



Lessons Learned in Oversight of Pandemic Relief Funds

UPDATED

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What we've learned so far overseeing \$5 trillion worth of pandemic relief funds

The Pandemic Response Accountability Committee (PRAC) supports independent oversight of **\$5 trillion** in relief funds provided by Congress to respond to the coronavirus pandemic. It's an unprecedented amount of money. Just one pandemic relief program—the \$800 billion Paycheck Protection Program (PPP)—is equal to the federal government's entire response to the financial crisis of 2008–2009. And most of the federal pandemic relief funds were disbursed quickly. For example, the Small Business Administration distributed \$343 billion of PPP loans in the first 14 days of the program. This factor alone puts the money at a higher risk for fraud, so the PRAC has worked with dozens of Inspectors General (IGs) across the federal government to examine whether it was spent appropriately and whether this assistance reached those it was intended to help. Together with our partners, we've issued more than **400 oversight reports** that reveal common challenges facing agencies across major relief programs like unemployment insurance and loans to small businesses.

Congress and leaders across federal agencies need to know what programs are highly susceptible to fraud during a crisis like the pandemic. In some cases, agencies implemented corrective actions when shortcomings were identified. But in other cases, Congress and agency leaders still need to take action to reduce the possibility of fraud.

One of the PRAC's primary roles is to provide an objective, fact-based answer to this question:



**Have the unprecedented levels of pandemic spending been effective?
And if not, what needs to change?**

We wrote this report to spark discussion to help answer that question, highlighting the major lessons we and our federal and state partners have found in our oversight of pandemic relief and recovery programs. We originally published a version of this report in September 2021, promising to add to it as additional work revealed other lessons learned. This is our first update to the original report, and it includes five new lessons.

LESSON #1: SELF-CERTIFIED INFORMATION NEEDS TO BE VALIDATED BEFORE PAYMENTS ARE SENT

PANDEMIC RELIEF AREAS: SMALL BUSINESS LOANS AND UNEMPLOYMENT INSURANCE

The Small Business Administration (SBA) and the Department of Labor (DOL) both allowed applicants to self-certify that they were eligible for pandemic-related financial relief. The SBA and DOL Offices of Inspectors General (OIG) each issued reports that found fraud due to self-certification in their agency's management of the Economic Injury Disaster Loan (EIDL) and Unemployment Insurance (UI) programs, respectively.

SMALL BUSINESS LOANS

Small business owners and nonprofits could apply for EIDLs to help pay for normal operating expenses such as rent and utilities. To be eligible, an applicant had to be in business on or before January 31, 2020. To apply for the loan, the SBA only required applicants to self-certify their business establishment date by entering it on the application form. Using Employer Identification Number (EIN) registration dates, SBA OIG [found](#) the agency approved more than 22,700 EIDL applications with registration dates of February 1, 2020, or later. As a result, **potentially ineligible applicants received \$918 million in loan funds.**

WHAT IS THE SBA DOING NOW?

The SBA normally collects tax returns and tax transcripts from disaster loan applicants to help determine repayment ability and to validate eligibility. However, the CARES Act streamlined the EIDL application process and removed the requirement that applicants submit a tax return or tax transcript. As of April 2021, the agency resumed collecting tax return data from the Internal Revenue Service (IRS)—an OIG recommendation to improve eligibility determinations.

UNEMPLOYMENT INSURANCE

The UI program is ranked annually as one of the highest-risk federal benefit programs, with **an improper payment rate estimated at higher than 10 percent in 14 of the last 17 years.** The structure of new pandemic UI programs intensified this risk. The CARES Act increased UI benefits and expanded eligibility to individuals who were not typically eligible for benefits (e.g., self-employed and gig economy workers). For these types of workers, no third party or employer can verify if the individual is actually unemployed. Eligible individuals were only required to self-certify that they could not work due to a COVID-19 related reason. Individuals who qualified for UI benefits could receive a weekly state payment plus an additional \$600 federal weekly payment for up to 39 weeks. Payments were sent immediately after self-certification of eligibility.

The DOL OIG [reported](#) self-certification as a top fraud vulnerability for state workforce agencies administering pandemic-related unemployment benefits. The DOL OIG estimates that nearly **\$163 billion in pandemic-related UI payments may be fraudulent or improper.**

Despite warnings by the DOL OIG and state workforce agencies that self-certification will increase fraud, DOL officials maintain that the CARES Act only required self-certification and does not require further proof of employment.

WHAT ARE THE DOL AND STATE WORKFORCE AGENCIES DOING NOW?

Several states are using additional tools to verify UI eligibility beyond just self-certification including documentation of wages earned or income verification and cross-matching data with the Social Security Administration, Department of Motor Vehicles, or other identity verification databases.

Additionally, the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 amended the CARES Act to require documentation for UI eligibility. Starting January 31, 2021, individuals who apply for UI benefits have 21 days to provide proof of employment, self-employment, or a qualifying job offer. Failure to do so will make an applicant ineligible for federal UI benefits.

LESSON #2: PRIORITIZE FUNDING FOR UNDERSERVED COMMUNITIES

PANDEMIC RELIEF AREA: SMALL BUSINESS LOANS

The Paycheck Protection Program (PPP) was a new \$800 billion small business loan program established as part of the CARES Act. Like the EIDL program, the PPP is administered by the SBA and gives businesses low-interest loans to cover qualified payroll costs, rent, and utilities. Financial institutions and banks provide the loans (which are guaranteed by the SBA) to approved business. The loans are forgivable if a borrower uses at least 60% of the loan proceeds on qualified payroll costs.

The CARES Act directs the SBA to issue guidance to PPP lenders to ensure that loans prioritize underserved businesses, such as those owned by minorities, women, and veterans. However, in its [inspection](#) of the program, the SBA OIG could find **no evidence that small businesses in underserved and vulnerable communities received PPP loans**. For example, the SBA did not collect demographic data on PPP loan applications—even though the agency requests it on traditional loan applications—and did not issue guidance requiring lenders to prioritize applications from businesses in vulnerable communities. Moreover, in April 2020, the SBA issued guidance confirming that PPP loan applications would be processed on a first-come, first-served basis. This approach disproportionately affected minority-owned businesses that are less likely to have existing relationships with national lenders that processed most of the PPP applications.

WHAT IS THE SBA DOING NOW?

In June 2020, the SBA launched an online tool that connects community and minority organizations with PPP lenders. The agency also revised the PPP loan application to request optional demographic information and reversed its first-come, first-served approach to processing PPP applications. When additional rounds of PPP funding were made available in January 2021, the SBA initially made funds available exclusively to certain lenders (such as community

development financial institutions) that focus on helping underserved communities that have historically had difficulty establishing relationships with banks.

A similar approach to lending was used when Congress passed financial relief for the restaurant industry. The American Rescue Plan Act created the [Restaurant Revitalization Fund](#) (RRF) to help food and beverage providers pay qualified expenses, such as payroll and rent. All eligible food and beverage providers can apply to the RRF, but for the first 21 days the SBA prioritized applications from small businesses owned by women, veterans, and minorities. After this initial 3-week period, the SBA began funding eligible applications on a first-come, first-served basis.

The RRF application includes an optional request for demographic information. During the first two weeks of the program in May 2021, the SBA received more than 303,000 applications—**57 percent of which percent came from women, veterans, and socially and economically disadvantaged business owners.**

LESSON #3: USE EXISTING FEDERAL DATA SOURCES TO DETERMINE BENEFITS ELIGIBILITY

PANDEMIC RELIEF AREAS: SMALL BUSINESS LOANS AND STIMULUS CHECKS

SMALL BUSINESS LOANS

In January 2021, the SBA OIG [issued a memorandum](#) warning about improper payments to lenders for potentially ineligible recipients of PPP loans. To be eligible to receive a PPP loan, a business cannot currently be prohibited from working with the government or have delinquent federal loans. The SBA and its lenders relied on applicants' self-certification that they met these conditions and were therefore eligible.

The Department of the Treasury's Do Not Pay (DNP) Business Center enables federal agencies to check multiple data sources to verify a recipient's eligibility to receive federal payments. The SBA OIG used the DNP service and found that **57,500 PPP loans worth \$3.6 billion were issued to potentially ineligible recipients.**

WHAT IS THE SBA DOING NOW?

The SBA worked with Treasury to use their DNP system to screen every new PPP loan application against the DNP system to verify eligibility. This process was first implemented for the third round of PPP distributions that began in January 2021. Treasury also granted SBA expanded access to restricted DNP datasets in March 2021.

STIMULUS CHECKS

As part of the CARES Act, Congress authorized the IRS to send Economic Impact Payments (EIPs), commonly known as stimulus checks, to reduce the financial burden of the pandemic on individuals and families. While the IRS correctly calculated the EIP amount for most of the

payments, they sent **nearly 2.2 million EIPs totaling nearly \$3.5 billion to deceased individuals** (as of July 16, 2020). The [Treasury Inspector General for Tax Administration \(TIGTA\)](#) and the [Government Accountability Office \(GAO\)](#) both reported that the IRS initially failed to use death records from the Social Security Administration to prevent this type of improper payment.

Treasury officials said the CARES Act did not preclude deceased individuals from getting an EIP and required payments be delivered as fast as possible. Therefore, IRS used similar programming rules developed for the 2008 stimulus payments, which did not match tax return data with death records as a fraud filter. However, based on a 2013 GAO recommendation the IRS started using death records to help prevent improper payments. Neglecting to implement this control for EIPs substantially increased the risk of making improper payments to deceased individuals.

WHAT IS THE IRS DOING NOW?

In June 2020, the IRS issued guidance with instructions to taxpayers for returning payments issued to individuals who had died before receipt of the payment. As of October 1, 2020, a total of 59,500 payments totaling more than \$72 million have been voluntarily returned.

To prevent additional payments from being issued to deceased individuals, the IRS implemented programming changes on May 13, 2020, to discontinue calculating and sending the EIPs to deceased individuals. The IRS temporarily provided the Bureau of Fiscal Service—the Treasury office that sends EIPs—access to death records to prevent improper payments and a subsequent TIGTA review confirmed that the programming is working as intended.

LESSON #4: RECIPIENTS AND ADMINISTRATORS NEED TIMELY AND CLEAR GUIDANCE TO GET BENEFITS OUT EFFICIENTLY AND ACCURATELY

PANDEMIC RELIEF AREAS: STATE AND LOCAL RELIEF AND UNEMPLOYMENT INSURANCE

STATE AND LOCAL RELIEF

The CARES Act created the Coronavirus Relief Fund (CRF) to provide \$150 billion in financial support to governments in states, territories, and tribal areas to cover expenses incurred due to the pandemic.

The Treasury Department was charged with providing guidance to eligible CRF recipients. At one point during the program's implementation, recipients could only use CRF payments to cover costs incurred between March 27, 2020, and December 30, 2020. Given this short window, recipients needed timely guidance to help identify eligible expenses. While the funds were quickly disbursed, guidance was constantly updated through October 2020, with Treasury issuing three versions of CRF guidance and eight versions of Frequently Asked Questions (FAQs). These

frequent updates caused confusion and delayed the use of CRF money. In some cases, it caused ineligible uses of CRF payments.

WHAT IS THE TREASURY DEPARTMENT DOING NOW?

The short timeframe to spend CRF money created a sense of urgency among recipients for guidance from Treasury. In late December 2020, Congress extended the CRF spending deadline to December 30, 2021, giving recipients an extra year to spend the money.

In March 2021, Congress authorized an additional \$350 billion dollars for the Coronavirus State and Local Fiscal Recovery Fund (a program similar to the CRF) through the American Rescue Plan Act. The Act also gave recipients significantly more time to use the funds. For example, state and local government recipients can use the funds any time before December 31, 2024 for authorized purposes. [Consistent with a Treasury OIG recommendation](#), on May 10, 2021, the agency released an interim final rule, FAQs, and a fact sheet to provide guidance on eligible uses for the new round of funding. In January 2022, the Treasury Department released its final rule for the State and Local Fiscal Recovery Fund, which become effective on April 1, 2022.

UNEMPLOYMENT INSURANCE

The DOL's Employment and Training Administration (ETA) office establishes unemployment insurance guidance that each state uses to administer its own UI program. The CARES Act created three new UI programs to respond to the dramatic spike in unemployment claims caused by the pandemic. The DOL OIG [surveyed](#) several states and found that timelier and clearer guidance from ETA may have prevented significant overpayments. For example, states reported that ETA did not answer their questions quickly and that guidance failed to address the confusion surrounding eligibility. Guidance also never established clear timeframes for sending payments to claimants, so state officials said they felt obligated to send payments as quickly as possible given the unemployment crisis.

WHAT IS THE DOL DOING NOW?

The DOL ETA issued guidance in February 2021 that established expected timeframes for implementation of recent UI changes and benefit payments to claimants. That said, DOL management believes that when policymakers create new and complex benefit programs, they should include a defined and realistic implementation period for agencies. To that end, DOL ETA management plans to work with policymakers to build reasonable timelines for implementing future program changes.

LESSON #5: RECIPIENTS OF RELIEF FUNDS SHOULD BE FULLY DISCLOSED TO THE PUBLIC

PANDEMIC RELIEF AREA: SMALL BUSINESS LOANS

The SBA began issuing PPP loans in April 2020, but **data about who received the loans, how much they borrowed, and where they were located was not publicly available** at that time. In July 2020, the SBA issued an initial online dataset containing limited information on PPP recipients. For example, loans issued under \$150,000 did not show recipient names or addresses. For loans exceeding \$150,000, specific loan amounts were not shown. This lack of transparency occurred while the SBA OIG reported that nearly 55,000 PPP loans worth \$7 billion went to potentially ineligible businesses while businesses in underserved communities struggled to get loans.

SBA and Treasury officials responded that the lack of transparency stemmed from privacy concerns for borrowers. However, in December 2020 the SBA published the full names, addresses, and specific loan amounts for all PPP recipients after a court ruled in favor of a Freedom of Information Act request filed by multiple media organizations. By that time, more than 5.2 million PPP loans totaling \$525 billion had been issued.

To promote transparency, the CARES Act required the PRAC's website to show detailed information on federal funds used for pandemic relief. This level of transparency helps ensure pandemic relief funds are used for their intended purposes. For a new and massive aid program like the PPP (nearly \$800 billion was issued), transparency in spending and public oversight are critical.

WHAT IS THE SBA DOING NOW?

Since December 2020, the SBA has consistently updated PPP loan data on its website that can be downloaded by the public and includes—among other data—borrower information, specific loan amounts, and recipient addresses. In addition, the PRAC's [website](#) includes a searchable dataset along with multiple data visualizations to further help the public understand how these funds are being used.

LESSON #6: ALLOCATE FUNDING BASED ON NEED

PANDEMIC RELIEF AREAS: RENTAL ASSISTANCE AND HEALTH CARE

RENTAL ASSISTANCE

Congress created the Emergency Rental Assistance program to help Americans struggling to pay rent or utilities during the pandemic. The program initially received \$25 billion in January 2021 and an additional \$21 billion from the American Rescue Plan Act in March 2021. [In the absence of national eviction data](#), the Treasury Department allocated the money based on

population, with state and local governments receiving a **minimum initial allocation of \$200 million**.

During past disasters that exacerbated housing issues, the Treasury Department distributed funds differently. For example, the [Hardest Hit Fund](#) created in 2010 to help prevent foreclosures during the mortgage crisis, contained multiple rounds of funding that were targeted to specific states based on economic data such as an unemployment rate above a certain percentage or a specified decline in home prices.

Allocating rental assistance based on *population* instead of *need* affected the pace of pandemic relief spending. State and local governments had to spend at least 30 percent of their first-round allocation by September 30, 2021. If they didn't, the Treasury Department could take back any unspent funds and reallocate them to other states that spent at least 65 percent of their initial allocation. As a result, less populated states struggled to meet the 30 percent threshold, because they either received too much money or had an insufficient number of renters.

For example, Rhode Island state officials said that based on their calculations they should have received less than half of the \$200 million they were allocated (the state distributed 17 percent of its funding by the September 30 deadline).

Other less populated states didn't have the existing infrastructure in place to implement the new federal program because they may not have a lot of renters. For example, Wyoming, which has one of the highest rates of owner-occupied housing in the country, had no existing agency that could deliver the relief money to applicants. State officials had to set up a program from scratch to develop guidelines, help with enrollment, and review applications. Moreover, by the September 30 deadline the state had distributed only 3 percent of its allotted funding and by March 2022 had returned \$168 million of the \$200 million it received to the Treasury Department.

In contrast, other areas of the country ran out of rental assistance funds. For example, the city of Philadelphia spent 100 percent of its initial allocation of \$47 million by August 31, 2021. Despite receiving additional funding from the Treasury Department, in January 2022 [the city announced it was no longer accepting applications](#) because it ran out of money.

WHAT IS THE TREASURY DEPARTMENT DOING NOW?

The Treasury Department reallocated unspent money to state and local governments that demonstrated a need for it. For example, in October 2021, the [Treasury Department](#) began reallocating unspent money to state and local governments that were closest to spending all their initial funding. This helped the program deliver rent relief to areas where individuals or families are at the greatest risk of eviction. The agency also encouraged states with low populations of renters to use other programs like the Homeowner Assistance Fund and the State and Local Fiscal Recovery Fund to provide financial assistance to homeowners.

HEALTH CARE

The Provider Relief Fund (PRF) is a \$178 billion program that reimburses eligible health care providers for increased expenses or lost revenue caused by the pandemic. The Department of Health and Human Services (HHS) manages the program and allocated funding to health care providers through two methods: targeted distributions and general distributions.

- Targeted distributions allocated PRF funds to health care providers like nursing homes with high needs. Providers had to apply and submit financial documentation or patient caseload data to receive funds.
- General distributions were broadly available, and the first general distribution (known as Phase 1 in April 2020) didn't require an application. Instead, **\$30 billion was automatically transferred to providers' accounts** based on pre-existing data—the dollar amount of their Medicare fee-for-service reimbursements in 2019. Since this data was already available, it was seen as an efficient way to get money out quickly.

Phase 1 favored providers with a large number of patients covered by Medicare at the expense of providers with patients either covered by Medicaid or uninsured. This is because the reimbursement rates for treating the uninsured or Medicaid patients tend to be lower than rates for Medicare. In addition, providers not enrolled in Medicare weren't able to apply for PRF dollars until June 2020 when HHS allocated \$3.7 billion to eligible Medicaid and Children's Health Insurance Program providers.

If providers return PRF dollars, this may suggest they received too much money or didn't actually need the money in the first place. For example, the [Government Accountability Office reported](#) that **\$6.1 billion of Phase 1 funds were returned**. Moreover, 70 percent of all returned PRF dollars came from the Phase 1 distribution.

WHAT IS THE DEPARTMENT OF HEALTH AND HUMAN SERVICES DOING NOW?

In September 2021, the HHS made \$25.5 billion available for a fourth general distribution (Phase 4). The distribution took provider need into account with the amount of funding an eligible provider received based on expenses and revenue losses that occurred during the pandemic. The fourth distribution was also designed to reimburse smaller health care providers—those that often operate on smaller margins and serve vulnerable and rural communities—by reimbursing them at a higher rate than larger providers.

LESSON #7: NEW PROGRAMS NEED MORE OUTREACH TO INCREASE PUBLIC AWARENESS AND PARTICIPATION

PANDEMIC RELIEF AREAS: INTERNET ACCESS AND FUNERAL ASSISTANCE

INTERNET ACCESS

Congress created the Emergency Broadband Benefit (EBB) program to help low-income households connect to the internet so that activities like telehealth and remote learning could be possible during the pandemic. Launched in May 2021, the EBB was a new \$3.2 billion program managed by the Federal Communications Commission (FCC) to make internet affordable by providing a monthly discount on broadband service and a one-time discount on devices, such as a laptop or tablet. The program was temporary and scheduled to end either when funds ran out or six months after the government's official pandemic emergency declaration was over.

Despite the benefits, enrollment remained low during the life of the program. When the program expired at the end of December 2021, [9 million households had received \\$1.9 billion in benefits](#)—an **enrollment rate of 20 percent of eligible households**. Program participation was limited by an inconvenient application process and lack of awareness.

According to stakeholders, the application was primarily web-based, which made it difficult for the estimated 18 million households without internet to sign up for benefits. Although a paper application could be mailed, the [Government Accountability Office looked at a similar program](#) and found that applicants did not have the digital literacy or equipment (e.g., a printer or scanner) to complete the application.

Public awareness of the program was also low. For example, an October 2021 survey showed 55 percent of adults had never heard of the program. The legislation that created the EBB did not include any specific funding for outreach, work that is typically done by the FCC alongside non-profit and community organizations. Instead, most of the outreach became the responsibility of internet service providers. Stakeholders said providers were hesitant to promote—and eligible households to sign-up for—a benefit that only temporarily made internet more affordable.

WHAT IS HAPPENING WITH THE EMERGENCY BROADBAND BENEFIT PROGRAM NOW?

In November 2021, the Infrastructure Investment and Jobs Act became law and converted the EBB into a longer-term program under a new name: the Affordable Connectivity Program. The Act required internet service providers to work with non-profits to conduct outreach campaigns that inform the public about the program, and it also included \$2.75 billion that states can use, for example, to work with non-profit and community organizations to promote awareness of broadband benefits and help with enrollment.

FUNERAL ASSISTANCE

According to the Centers for Disease Control and Prevention (CDC), more than 1 million people in the United States have died from COVID-19 since the pandemic began. To help provide financial relief for the families of the deceased, in April 2021, the Federal Emergency Management Agency (FEMA) began reimbursing up to \$9,000 in funeral costs. Eligible applicants must provide a copy of an official death certificate that shows the death was attributed to COVID-19.

In December 2021, FEMA announced that 226,000 individuals had received funeral assistance. However, at that time the CDC reported nearly 850,000 deaths from COVID-19—a gap that may be attributed in part to a lack of awareness about the benefit and a complex application process.

For example, the program has no online application. Instead, FEMA hired a contractor to stand up a call center staffed by 3,500 operators that individuals seeking funeral assistance must contact to apply. After answering a series of questions including whether the deceased individual held burial or funeral insurance policies, applicants must submit required documentation to FEMA either through fax, mail, or electronically through an online account (which applicants must create separately).

Recently, the [White House issued a memorandum](#) directing federal agencies to explore ways to improve access to public benefits as part of a broader effort to make it easier for the public to apply for government benefits. One of the administration's recommendations is to ensure a mobile-friendly online application is available for public benefit programs.

WHAT IS THE FEDERAL EMERGENCY MANAGEMENT AGENCY DOING NOW?

While the application process for funeral assistance remains available only through the call center, in March 2022 [FEMA announced that it was launching an outreach campaign](#) to help reach additional eligible families and offer enrollment assistance. The agency also began a media outreach campaign targeted to underserved communities in areas with a high number of COVID-related deaths and low number of funeral assistance applications. These locations include San Bernadino, California; Philadelphia, Pennsylvania; Hidalgo, Texas; and Bronx County, New York.

In April 2022, FEMA reported that more than **326,000 individuals have received more than \$2.1 billion in funeral assistance under the program.**

LESSON #8: WATCHDOGS NEED ACCESS TO DATA TO FIND FRAUD

PANDEMIC RELIEF AREAS: UNEMPLOYMENT INSURANCE

Federal IGs use data analytics to look for trends, patterns, and anomalies that may indicate potential fraud in pandemic spending data. But the benefits of data analytics are only possible if watchdogs can obtain comprehensive and timely data about the programs they oversee. In some cases, this has been difficult.

As early as May 2020, the [DOL OIG warned that the Pandemic Unemployment Assistance program was highly susceptible to fraud](#) because it did not require any documentation to verify eligibility. However, because unemployment insurance benefits are administered by states, the Department of Labor does not believe it has the authority to give the DOL OIG access to the data for its audit and investigative work—an issue that predates the pandemic.

To obtain access to the data, the DOL OIG used the unprecedented action of issuing subpoenas to 54 states and U.S. Territories, a process that took several months to complete. In August 2021—nearly 18 months after the program began—the Department of Labor granted the DOL OIG access to pandemic-related unemployment data. However, that access was short-lived and expired when the pandemic-related unemployment benefit programs ended a month later in September 2021.

WHAT IS THE DEPARTMENT OF LABOR DOING NOW?

In March 2022, the [DOL OIG testified](#) that a permanent approach to accessing unemployment assistance data may require action by Congress. Direct access to state unemployment benefit data would improve the watchdog's ability to strengthen the program and prevent fraud before it occurs. For example, DOL OIG stated that its data scientists were able to identify billions of dollars in potential UI fraud when they had access to program data. However, that access was for the brief period of August to September 2021.

LESSON #9: COLLABORATION IS CRITICAL TO OVERSEE PANDEMIC RELIEF PROGRAMS

PANDEMIC RELIEF AREA: MULTIPLE PROGRAMS

Congress created several new programs through six different pieces of legislation to help address the economic and health effects of the pandemic. For example, the CARES Act created the \$150 billion Coronavirus Relief Fund and a \$100 billion Provider Relief Fund. The American Rescue Plan Act also created several new programs and significantly increased the funding for existing programs. For example, it added \$122 billion to the Elementary and Secondary School Emergency Relief Fund and \$21 billion to the Emergency Rental Assistance Program.

Programs that receive significant increases in funding may be at a higher risk for fraud. For example, the Department of Housing and Urban Development OIG, in collaboration with the PRAC, [outlined several fraud risks](#) in two of its programs that received substantial funding increases from the CARES Act. An increase may attract fraudsters looking to take advantage of the programs and in addition, given an increased workload for the agency, makes it more difficult to monitor businesses or organizations that receive funds.

New programs may also be more susceptible to fraud because a formal risk assessment may not have been done. For example, the [Government Accountability Office reported](#) that the SBA did not conduct a formal fraud risk assessment for the \$800 billion Paycheck Protection Program prior to its launch. [We subsequently reported](#) that some of the fraud controls the SBA later added to the program were less effective because they were not informed by a formal risk assessment.

To help coordinate the programs created or funded by the American Rescue Plan Act, the Biden Administration established a dedicated implementation team that has held more than 25 “Gold Standard” meetings that bring together federal agency officials, federal watchdogs, the PRAC, and the Office of Management and Budget (OMB). The meetings are a new model for proactive and coordinated oversight that enables agency officials to fine-tune pandemic relief programs before they launch, building in lessons learned that can reduce fraud and improve program effectiveness. For example, the meetings have heightened awareness and commitment to strengthening controls for small business loan programs and improving the sharing of state unemployment insurance data with federal officials to fight fraud. On April 29, 2022, the White House issued [OMB memorandum M-22-12](#) that directs agencies to oversee infrastructure spending using the same collaborative approach that has been used for pandemic spending.

LESSON #10: BETTER REPORTING IS NEEDED TO TRACK PANDEMIC RELIEF SPENDING

PANDEMIC RELIEF AREA: MULTIPLE PROGRAMS

The way that federal relief dollars flow through the system can make them difficult to track. There are often multiple layers, and as the number of layers increase the ability to follow the funds significantly decreases.

The first layer of spending occurs when federal agencies distribute money to “prime recipients” (e.g., individuals, businesses, or state/local governments). Generally, the public and federal watchdogs can track these disbursements.

But prime recipients typically distribute most of the money they receive to sub-recipients. **And this second layer is where it becomes hard to track pandemic spending.** Sub-recipients can include a wide variety of entities, like a local school district, a business, or a non-profit. In short, any entity can be a prime recipient or sub-recipient, it just depends on who receives money from whom. Sub-

recipient data enables to the public to see how relief funds flowed through federal agencies to local communities and businesses.

There are two primary reasons that sub-recipient data for pandemic spending is hard to follow.

1) Pandemic and non-pandemic spending data are mixed together. Prime recipients report sub-recipient award data in a system called the FFATA Subaward Reporting System (FSRS). The system feeds into USAspending.gov, which shows all government spending data, including pandemic spending. However, the FSRS cannot specify awards specific to the pandemic. So, when data shows up on USAspending.gov, there's no way to know if it's connected to legislation that funded pandemic relief. This makes it challenging to understand the impact of pandemic funding in local communities.

2) Not all prime recipients consistently report sub-recipient data as required. Lack of sub-recipient reporting makes it impossible to know if we're missing data. [We issued a report in October 2021](#) that identified gaps in sub-recipient reporting data by examining other official sources such as states' financial reports and federal and state agency websites. We found that only 59 percent of prime recipients reported any sub-recipient data across the ten grant programs with the largest amounts of pandemic funding.

It can get even harder to follow the spending at the local level. For example, the Coronavirus Relief Fund has 864 prime recipients who in turn provided money to more than 88,000 sub-recipients. In some cases, these sub-recipients passed some (or all) of the money they received along to other entities, who then spent the money. We have no insight into this third layer of spending because sub-recipients are not required to report this activity to the Treasury Department's Office of Inspector General, which oversees the program. Similarly, no requirements exist for reporting sub-awards beyond the 'first-tier' for agencies that report to FSRS or USAspending.gov.

WHAT IS THE FEDERAL GOVERNMENT DOING NOW?

The public deserves to know exactly where their tax dollars are going and the oversight community needs to be able to tell policymakers if the spending was effective. Based on our recommendation, OMB is currently exploring better ways to track and report sub-recipient spending.

For more information:

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Report fraud, waste, abuse, and misconduct:

To report allegations of fraud, waste, abuse, or misconduct regarding pandemic relief funds or programs please go to PandemicOversight.gov.



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