



Testimony  
Before the Select Subcommittee on the  
Coronavirus Crisis, Committee on  
Oversight and Government Reform,  
House of Representatives

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## COVID-19

# Opportunities to Improve Federal Response and Recovery Efforts

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

# GAO Highlights

Highlights of [GAO-20-659T](#), a testimony before the Select Subcommittee on the Coronavirus Crisis, Committee on Oversight and Reform, House of Representatives

## Why GAO Did This Study

The outbreak of COVID-19 quickly spread around the globe. As of June 17, 2020, the United States had over 2 million reported cases of COVID-19, and over 100,000 reported deaths, according to federal agencies. Parts of the nation have seen severely strained health care systems. The country has also experienced a significant and rapid downturn in the economy. Four relief laws, including the CARES Act, were enacted as of June 2020 to provide appropriations to address the public health and economic threats posed by COVID-19. In addition, the administration created the White House Coronavirus Task Force.

The CARES Act includes a provision for GAO to report regularly on its ongoing monitoring and oversight efforts related to the COVID-19 pandemic. Yesterday, GAO issued its first report ([GAO-20-625](#)).

Like the report, this testimony focuses on key actions the federal government has taken to address the COVID-19 pandemic, GAO recommendations for improvement, and evolving lessons learned relevant to the nation's response to pandemics, among other things. GAO reviewed data and documents from federal agencies about their activities and interviewed federal and state officials as well as industry representatives. GAO also reviewed available economic, health, and budgetary data.

## What GAO Recommends

In the report, GAO makes three new recommendations for agencies and three matters for consideration for Congress that address these issues.

View [GAO-20-659T](#). For more information, contact A. Nicole Clowers, (202) 512-7114 or [clowersa@gao.gov](mailto:clowersa@gao.gov).

June 26, 2020

## COVID-19

### Opportunities to Improve Federal Response and Recovery Efforts

#### What GAO Found

In response to the national public health and economic threats caused by COVID-19, four relief laws were enacted as of June 2020 that appropriated \$2.6 trillion. This funding provided support to individuals, health care providers, businesses, and state and local government.

While complete government-wide data will not be available until July, GAO determined that as of May 31, 2020, a total of about \$1.2 trillion of assistance has been provided—close to \$700 billion in expenditures and over \$500 billion in loan guarantees. Consistent with the urgency of responding to widespread health issues and economic disruptions, agencies have worked hard to give priority to moving swiftly. In moving quickly, however, agencies made trade-offs; thus, only limited progress has been made so far in achieving transparency and accountability goals.

GAO also identified challenges with the federal response to the crisis, including:

**Paycheck Protection Program (PPP).** The Small Business Administration (SBA) moved quickly to establish a new nationwide program, but the pace contributed to confusion and questions and raised program integrity concerns. GAO recommends that SBA develop and implement plans to identify and respond to risks in PPP to better ensure program integrity. SBA neither agreed nor disagreed. Implementing GAO's recommendation is essential.

**Economic impact payments.** The Internal Revenue Service (IRS) and the Department of the Treasury (Treasury) faced difficulties delivering payments to some individuals, and made some payments to ineligible individuals, such as decedents. GAO recommends that IRS should consider cost-effective options for notifying ineligible recipients how to return payments. IRS agreed.

**Unemployment Insurance (UI).** The program could have an unintentional overlap with benefits provided under PPP. GAO recommends that the Department of Labor (DOL) immediately provide help to state unemployment agencies that specifically addresses PPP loans, and the risk of improper payments associated with these loans. DOL is planning additional guidance.

**Aviation-preparedness plan.** In 2015, GAO recommended that the Department of Transportation (DOT) work with federal partners to develop a national aviation-preparedness plan for communicable disease outbreaks. Thus far, no plan exists. GAO recommends Congress require DOT to produce a plan.

**Full access to death data.** It is important to consistently use safeguards when providing assistance to individuals. The Treasury and Bureau of Fiscal Service do not have access to the Social Security Administration's full set of death records. GAO recommends that the Congress give Treasury that access and require that Treasury consistently use it.

**Medicaid.** GAO previously found that during economic downturns, the Federal Medical Assistance Percentage (FMAP) formula does not reflect current state economic conditions. GAO recommends that, during an economic downturn, Congress use a formula to provide timely and targeted assistance during economic downturns.

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Chairman Clyburn, Ranking Member Scalise, and Members of the Subcommittee:

Thank you for the opportunity to discuss the federal government's response to Coronavirus Disease 2019 (COVID-19). As the virus has spread around the globe and within the United States, it has left a devastating wake of human and economic loss. On behalf of my colleagues, I want to express my condolences for those who have lost loved ones to COVID-19. Additionally, I want to commend the heroic efforts of health care workers across the country who have cared for those individuals infected with the virus. I also want to recognize the dedication and agility of the federal, state and local workforces and others throughout our society.

In response to this unprecedented global crisis, Congress and the administration have taken a series of actions to protect the health and well-being of Americans. Notably, in March 2020, Congress passed, and the President signed into law, the CARES Act. It provides over \$2 trillion in emergency assistance and health care response for individuals, health care providers, businesses, and state and local governments affected by COVID-19. Agencies across the federal government have acted quickly to execute the law, including standing up new programs, while also responding to the pandemic.

The CARES Act includes a provision for us to conduct monitoring and oversight of the use of funds made available to prepare for, respond to, and recover from the COVID-19 pandemic. GAO is to report on, among other things, the pandemic's effects on the public health, economy, and public and private institutions of the United States, including the federal government's public health and homeland security efforts. The act requires us to submit a report within 90 days of enactment on our ongoing monitoring and oversight efforts related to the COVID-19 pandemic, with subsequent bimonthly reports.

Yesterday we issued the first of these reports, which will continue on a bimonthly basis through March 2021.<sup>1</sup> My comments today will summarize the key findings from this report. Specifically, I will discuss

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<sup>1</sup>See GAO, *COVID-19: Opportunities to Improve Federal Response and Recovery Efforts*, [GAO-20-625](#) (Washington, D.C.: June 25, 2020).

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1. the key actions the federal government has taken, to date, to respond to and recover from COVID-19, recommendations for executive action, and matters for legislative action by the Congress; and
  2. evolving lessons learned relevant to the nation's response to the COVID-19 pandemic.

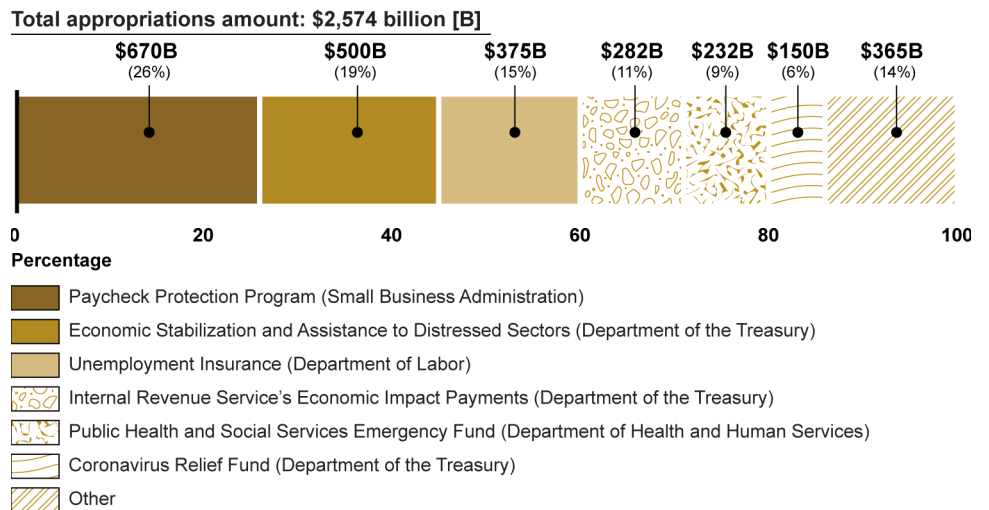
To conduct the work for our initial report, we examined federal laws and agency documents, guidance, processes, and procedures, and available agency budgetary data. In addition, we interviewed federal and state officials and industry representatives. We also reviewed Federal Procurement Data System-Next Generation data through May 31, 2020. We identified obligations related to COVID-19 using the National Interest Action code, as well as the contract description. We also reviewed prior GAO work, information from relevant federal agencies responsible for the pandemic response and oversight of the health care system, selected studies produced by experts in public health and epidemiology, data collected by state health departments, and examples of federal government response to past national emergencies. To monitor areas of the economy supported by federal response to the pandemic, we also reviewed prior GAO reports, releases from federal statistical agencies, and input from internal GAO experts. More detailed information on our objectives, scope, and methodology for that work can be found in the issued report.

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.

## Key Federal Actions to Respond to and Recover from COVID-19 and Our Recommendations for Executive Action and Matters for Legislative Action

In response to the national public health and economic threats caused by COVID-19, four relief laws were enacted as of June 2020, including the CARES Act in March 2020.<sup>2</sup> These laws have appropriated \$2.6 trillion across the government. Six areas—the Paycheck Protection Program (PPP), Economic Stabilization and Assistance to Distressed Sectors, unemployment insurance, economic impact payments, the Public Health and Social Services Emergency Fund, and the Coronavirus Relief Fund—account for 86 percent of the appropriations (see fig. 1).

**Figure 1: Appropriations for COVID-19 Response from COVID-19 Relief Laws Enacted as of May 31, 2020**



Source: GAO analysis of appropriation warrant information provided by the Department of the Treasury as of May 31, 2020. | GAO-20-659T

Notes: COVID-19 relief laws enacted as of May 31, 2020 includes Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, Pub. L. No. 116-123, 134 Stat. 146; Families First Coronavirus Response Act, Pub. L. No. 116-127, 134 Stat. 178 (2020); CARES Act, Pub. L. No. 116-136, 134 Stat. 281 (2020); Paycheck Protection Program and Health Care Enhancement Act, Pub. L. No. 116-139, 134 Stat. 620 (2020).

These amounts represent appropriation warrants issued as of May 31, 2020, by the Department of the Treasury to agencies in response to appropriations made by COVID-19 relief laws. A warrant is an official document issued upon enactment of an appropriation that establishes the amount of money authorized to be withdrawn from the Treasury. These amounts could increase in the future for programs with indefinite appropriations. In addition, this figure does not represent transfers of funds

<sup>2</sup> Pub. L. No. 116-136, 134 Stat. 281 (2020). The other three COVID-19 relief laws included in the scope of our review are the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, Pub. L. No. 116-123, 134 Stat. 146; Families First Coronavirus Response Act, Pub. L. No. 116-127, 134 Stat. 178 (2020); and Paycheck Protection Program and Health Care Enhancement Act, Pub. L. No. 116-139, 134 Stat. 620 (2020).

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that agencies may make between accounts or transfers of funds they may make to other agencies, to the extent authorized by law.

Total federal spending data are not planned to be readily available until July 2020. It is unfortunate that the public will have waited more than 4 months since the enactment of the CARES Act for access to comprehensive obligation and expenditure information published by federal agencies about the programs funded through these relief laws.

In the absence of comprehensive data, we collected obligation (government financial commitments) and expenditure data from agencies, to the extent practicable, as of May 31, 2020. For the six largest spending areas, we found that obligations totaled \$1.3 trillion and expenditures totaled \$643 billion. The majority of the difference was due to PPP, for which the Small Business Administration (SBA) obligated \$521 billion. The amounts for loan guarantees will not be considered expenditures until the loans are forgiven, and, for those that are not forgiven, whether they are timely repaid.

We also collected spending data on other programs affected by the federal response. For example, we found that the Department of Health and Human Services (HHS) has provided \$7 billion in COVID-19 Medicaid funding related to a temporary increase in the Federal Medical Assistance Percentage (FMAP), the statutory formula the federal government uses to match states' Medicaid spending. Based on the information we collected, government-wide spending totaled at least \$677 billion, as of May 31, 2020.

Given the sweeping and evolving public health and economic crisis, agencies from across the federal government were called on for immediate assistance, requiring an unprecedented level of dedication and agility among the federal workforce, including those serving on the front lines, to quickly establish services for those infected with the virus. Consistent with the urgency of responding to serious and widespread health issues and economic disruptions, agencies have given priority to moving swiftly where possible to distribute funds and implement new programs. In moving quickly, however, agencies made trade-offs, and they have made only limited progress so far in achieving transparency and accountability goals.

In particular, we identified several challenges related to the federal response to the crisis, as well as recommendations to help address these challenges, including the following:

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**Viral testing.** The Centers for Disease Control and Prevention (CDC) reported incomplete and inconsistent data from state and jurisdictional health departments on the amount of viral testing occurring nationwide, making it more difficult to track and know the number of infections, mitigate their effects, and inform decisions on reopening communities. However, HHS issued guidance on June 4, 2020, to laboratories that identifies required data elements to collect and how to report them to CDC.

**Distribution of supplies.** The nationwide need for critical supplies to respond to COVID-19 quickly exceeded the quantity of supplies contained in the Strategic National Stockpile, which is designed to supplement state and local supplies during public health emergencies. HHS has worked with the Federal Emergency Management Agency and the Department of Defense to increase the availability of supplies. However, concerns remain about the distribution, acquisition, and adequacy of supplies.

**Paycheck Protection Program.** As of June 12, 2020, the Small Business Administration (SBA) had rapidly processed over \$512 billion in 4.6 million guaranteed loans through private lenders to small businesses and other organizations adversely affected by COVID-19. As of May 31, 2020, SBA had expended about \$2 billion in lender fees. SBA moved quickly to establish a new nationwide program, but the pace contributed to confusion and questions about the program and raised program integrity concerns.

- First, borrowers and lenders raised a number of questions about the program and eligibility criteria. To address these concerns, SBA and the Department of the Treasury (Treasury) issued a number of interim final rules and several versions of responses to frequently asked questions. However, questions and confusion remained. In June 2020, Congress passed, and the President signed into law, the Paycheck Protection Program Flexibility Act of 2020, which modified key program components.
- Second, to help quickly disburse funds, SBA allowed lenders to rely on borrower certifications to determine borrowers' eligibility, raising the potential for fraud.

We recommend that SBA develop and implement plans to identify and respond to risks in PPP to ensure program integrity, achieve program effectiveness, and address potential fraud. SBA neither agreed nor disagreed, but we believe implementing this recommendation is essential.

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**Economic impact payments.** The Internal Revenue Service (IRS) and Treasury moved quickly to disburse 160.4 million payments worth \$269 billion. The agencies faced difficulties delivering payments to some individuals, and they face additional risks related to making improper payments to ineligible individuals, such as decedents, and fraud. For example, according to the Treasury Inspector General for Tax Administration, as of April 30, almost 1.1 million payments totaling nearly \$1.4 billion had gone to decedents. We recommend that IRS consider cost-effective options for notifying ineligible recipients how to return payments. IRS agreed.

**Unemployment insurance (UI).** States are implementing three new, federally funded UI programs created by the CARES Act and, as of May 2020, states had received 42 million UI claims. The Department of Labor (DOL) has taken steps to help states manage demand, but DOL is developing its approach to overseeing the new UI programs. We will be evaluating DOL's monitoring efforts in future reports. Further, the UI program is generally intended to provide benefits to individuals who have lost their jobs; under PPP, employers are generally required to retain or rehire employees. According to DOL, no mechanism currently exists that could capture information in real time about UI claimants who may receive wages paid from PPP loan proceeds. We recommend that DOL, in consultation with SBA and Treasury, immediately provide help to state unemployment agencies that specifically addresses PPP loans and the risk of improper payments associated with these loans. DOL neither agreed nor disagreed with the recommendation, but noted it was planning forthcoming guidance.

**Contract obligations.** Government-wide contract obligations in response to the COVID-19 pandemic totaled about \$17 billion as of May 31, 2020. Goods procured include ventilators, and services contracted for include vaccine development. In addition, the CARES Act provided \$1 billion for Defense Production Act purchases—\$76 million of which was awarded to increase production of N95 respirators.



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## Evolving Lessons Learned from Initial COVID-19 Response and Past Emergencies Highlight Areas for Continued Attention

The nation has made some progress in fighting COVID-19. However, the virus continues to pose risks to all Americans, and there is a concern of another wave of infection this fall. This could coincide with the seasonal influenza and hurricane season—further straining federal agencies responsible for responding to these events, as well as the health care system. Additionally, the nation’s initial response to COVID-19 highlights the challenges presented by an inherent fragmentation across responsibilities and capabilities in the federal biodefense response and health care system, which includes private, public (local, state, and federal governments), and nonprofit entities.

Lessons from the initial response, as well as experience from past economic crises, disasters, and emergencies, highlight areas where continued attention and oversight are needed—with the focus on improving ongoing response efforts and preparing for potential additional waves of infection. These lessons include the following:

- Establishing clear goals and defining roles and responsibilities for the wide range of federal departments and other key players are critically important actions when preparing for pandemics and addressing an unforeseen emergency with a whole-of-government response.
- Providing clear, consistent communication in the midst of a national emergency—among all levels of government, with health care providers, and to the public—is key.
- Collecting and analyzing adequate and reliable data can inform decision-making and future preparedness—and allow for midcourse changes in response to early findings.
- Establishing transparency and accountability mechanisms early on provides greater safeguards and reasonable assurance that federal funds reach the intended people and are used for the intended purposes. Such mechanisms also help ensure program integrity and address fraud risks.

While Congress has taken a number of actions to help address the pandemic, it continues to consider additional actions—both to improve ongoing efforts and implement new ones—and develop plans for congressional oversight of the nation’s response to and recovery from COVID-19. Congressional oversight plays a vital role in spurring agency progress on matters of national importance.<sup>3</sup> On the basis of our work on

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<sup>3</sup>See, for example, GAO, *High Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*, [GAO-19-157SP](#) (Washington, D.C.: Mar. 6, 2019).

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past large-scale government responses to economic downturns and other crises, we recommend Congress consider taking legislative action in the following areas:

**Aviation-preparedness plan.** In 2015, we recommended that the Department of Transportation (DOT) work with federal partners to develop a national aviation-preparedness plan for communicable disease outbreaks. DOT agreed, but as of May 2020, maintained that HHS and DHS should lead the effort. Thus far, no plan exists. We recommend that Congress take legislative action to require DOT to work with relevant agencies and stakeholders to develop a national aviation-preparedness plan to ensure safeguards are in place to limit the spread of communicable disease threats from abroad while at the same time minimizing any unnecessary interference with travel and trade.

**Full access to death data.** The number of economic impact payments made to decedents highlights the importance of consistently using key safeguards in providing government assistance to individuals. IRS has access to the Social Security Administration's full set of death records, but Treasury and its Bureau of the Fiscal Service, which distribute payments, do not. We recommend that Congress provide Treasury with access to the Social Security Administration's full set of death records and require that Treasury consistently use it to help reduce similar types of improper payments.

**Medicaid.** We previously found that during economic downturns—when Medicaid enrollment can rise and state economies weaken—the FMAP formula does not reflect current state economic conditions. We previously developed a formula that offers an option for providing temporary automatic, timely, and targeted assistance.<sup>4</sup> We recommend that Congress use this formula for any future changes to the FMAP during the current or any future economic downturn to help ensure that the federal funding is targeted and timely.

In the report we issued yesterday, we also describe potential indicators that could be used to monitor public health and economic recovery. The report also contains 41 enclosures that contain information about a wide

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<sup>4</sup>GAO, *Medicaid: Prototype Formula Would Provide Automatic, Targeted Assistance to States during Economic Downturns*, [GAO-12-38](#) (Washington, D.C.: Nov. 10, 2011).

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range of federal programs or initiatives that were created, expanded, or funded in the COVID-19 relief laws.

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In conclusion, both Congress and the administration have acted to respond to public health and economic threats posed by COVID-19. Federal agencies and personnel acted quickly to stand up new programs or expand existing programs to, among other things, aid individuals, states, and businesses. But much work remains in protecting the health and well-being of Americans, both today and in the coming months, as the nation may be forced to simultaneously confront new waves of COVID-19 infections and seasonal influenza.

In our initial report we make recommendations to help improve the effectiveness of the federal government's ongoing response. Our ongoing oversight will continue to focus on improving the government's response and recovery efforts as well as the nation's preparedness for future outbreaks. Chairman Clyburn, Ranking Member Scalise, and Members of the Subcommittee, this concludes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

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## GAO Contact

For further information about this testimony, please contact A. Nicole Clowers, Managing Director, Health Care, at (202) 512-7114 or [clowersa@gao.gov](mailto:clowersa@gao.gov); Katherine Siggerud, Chief Operating Officer, at (202) 512-5600 or [siggerudk@gao.gov](mailto:siggerudk@gao.gov); or Orice Williams Brown, Managing Director, Congressional Relations, at (202) 512-4400 or [williamsor@gao.gov](mailto:williamsor@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report.

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Chuck Young, Managing Director, [youngc1@gao.gov](mailto:youngc1@gao.gov), (202) 512-4800, U.S. Government Accountability Office, 441 G Street NW, Room 7149, Washington, DC 20548

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## Strategic Planning and External Liaison

James-Christian Blockwood, Managing Director, [spel@gao.gov](mailto:spel@gao.gov), (202) 512-4707, U.S. Government Accountability Office, 441 G Street NW, Room 7814, Washington, DC 20548

