of fraud schemes are clearly better than relying solely on the “pay and chase” model. Nevertheless, in addition to applying our tools to fraud prevention, we will continue our efforts to investigate pandemic-related fraud to recover every penny we can for taxpayers.

Thank you again for your continued strong support of the PRAC, the IG community, and independent oversight. This concludes my prepared remarks, and I look forward to your questions.