

**EXAMINING FEDERAL EFFORTS TO PREVENT,
DETECT, AND PROSECUTE PANDEMIC RELIEF
FRAUD TO SAFEGUARD FUNDS FOR ALL
ELIGIBLE AMERICANS**

HEARING

BEFORE THE
SELECT SUBCOMMITTEE ON THE CORONAVIRUS
CRISIS
OF THE

COMMITTEE ON OVERSIGHT AND
REFORM

HOUSE OF REPRESENTATIVES

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C O N T E N T S

Hearing held on June 14, 2022 Page 1

WITNESSES

Michael Horowitz, Chair, Pandemic Response Accountability Committee
Oral Statement 5
Hannibal “Mike” Ware, Inspector General, Small Business Administration
Oral Statement 7
Kevin Chambers, Director for COVID-19 Fraud Enforcement, Department
of Justice
Oral Statement 8
Roy D. Dotson, Jr., Acting Special Agent in Charge, National Pandemic
Fraud Recovery Coordinator, United States Secret Service
Oral Statement 10

** Written opening statements and the written statements of the witnesses are available on the U.S. House of Representatives Document Repository at: docs.house.gov.*

INDEX OF DOCUMENTS

** OIG COVID-19 Fraud Investigations, Indictments, and Convictions; submitted by Chairman James Clyburn.*

No additional documents were entered into the record for this hearing.

**EXAMINING FEDERAL EFFORTS TO PREVENT,
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FRAUD TO SAFEGUARD FUNDS FOR ALL
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Tuesday, June 14, 2022

HOUSE OF REPRESENTATIVES
COMMITTEE ON OVERSIGHT AND REFORM
SELECT SUBCOMMITTEE ON THE CORONAVIRUS CRISIS
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 2247, Rayburn House Office Building, and via Zoom; Hon. James E. Clyburn (chairman of the subcommittee) presiding.

Present: Representatives Clyburn, Maloney, Foster, Raskin, Krishnamoorthi, Scalise, Green, Malliotakis, and Miller-Meeks.

Chairman CLYBURN. Good morning. The committee will come to order. Without objection, the chair is authorized to declare a recess of the committee at any time. I now recognize myself for an opening statement.

The coronavirus crisis caused significant economic suffering as millions of Americans lost their jobs and businesses struggled to keep their doors open. Congress took decisive action to ease this pain, appropriating unprecedented relief for small businesses and workers who lost their jobs. First, through the CARES Act, and later, under President Biden, through the American Rescue Plan. These laws funded the Small Business Administration's Paycheck Protection Program or PPP, and Economic Injury Disaster Loan program or E-I-D-L, we call EIDL, as well as expanded unemployment insurance.

Unfortunately, criminals and criminal organizations took advantage of Americans suffering during this crisis and committed substantial fraud against these critical pandemic relief programs, stealing billions of dollars in aid. These acts of fraud are not victimless crimes. This fraud exhausted funds badly needed by eligible Americans, particularly funds allocated to support small businesses that are crucial to making the American economy thrive.

In some cases, pandemic relief fraud involved a tentative theft that prevented innocent people from accessing unemployment insurance when they lost their jobs and were in desperate need of assistance. In other cases, pandemic fraud put identity theft victims' credit at risk as fraudulent relief loans were taken out in their names.

The Trump administration contributed to this problem by failing to put basic fraud controls in place to protect these vital relief pro-

grams and American taxpayers from fraud. Today, the select subcommittee released a report showing that under the Trump administration, SBA failed to implement basic safeguards to prevent fraud against the EIDL program. The Trump administration even directed loan officers to approve EIDL loan applications when there were clear indications that the applicants were engaged in identity theft. This both depleted funds from a critical relief program and put Americans at increased risk of suffering the consequences of identity theft.

The SBA Office of Inspector General similarly found that during the Trump administration, SBA failed to use sufficient controls to prevent PPP fraud—and I’m quoting here, “lowered the guardrails,” end of quote, in the EIDL program, significantly increasing fraud vulnerabilities.

We look forward to hearing from SBA Inspector General Ware today about his office’s efforts to address the fraud that occurred because of these failures, including his office’s work to recoup taxpayer dollars lost to fraud. The Biden administration has taken action to reverse the damage caused by the prior administration and to prevent future fraud. In the EIDL program, the Biden administration implemented measures to identify potential fraud, directed loan officers to address indications of fraud before approving loans, and took additional steps to make sure applications were legitimate.

Further, through the American Rescue Plan, Congress made critical investments in fraud prevention and accountability, including providing more than \$200 million in funding for watchdogs to investigate fraud, waste, and abuse, as well as \$2 billion to support states’ modernization of unemployment insurance systems to reduce fraud vulnerabilities. The Biden administration has begun using these funds to support state efforts to make unemployment insurance systems both more accessible to eligible recipients, and less susceptible to fraud.

This funding is also supporting the work of the Pandemic Response Accountability Committee, or PRAC, chaired by Inspector General Michael Horowitz. The PRAC has coordinated efforts to conduct and investigate fraud across the Federal Government. We will hear about those important efforts from Inspector General Horowitz today.

As the Biden administration works to prevent and detect fraud, they have also taken action to hold perpetrators of fraud accountable. As he continued to do in this year’s State Of The Union, President Biden directed the Department of Defense to appoint a chief prosecutor to lead efforts to investigate pandemic relief fraud. Kevin Chambers, who was named to this role in March, is here with us today. Data the Department provided to the select subcommittee showed that it has already charged nearly 1,500 people with alleged fraud against pandemic relief programs. We look forward to hearing from Mr. Chambers about the Department of Justice’s efforts.

There is more that must be done to bring perpetrators of fraud to justice and to protect future emergency programs. We should consider whether to extend statutes of limitations to allow investigators more time to uncover pandemic relief fraud, and we should

continue efforts to protect relief funds by fulfilling the Biden administration's requests for more funds to protect and strengthen state unemployment insurance systems.

I would like to thank our witnesses for being with us today. I look forward to hearing more about the administration's efforts to hold perpetrators of fraud accountable and what else we can do to protect vital relief programs going forward.

I now recognize the Ranking Member Scalise for his opening statement.

Mr. SCALISE. Thank you, Mr. Chairman, and I'd also like to welcome the witnesses and thank them for joining us today for this important hearing.

In the initial days and months of the COVID pandemic, uncertainty was rampant, and much of the economy was locked down. Congress acted multiple times in a bipartisan way to deliver much-needed relief as fast as we could to help save as many jobs as we could. We knew keeping people employed was the best way to keep our economy from crashing. Perhaps the most significant program was the Paycheck Protection Program, known as PPP. Initially, Congress gave the new program \$349 billion in March 2020, and mandated that the Small Business Administration implement the program within 15 days of enacting this new program.

Over time, the program received more than \$800 billion, and the SBA estimates that it saved more than 51 million jobs. That's right. President Trump worked with Democrats and Republicans in Congress to pass a program at the beginning of a global pandemic that saved more than 51 million jobs and turned it around at rapid pace.

Using loan data as of August 2020, the SBA office of Inspector General has flagged an estimated \$4.6 billion, which represents roughly one-half of one percent of the total loan funding for potential fraud or other improper payments. Fraud of any kind is wrong, but given the size of the program and the demands placed on the agency by Congress to rush the money out of the door to save as many jobs as possible, about one-half of one percent is better than most Federal programs that have been around for decades. Sadly, despite this fact, Democrats have continued their effort to undermine the PPP's success by attacking the Trump administration and financial institutions involved in the program despite the PPP's well documented successes.

In stark contrast to PPP, is the enhanced unemployment insurance program. The Labor Department's Office of Inspector General estimates an improper payment rate of 18.7 percent in 2021. That means about 6—\$163 billion—\$163 billion of the program's \$872 billion in Federal, state unemployment benefits paid during the pandemic, could have been improperly paid with a significant portion attributable to fraud.

The OIG found that, quote, "Based on their audit and investigative work, the improper payment rate for the pandemic UI program is likely higher than 18.71 percent." Why aren't we having a hearing on that? Great. Let's go after the \$4 billion, but why aren't we going after the \$163 billion that's being completely ignored in fraud? There are numerous examples of domestic UI fraud.

One man from New York received \$1.5 million over 10 months. A California real estate broker got more than \$500,000 over six months. One person used the same social security numbers to file UI claims in 40 different states. We're not having a hearing on this. In addition, the program was targeted by criminal organizations and enemy nation states. A ProPublica investigation found that a substantial amount of UI fraud can be attributed to organized crime, both in the United States and abroad.

Estimates by some say at least 70 percent of the money stolen ultimately went to foreign nationals in countries like China, Russia, and Nigeria. One state received fake unemployment claims that came from IP addresses in nearly 170 different countries. That was just one state's reported fraud. So far, just over \$4 billion has been recovered of that 160-plus billion dollars in fraud from the enhanced UI program.

We should be doing everything we can to aggressively identify, investigate, and prosecute the criminal fraud in pandemic unemployment programs. That's why I introduced a bill last week with many of my fellow Republican colleagues to help encourage states to recover fraudulent payments. I hope we'll be able to get that bill moved through Congress quickly.

On top of the egregious and unprecedented fraud, the pandemic's enhanced UI program has been cited as a leading contributor to the historically high inflation that is crushing American families right now. With all the legislative extensions, some claimants could receive up to 79 weeks of enhanced unemployment, about a year-and-a-half of getting paid more money not to work than what they were making at their job. And all this while businesses all across the country are still looking for workers, you had the government paying hundreds of billions of dollars to pay people more money not to work than they were working prior to the pandemic.

Democrats insisted on extending the program for another six months and providing an additional \$300 a week in their partisan \$1.9 trillion spending spree that caused the highest inflation in 40 years. The latest numbers have inflation hitting 8.6 percent last month. This is costing the average American household an additional \$327 a month. That's right. Families across America are paying \$300 a month more in higher inflation because of all the trillions of dollars in spending here in Washington doing things like paying people not to work.

Washington Democrats shamelessly used the pandemic to pursue their socialist dreams of government dependency. They paid people not to work, handed out big stimulus checks and expanded government welfare programs, all while ignoring the warnings about inflation that would be caused. Instead of dumping cash into the already recovering economy, we should have been focused on reopening schools and getting our businesses back open safely and helping those workers get back into their jobs.

While PPP and other pandemic programs have a few detractors, they were overwhelmingly bipartisan and largely succeeded in delivering much-needed relief, and, again, saving 51 million jobs for those hard-working families who are luckily still in the work force today because of this program.

I hope that in our oversight of pandemic programs, my Democrat colleagues will be able to recognize the difference between what was needed to save the economy during unprecedented pandemic versus pushing a partisan inflation inducing agenda.

With that, again, I look forward to hearing from our witnesses.

And Mr. Chairman, I yield back the balance of my time.

Chairman CLYBURN. Thank you very much, Mr. Scalise.

I would now like to introduce our distinguished witnesses. The Honorable Michael Horowitz is the Inspector General for the Department of Justice, and chairs the Pandemic Response Accountability Committee. Inspector General Horowitz testified before this committee last March, and we appreciate his return to testify today.

The Honorable Hannibal “Mike” Ware is the Inspector General for the Small Business Administration. Inspector General Ware also testified before this committee last year, and we look forward to hearing from him again today.

Mr. Kevin Chambers is an Associate Deputy Attorney General who is serving as Director for COVID 19 fraud enforcement. Thank you for being here today.

Mr. Roy Dotson is the National Pandemic Fraud Recovery coordinator for the United States Secret Service. Thank you.

And I would like for the—all witnesses please stand, raise your right hands.

Do you swear or affirm that the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Thank you. You may be seated.

Let the record show that the witnesses answered in the affirmative. Without objection, your written statements will be made part of the record.

Mr. Horowitz, you’re now recognized for five minutes for your opening statement.

STATEMENT OF HON. MICHAEL HOROWITZ, CHAIR, PANDEMIC RESPONSE ACCOUNTABILITY COMMITTEE;

Mr. HOROWITZ. Thank you, Mr. Chairman, Ranking Member Scalise, members of the subcommittee. Thank you for inviting me to testify today about the work of the PRAC, which Congress created in March 2020 to oversee what is now over \$5 trillion in pandemic relief spending across 426 Federal programs at 40 agencies. Given the magnitude of these responsibilities, we’ve developed a new model of conducting oversight in a crisis that involves promoting transparency by providing the public with accessible and comprehensive spending data on our website, pandemicoversight.gov, collaborating across Inspector General community, in the oversight community, to identify cross-cutting issues and risks, by detecting and preventing fraud, waste, abuse, and mismanagement through the use of leading edge data insights and analytic tools, and holding wrongdoers accountable by marshaling the investigative and analytical resources of the oversight community.

A key to our success has been the transparency we’ve provided to the public about pandemic-related spending. [Pandemicoversight.gov](https://pandemicoversight.gov), our website, empowers Americans to see

how their money is being spent and enables whistleblowers to help us prevent and detect wrongdoing. However, we face several challenges in our efforts to advance transparency.

As we reported in November 2020 and October 2021, significant agency data gaps present challenges to our pandemic oversight efforts. And data completeness is just one of the challenges we've identified as part of our oversight efforts. In September 2021, and again last week, we issued reports highlighting the important lessons we've learned from reviewing some of the largest pandemic relief programs. Among those lessons that we've detailed in those reports are that agencies should be using the existing data to determine program eligibility rather than relying on individual self-certifications as occurred in many instances here.

I want to briefly mention the critical role collaboration has played in our oversight efforts. From the earliest days of the pandemic, we regularly coordinated with GAO leadership, and similarly engaged with our state and local oversight partners. For example, the PRAC conducts quarterly briefings to share fraud indicators with our state and local oversight partners. To date, close to 400 state and local officials have participated in those briefings.

We've also had strong working relationship with senior executive branch officials. This level of engagement with IGs and the PRAC has become a model for how to manage large-scale spending programs and to ensure that agencies benefit from the knowledge that IGs have developed through our oversight work.

Let me turn to our accountability efforts. The only way to effectively oversee \$5 trillion in relief spending is with data. At the PRAC, we've use advanced data science to further our oversight by creating the Pandemic Analysis Center of Excellence, or PACE, to deliver world class analytic, audit, and investigative support. Our data analytic center is currently providing 37 law enforcement agencies access to more than 150 million records from public, non-public, and commercial data sources. The work of the PRAC and partner IGs have already led to more than 1,200 indictments and complaints, about 950 arrests and over 450 convictions.

We are committed to using all available tools to hold wrongdoers accountable, including criminal, civil and administrative actions, such as forfeiture and suspension and debarment. This investigative and oversight work has also led us to conclude that prevention and detection of identity theft should be among the highest priorities of Federal agencies. Identity theft has been endemic in the fraud cases we've seen, and just yesterday, the PRAC issued a report summarizing our key insights on this issue. We've also found that identity theft victims have few avenues of assistance available to them. That's why the PRAC created the identity fraud Reduction and Redress Working Group. Our working group is partnering with IGs to identify ways agencies can help close those gaps and to help identity theft victims move forward.

Finally, I want to voice my support for three bipartisan bills pending in Congress that would assist our efforts to fight fraud and pandemic-related spending. Two of those bills passed the House earlier this month, as the chairman mentioned. The third is currently pending on the Senate floor that would allow us to increase

the jurisdictional recoveries for smaller false claims. I'm hoping for prompt congressional action on all three bills.

Thank you for your continued strong support for our oversight work, and I am pleased to answer any questions the committee may have.

Chairman CLYBURN. Thank you very much, Mr. Horowitz.

The Chair now recognizes for five minutes Mr.—the Honorable Hannibal Ware.

**STATEMENT OF HON. HANNIBAL “MIKE” WARE, INSPECTOR
GENERAL, SMALL BUSINESS ADMINISTRATION**

Mr. WARE. Chairman Clyburn, Ranking Member Scalise, and the distinguished members of the subcommittee. Thank you for inviting me to speak with you today and for your continued support of my office.

My office is providing oversight of more than \$1 trillion in pandemic funds. The unprecedented pandemic response demanded an unprecedented oversight approach. Our office has performed audits in real time, and we literally rewrote the book on how to present findings in a timely and proactive manner. OIG reviews typically take 10 to 12 months to conclude, whereas we published reports meeting stringent review standards in little as two weeks.

To date, we have issued 22 pandemic-related reports. Our recommendations for corrective action to the agency have resulted in SBA tightening their internal control systems and our work continues to focus on the various phases of the program to mitigate fraud and ensure only eligible recipients receive funds. The importance of this ongoing oversight to the Nation cannot be overstated. It is our goal, a goal I know that is shared by the PRAC and the IG community, that the lessons learned will prevent future missteps when taxpayer dollars are at stake.

This brings me to the fraud landscape and the urgency by which I bring this message to you today. This subcommittee knows well the tens of billions of dollars that have been identified by my office as potentially fraudulent. The actions of these fraudsters will not simply vanish. The evidence trail left behind can best be described as footprints in concrete.

Our oversight accomplishments are significant, literally billions of dollars, but we are nowhere near a full understanding of the fraud landscape. What we do understand is that we are far beyond the notion of potential fraud, and we are attacking this fraud head on. Our investigators are topnotch and viewed as experts across the law enforcement community. They have forged partnerships with counterparts, joined task forces, and worked hand in glove with prosecutors to bring wrongdoers to justice.

Our data analytics team is using cutting-edge artificial intelligence and machine learning to develop high-impact leads, which are aggressively pursued by our investigators. We are systematically approaching the use of these resources to develop the capability to detect fraud in near real time going forward.

In addition to independently developed leads, we're combing through financial suspicious activity reports, allegations of fraud directly from financial institutions, SBA program offices, and our hotlines to prioritize our investigative work.

With under 70 criminal investigators on board, we alone are far outmatched with the hundreds of thousands of investigative leads. We have 399 open investigations regarding EIDL and PPP fraud, which are associated with over \$1 billion of estimated loss. Our investigators have proven to be tireless and collaborative, and represent the best of a whole-of-government response to this massive theft of taxpayer funds.

Now, let me raise awareness of the fraud landscape before us, and why it is vital that the statute of limitations is extended to close the disparity between the 10-year bank fraud statute of limitations, and fraud that is committed against non-banking institutions, such as SBA. The House took action last week to pass such measures. EIDL loans were provided a 30-month deferment period for the first payment, with the program just closing a couple weeks ago.

History tells us that the fraud fully reveals itself when loans begin to default. Given we already have brought wrongdoers to justice associated with hundreds of millions of dollars in fraud, and we have identified tens of billions of potential fraud as being prioritized, there simply must be more time made available in the interest of justice to the taxpayer.

We similarly are faced with a wave of fraud to be fully realized in PPP. Already, over 66,000 loans have defaulted where SBA paid the 100 percent guarantee to the lenders in the amount of \$3.7 billion. An additional 1.2 million PPP borrowers have not requested loan forgiveness on a program designed to forgive their debt. Needless to say, these are highly suspicious loans and will require focus and scrutiny.

The President has submitted a \$10 million increase to my office's base operating budget in Fiscal Year 2023. This increase will position my office to carry forward approximately just half of the staff we on-boarded to provide oversight of SBA's pandemic response, the quid suggests 30 positions. It is vital that the President's budget is supported and that we consider the fraud landscape that I've presented to you today. The Nation can depend on us to provide independent, objective, and timely oversight of SBA as we have demonstrated.

Thank you for the opportunity to speak to you today, and I'm happy to answer any questions you may have of me.

Chairman CLYBURN. Thank you very much, Mr. Ware.

The Chair now recognizes Mr. Chambers for five minutes.

**STATEMENT OF KEVIN CHAMBERS, DIRECTOR FOR COVID 19
FRAUD ENFORCEMENT, DEPARTMENT OF JUSTICE**

Mr. CHAMBERS. Mr. Chairman, Ranking Member and members of the committee, thank you for the invitation to meet with you today.

The Department fully shares your concern about pandemic-related fraud and is committed to doing all that it can do to vigorously prosecute pandemic fraud, bring to bear all appropriate criminal, civil, and administrative tools. This is not a new commitment. The Department has been prosecuting pandemic-related fraud since COVID-19 arrived on our shores. Since then, U.S. attorneys offices have criminally charged approximately 1,300 defendants, and the criminal division fraud section has criminally

charged and prosecuted 220 defendants in pandemic-fraud-related matters. These cases, most of which are still in progress, have involved over \$1.1 billion in lawsuits. Many more matters are in the investigative stage.

As with our criminal matters, our civil attorneys have also been hard at work. They've opened 300 civil investigations into over 2,300 individuals and entities for alleged misconduct in connection with pandemic fraud. Now, all of our attorneys are working tirelessly on other not yet public matters not included in these totals, but the resolved cases do exemplify the Department's efforts.

In the western district of Washington, just to give one example, prosecutors secured a guilty plea for a foreign national who used the stolen identities of more than 20,000 Americans to file for more than \$2 million in government benefits across multiple states. This is just one example of the many cases already resolved by the Department.

We are proud of the work done so far, but it is no time to pat ourselves on the back. As with any government relief program, there were those here and abroad who saw pandemic relief as an opportunity for personal enrichment. These thieves employed a number of schemes to carry out their selfish ends. They purchased stolen identities and filed for unemployment insurance relief benefits, using bank accounts opened online to receive the funds and money mules to help transfer the benefits overseas.

They created fake businesses and received funds in the names of those imaginary companies. They used fishing scams to trick unsuspecting citizens into downloading malware onto their computers and used that malware to steal personal and financial information. Criminals have worked together in loose, online networks using encrypted messaging applications to coordinate schemes to file for SBA loans and unemployment insurance benefits. This is not imaginary money.

Each dollar stolen was a dollar taken from a small restaurant owner who wanted nothing more than to keep her staff on the payroll, or taken from suddenly unemployed parents who needed help feeding their families. Each dollar stolen could have been used to obtain protective gear, COVID tests or other scarce resources. Instead, the stolen money was diverted into the hands of criminals.

As we approach the next phase of our enforcement work, we will focus on data. Indeed, we will start with the data, and there is plenty of it. For each fraudulent application, someone provided a name, a mailing, email, or IP address, a bank account or other data. Through use of advanced analytical tools, we will continue to identify patterns and trends that will lead us to those who put themselves above the safety and security of the American people, and we will be bringing all of our tools to this fight.

We will deploy skilled, dedicated prosecutors across the Department to lead the effort to prosecute these cases. And dedicated analysts will pour through millions of pieces of data to create the leads that will result in investigations and ultimately convictions. We are supported by investigators from across the Federal Government who have committed resources to assist.

And I would like to thank the other witnesses at the table today, all of whom have lent their support and commitment. I appreciate their partnership.

Like the relief and like the fraud, our response must be unprecedented. The enormous amount of data and the years of work ahead will require significant resources. The President's 2022 budget sought \$41.2 million for COVID fraud enforcement efforts. Unfortunately, that amount was not approved by Congress. The President's 2023 budget contains the same request. These resources will speed our data analysis and our identification of fraudulent schemes, and that will increase our ability to bring people to justice and recover funds.

And our experience so far shows a tremendous return on investment when it comes to resources committed to COVID-19 fraud enforcement. So, we ask for your continued support to properly staff this effort with the agents, analysts and prosecutors needed to bring these criminals to justice, and to seize their ill-gotten gains.

Once again, thank you for attention to this matter and for your support. I'm happy to answer any questions you may have. Thank you.

Chairman CLYBURN. Thank you very much.

Mr. Dotson, you're recognized for five minutes.

STATEMENT OF ROY D. DOTSON, JR., ACTING SPECIAL AGENT IN CHARGE, NATIONAL PANDEMIC FRAUD RECOVERY COORDINATOR, UNITED STATES SECRET SERVICE

Mr. DOTSON. Good morning, Chairman Clyburn, Ranking Member Scalise, and distinguished members of the select subcommittee. Thank you for the opportunity to appear before you today to discuss the ongoing efforts in the United States Secret Service to counter cyber-enabled financial crimes targeting the Nation's financial infrastructure, in particular COVID-19 fraud.

My name is Roy Dotson, and I'm assigned to the Secret Service Office of Investigation as the national pandemic fraud recovery coordinator. The operative word regarding the CARES Act was speed. U.S. citizens were suffering from the effects of COVID-19 and needed assistance. Unfortunately, fast money sometimes equals fast crime, and fast crime requires an equally fast response by law enforcement.

The CARES Act was signed into law March 27th, 2020, and by the first week of May, the Secret Service was investigating cases involving unemployment fraud. It quickly became apparent that organized groups, as well as individuals, were targeting the system's programs. Within weeks, the Secret Service partnered with the Financial Crimes Enforcement Network, or FinCEN, to issue two advisories alerting the financial sector to potential fraud.

We also mobilized our more than 160 offices and 44 cyber fraud task forces to focus on these investigations. These task forces are comprised of partners from the state, local partners, many of them received training at our National Computer Forensic Institution, or NCFI in Hoover, Alabama. In 2008, NCFI has trained more than 18,000 state, local, Tribal and territorial partners for more than 2,500 agencies throughout all 50 states, and five U.S. territories. Those receiving NCFI training and Secret Service-issued cyber

equipment, have become essential in assisting their local communities in countering COVID-19 fraud.

Our success in launching quick and efficient investigations is made possible by our partnerships maintained nationwide with Federal, state, and local government entities, as well as the private sector. In July 2020, the Secret Service partnered with the Department of Labor Office of Inspector General to publish our first joint advisory on pandemic fraud. This advisory was sent to nearly 30,000 financial institutions and outlined fraud indicators associated with pandemic-related schemes.

It requested those in the financial sector to work with the Secret Service to identify suspected fraudulently obtained unemployment benefits. The Secret Service also collaborated with Small Business Administration Office of Inspector General, and the Pandemic Response Accountability Committee to send out additional advisories when Economic Injury Disaster Loan and paycheck protection loan fraud was detected.

The Secret Service's efforts to recover stolen assets and hold criminals accountable will be ongoing for years. Countering this fraud and ensuring the integrity of the Nation's financial infrastructure remains a core focus of the Secret Service's investigative work. Over the past 26 months, the Secret Service has observed a clear evolution of the type of frauds being perpetrated.

These fraud schemes are not unfamiliar to the Secret Service. Phishing campaigns have given way to nondelivery of fraudulent goods and services, and those schemes have evolved into more sophisticated cyber crimes, such as ransomware attacks and business email compromises. I would like to highlight the successful completion of the Secret Service's investigation into a Michigan unemployment insurance fraud scheme.

In this case, a contract employee for the state of Michigan's unemployment insurance agency conspired with others to submit hundreds of false unemployment insurance claims. Over the course of the subject's criminal activity in exchange for bribes, she released payment on 700 fraudulent claims, resulting in the illegal disbursement of more than \$3.7 million. The joint Secret Service investigation with the Department of Labor and multiple other Federal and state agencies epitomizes the outstanding teamwork across the law enforcement community.

The subject has already been sentenced to 58 months in prison and ordered to pay restitution in the amount of nearly \$3.8 million. While this one case represents a single example of the exceptional work being done by the Secret Service and our partners to prevent and combat fraud, I'm also able to report that we continue to see mission successes emerge from hundreds of other investigative efforts. To date, the Secret Service has initiated over 1,000 criminal investigations in the pandemic relief crimes, seized over \$1.26 billion, and prevented approximately \$2.3 billion in fraud losses.

Chairman Clyburn, Ranking Member Scalise and distinguished members of the select committee, thank you for your time. I am honored to represent the dedicated professionals of the Secret Service, and I look forward to your questions.

Chairman CLYBURN. Well, thank you very much. Let me thank the entire panel, not just for your very substantive presentations

here today, but also for your very timely presentations. I don't know that we've had four members who stayed within the time allotted. You're to be congratulated. I suspect that comes from experience at this sort of thing. So, thank you so much.

Of course, each member will now have five minutes with which to ask any questions that they may have.

And I'm going to begin with a question for you, Mr. Chambers. You mentioned in your opening statement about the steps that President Biden has taken in directing your work.

Can you give us a little thumbnail sketch, a little bit like we just heard, of your work?

Mr. CHAMBERS. Sure. So, Mr. Chairman, I should start by saying while I'm new to this role, this role is new. The work of the Department has been ongoing for two years, again, right from the beginning of the pandemic. The women and men of the Department in our U.S. Attorney's Office and Justice Departments components were tasked with, on top of their already-full-capacity workloads, taking on these new and often complex cases.

My role as Director of COVID-19 fraud enforcement is to enhance and supplement the work that they've been doing. I see my role as involving three primary pillars. First is to act as point of coordination across the Department of Justice with respect to the code enforcement work that is going on in all our offices and at Main Justice.

Second is to serve as a line of facilitation and communication. Over the course of the past two years, each prosecution, each civil case has brought new lessons to be learned. And those lessons are ones that in my role I will share across the Department to make sure that we are working as effectively and as efficiently as we possibly can.

Third, in my role, we will be focusing on particular types of COVID fraud, and we will be focusing specifically on large-scale COVID-related fraud perpetrated by criminal organizations and foreign actors. We've seen some of this already in some of the cases that have been resolved, deal with that type of fraud. We will be in the not-too-distant future standing up strike teams in specifically selected locations that will be made up of dedicated prosecutors, dedicated investigative agents, and dedicated analysts, who will do nothing but prosecute that type of large-scale fraud that allows us to develop an expertise and will allow our U.S. Attorney Offices and Main Justice components to continue to do the good work they've been doing.

Chairman CLYBURN. Well, thank you very much for that. While I do not in any way condone the small actors, and I do consider the case—the Michigan case that Mr. Dotson just mentioned to be big by my estimations, but—by what we know to be taking place, it's kind of small. And so, I'm glad to see you are going to focus on these organizations that seem to be perpetrating tremendous fraud among the American people.

But the Biden administration has also prioritized other forms of fraud, and the Democrats in the Congress assisted in that effort. We assisted by appropriating \$40 million in additional funds to the PRAC as part of the American Rescue Plan. Now, if I might—if you

can see the graphic on the—on yesterday, select subcommittee—I don't—there it is.

Select subcommittee, 1,200 indictments resulting from OIG pandemic-related at the PRAC; 1,150 ongoing investigations in COVID-19 EIDL; and PPP and unemployment. I don't know if you can see this, but 450 convictions.

Now, I would like to ask for unanimous consent that we enter this into the record.

Chairman CLYBURN. Mr. Horowitz, can you please describe specific PRAC activities coordinating and supporting the efforts of these Federal agencies, such as the initiative to provide detailees and data science fellows to various offices of the Inspector Generals?

Mr. HOROWITZ. Certainly, Mr. Chairman.

You know, in the CARES Act, Congress gave us various hiring authority, and we've used that successfully to bring on board a number of data scientists. This is just one example of the work we've done to collaborate across the Inspector General community. And we've hired numerous data scientists and mathematicians and statisticians from around the country with the authority you gave us. And what we've been able to do is assign those data scientists and fellows to IG offices throughout the community.

And so, we've already placed about 20 data scientists to help IG offices look at data and find anomalies and find issues. Because, as you indicated, one of the things we want to do at the PRAC, and I know our member IGs want to do, I know Mr. Ware is trying to do it as are others, we're looking for the entire scope of the wrongdoing. And the way you do that is to use data and to use analytics and to see the thousands of applicants that use the same social security number to get unemployment benefits or PPP benefits or EIDL benefits, the same telephone numbers that are used in thousands of applications, the same drop boxes in terms of mailing addresses, social security numbers.

We have a project right now, we've identified well over a million suspiciously used social security numbers for multiple applications, and what we're looking to do is to understand from the Social Security Administration whether the Social Security numbers and names on the applications match the Social Security numbers and names the Social Security Administration has for the true owner of those accounts. We're looking at over 1 million of those instances. So, we're trying to use, on a large scale, data analytics to address some of the issues you referenced.

Chairman CLYBURN. Thank you very much. I had to be the first one to violate the five-minute rule here.

So, I'm now going to yield five minutes plus to Dr. Green.

Mr. GREEN. Mr. Chairman, I don't think I'll need it, but thank you. You're kind. Thank you, Chairman Clyburn, and Ranking Member Scalise, and I want to thank our witnesses for being here today. I really appreciate the work you're doing. You know, when people break the law, they should pay the price for it, especially considering how hurting everyone was during this time.

On Friday, the Bureau of Labor Statistics released its latest update on the inflation crisis, which continues to eat away at Americans' wallets. The Consumer Price Index rose to 8.6 percent in

May, the highest it's been in four decades. Prices are up on everyday goods and services across the board. Rent is up a record 11.3 percent over the last year. The price of groceries has increased by nearly 12 percent, the largest increase since Jimmy Carter was President.

Gas prices have more than doubled since President Biden took office and launched a crusade against American energy production. On Inauguration Day, gas averaged \$2.39 a gallon. Now, for the first time ever, the average price of a gallon of gasoline is over \$5. The cause is obvious. It's what happens when the President decides to decrease the volume of flow through our pipelines, suspend new Federal oil and gas leases, and stifle producers with costly regulations.

Core CPI, which excludes food and energy prices, is at six percent, reflecting that inflationary pressures are straining all sectors of the economy. Overall, the typical family is having to spend around 450 more dollars per month just to buy the same things they would have normally bought a year ago.

Real wages are falling in a way that we haven't seen in 40 years. This isn't surprising. As much as President Biden tries to pin the blame on everything but his own policies, his administration has shown more willingness to negotiate with Iran and Venezuela than our own domestic oil producers.

Speaker Pelosi and President's Biden wasteful and completely partisan \$2 trillion stimulus package supercharged inflation, pumping vast sums of Federal spending into the economy and requiring more borrowing and money printing. At the time, many warned that this sort of stimulus would come with a heavy price. Now, even the liberal website, Vox, ran a piece last month acknowledging, and I quote, "The Biden stimulus made the U.S. inflation problem even more severe," end quote. The Biden stimulus was the turning point that marked the beginning of the inflation crisis, which is making it much more difficult for Americans to save and make ends meet.

And a key part of that was the reckless extension of Federal unemployment benefits where many people got paid more to stay at home than to return to work. Now we know that a significant amount of the unemployment money was subject to massive fraud, with the Department of Labor's Inspector General estimating that at minimum, \$163 billion worth of unemployment spending could be attributed to fraud or improper payments out of the estimated \$872 billion that was spent out of pandemic unemployment programs. We're talking about an improper payment rate approaching 20 percent. With hundreds of billions of taxpayer dollars flushed down the drain, most of it gone forever. Hopefully not.

Agent Dotson, my first question is to you. In the course of your investigations, have you seen that a significant amount of fraud, you know, is committed by transnational or criminal organizations, and if so, do you mind detailing a little bit about that?

Mr. DOTSON. Mr. Congressman, thank you for your question.

There's no doubt that transnational and domestic organized crime groups committed fraud during this pandemic benefit programs and across the board. And we look at these investigations, you know, not to get back to Michigan, but nobody has to—you

don't have to be a citizen of Michigan to apply for Michigan unemployment assistance. So, anybody anywhere can apply, and took that opportunity. We are definitely—we have several ongoing investigations that I can't speak to today—

Mr. GREEN. Sure.

Mr. DOTSON [continuing]. that do involve transnational organized groups. I can highlight one case that dealt with a west African organized crime group that we have dealt with for years basically that commit all types of cyber crime, including ransoms and business email compromise. And of course, this was a crime of opportunity, so they took that opportunity. They committed pandemic fraud, but they have been arrested, and they are currently being prosecuted. That's kind of the black ax group out of western Africa.

Mr. GREEN. Excellent.

Mr. DOTSON. We've had some success, and we will continue to look no matter where they are. We are able to go worldwide, not only, you know, here at the Secret Service, but with our partners. We will turn over every stone, and we will go after if it's an organized group, or if it's somebody that's committed substantial fraud.

Mr. GREEN. I will take grace you've given me, Mr. Chairman, and ask one last question.

If you had to predict the amount domestic versus, you know, transnational, what would be your predictions, any one of you, on the fraud? You think it's mostly domestic? Is it mostly foreign? Is there an even mix? What's the rough guess?

Mr. DOTSON. Well, Congressman, I can say that at this time, we're still—as my distinguished colleagues here said—still trying to ascertain the amount of fraud that's occurred, and who's committed that. To give those numbers wouldn't be proper at this time.

Mr. GREEN. Fair enough.

Mr. DOTSON. I would say that it's a combination.

Mr. GREEN. Well, again, let me reiterate my thanks to the hard work that you're doing trying to dig that out. Thank you.

Did you want to say something, sir?

Chairman CLYBURN. Are you asking in terms of volume?

Mr. GREEN. Yes.

Chairman CLYBURN. Or amount of money?

Mr. GREEN. Amount of money, actually. Yes.

Mr. WARE. We have—my office, as the Office of Inspector General, has a report that will be out shortly within probably the next 30 days or so that speaks to this. We have a report coming out on foreign IP addressees that will tell a good part of the story of what happened.

Mr. GREEN. Excellent. Thank you. Very good.

Mr. HOROWITZ. If I could just add, because it relates to legislation the House passed that the Chairman mentioned—that the House passed last week, the bipartisan legislation to extend statute of limitations. The challenge at this point of estimating it is finding domestic fraud is a lot easier early on than finding the overseas fraud.

Mr. GREEN. Sure.

Mr. HOROWITZ. We have to go through not only all of the resource issues that come with figuring out what happened from overseas, but also from an investigative standpoint, we need ap-

proval to go get the information from overseas, and it highlights the importance of having more than the five years the statute of limitations currently is.

The statute of limitations that the House passed extends PPP and EIDL fraud to 10 years, lining it up with bank fraud, which Congress passed back when the S&L crisis hit 40 years ago or so, for good reason back then. It needs to happen now. Hopefully the Senate will pass it. Appreciate the House doing so already.

Mr. GREEN. Thank you.

Thank you, Mr. Chairman

Chairman CLYBURN. Thank you.

Thanks to this immediate past action and the work of Dr. Green and Mr. Foster, this subcommittee has operated in a bipartisan way to effectuate those kinds of results. So, thank you. You thought I wasn't watching, but I've been watching. Thank you, guys.

Now, we're going to go a little bit out of order, because of the schedule of one of our members and, with the acquiescence of Mrs. Maloney, the chair will now recognize Mr. Krishnamoorthi for five minutes.

Mr. KRISHNAMOORTHI. Thank you so much, Mr. Chair, and thank you for accommodating—

Mrs. MALONEY. Thank you, Mr. Chairman. Small business—

Chairman CLYBURN. The chair is now recognizing Mr. Krishnamoorthi. And I understood, Mrs. Maloney, that you had agreed for me to go out of order.

Mrs. MALONEY. OK. All right. Whatever. Whatever works, Mr. Chairman.

Chairman CLYBURN. Thank you. Mr. Krishnamoorthi.

Mr. KRISHNAMOORTHI. Thank you, Mr. Chair.

Thank you, Madam Chair Maloney, for accommodating my hearing that's happening in another committee simultaneously.

First of all, the select subcommittee released a new report today revealing the Trump administration's shocking failures to protect critical pandemic relief funds from fraud.

The committee's analysis and this document right here, which we just released today—I think it's going up—basically shows that 98 percent of DOJ's prosecutions of fraud against the EIDL program involved fraudulent applications submitted during the Trump administration. Here's actually one example why, and there's a graphic showing basically some guidance that the Trump administration had given to officers at the SBA with regard to EIDL loans.

The select subcommittee found that under the Trump administration, loan reviewers at the SBA were directed to approve applications for the EIDL program even when they had red flags that indicated potential identity theft.

Inspector General Ware, your office has specifically investigated identity theft fraud committed against the EIDL program through January 2021. Isn't that right?

Mr. WARE. That is correct.

Mr. KRISHNAMOORTHI. Did the choice to approve applications for the EIDL program despite red flags indicating potential identity theft increase the likelihood of fraud?

Mr. WARE. Well, thank you for your question. The work that we are doing in this regard is ongoing. What we did—so we have not fully completed that work within my office.

Mr. KRISHNAMOORTHY. I understand, but I guess my question is this: Would approving EIDL program loans despite red flags with regard to identity theft increase the likelihood of fraud?

Mr. WARE. Yes, it would. I believe that we did have a report that asked them to flag items such as that. It gave them specifically which ones we asked them to flag, and we also asked them to set up a system where you could clear a flag if it was, indeed, a reason for something happening.

Mr. KRISHNAMOORTHY. Right. And prior to the pandemic, SBA actually had a, quote, “rule of two control,” close quote, rule of two, where basically two SBA employees would review and approve a loan application, but the SBA OIG reported that this control was abandoned for EIDL loans related to the pandemic.

Mr. Ware, did the choice to abandon the rule of two control for the EIDL program increase the likelihood of fraud? I presume it did.

Mr. WARE. Yes, it did.

Mr. KRISHNAMOORTHY. Whenever you dispense with a requirement that two people, you know, basically act as a check on fraud, well, you’re going to have more fraud, and that was predictable.

Now, let me ask you this: Mr. Horowitz, from your work with partners across the government, do you believe that EIDL and other vital programs could have delivered quick relief while doing a better job of preventing fraud?

Mr. HOROWITZ. Congressman, I think that is correct. What—the challenge here in any program, particularly in a national emergency that we’re facing, is speed versus proper payments and controls. And what we saw here early on for several programs, including PPP and EIDL, was that speed overrode any controls whatsoever.

And, so, having simply a situation where you’re requiring self-certification and nothing more is an invitation to fraudsters to come in and try and obtain benefits they shouldn’t otherwise get.

As Mr. Ware has reported, I think it was 57,000 applications in PPP were individual—were for applicants who are on the Do Not Pay List involving several billions of dollars. Well, that Do Not Pay List is sitting in the Treasury Department. It doesn’t take a lot of time to compare that data with the applications. So—

Mr. KRISHNAMOORTHY. And can you just tell us, do you know what were among the biggest loans among those 57,000?

Mr. HOROWITZ. Mr. Ware.

Mr. WARE. I don’t have that—unfortunately, I don’t have that report in front of me currently, so I can’t speak specifically to what the biggest loans were, but any of them would have been an issue.

Mr. KRISHNAMOORTHY. And how much fraud are we talking about just in those loans?

Mr. WARE. \$3.6 billion.

Mr. KRISHNAMOORTHY. Yes, that’s a lot of money. Thank you so much for your time.

Chairman CLYBURN. Thank you very much.

The chair now recognizes Dr. Miller-Meeks for five minutes.

Mrs. MILLER-MEEKS. Thank you, Mr. Chair.

And I'd like to thank all of our witnesses for taking time to come and testify before the committee today. And I want to say for the companies, the businesses, the employers in my district in Iowa, the Second District of Iowa, they were tremendously appreciative when the government closed down their businesses, and their business had the potential to fail and never come back, not from their own poor planning or poor execution or poor savings, but because the government shut them down, they were tremendously appreciative of the PPP program, how it was administered, that it was administered through their local banks. And it was what helped to save them through the pandemic and to come back and to be part of the strong economy in Iowa today.

So, I'd like to take a brief moment to discuss the actual rates of fraud in the programs we're discussing today.

So, Mr. Ware, what was the fraud rate in the PPP program?

Mr. WARE. Thank you for your question. The fraud rate in the PPP program is not something that we have calculated yet. What you saw at the onset was a report that raised immediate awareness that we had an issue, and that was where the 4.6-, \$4.7 billion came from in PPP.

Once we identified that we had issues, we pivoted into making SBA raise the controls in order to prevent more up front, because we realized the pay and chase model that would be necessary afterward would not be effective. So, we spun into identifying real fraud, in terms of our casework and everything else.

I said earlier that we're nowhere near understanding what the full amount is.

Mrs. MILLER-MEEKS. I thought the fraud rate was 0.6 percent. That was my understanding. So, I could see that you put in roadblocks and guardrails.

Are you aware of the improper payment estimates for the pandemic unemployment insurance program?

Mr. WARE. Yes, I do. Yes, I am.

Mrs. MILLER-MEEKS. And what's the rate there?

Mr. WARE. The rate there is like 18-point-something percent, but—

Mrs. MILLER-MEEKS. 18.71 percent. So, 0.6 percent versus 18.71 percent. According to the Department of Labor Inspector General, this means that if you use the estimated \$872.5 billion in pandemic unemployment insurance payments, at least \$163 billion in pandemic UI payment benefits could have been paid improperly, with a significant portion attributable to fraud.

Some of the states have reported on unemployment fraud, and it's jarring the amounts we're talking about. For example, one man filed for unemployment in 40 states and received more than \$222,000.

Even more jarring are the investigations that have found a substantial amount of this fraud can be attributed to organized crime, including reports of up to 70 percent of the fraudulent money ended up in the hands of Russian, Chinese, and Nigerian nationals.

So, what we've seen perpetrated on the Federal level is now the same criminal organizations targeting state governments and state benefit programs.

Mr. Dotson, I'd like to ask you to discuss, from your perspective, what has been done and what can be done to combat this transnational criminal fraud now and in the future, knowing that it's targeted these Federal programs and is looking at state programs, where they may not have substantial guardrails?

Mr. DOTSON. Yes, Congresswoman. Thank you for your question. Obviously, the Secret Service and our Cyber Fraud Task Forces regularly work transnational crime. And so, this is nothing new to us. We are financial-crimes investigating experts.

So, when we work these cases annually, we're kind of used to following the trail, the money trail. So, we will follow that. We will continue to do that. We have some great relationships internationally with numerous countries that allow us to partner with them and identify transnational organized groups.

And, as I said earlier, we have several investigations, you know, hundreds of investigations that involve transnational organized groups that I just can't talk to today, but I hope to at a later time bring more information to this committee.

So, we will continue to follow that money, recover as much as we can for the U.S. taxpayer, and bring those that have committed this fraud to justice as best we can.

Mrs. MILLER-MEEKS. And is there work with the technical assistance or training for states, especially where they interface with the Federal Government?

Mr. DOTSON. Yes, ma'am. So, I talked about, earlier, our National Computer Forensics Institute in Hoover, Alabama. You know, countless Federal, state, and local partners, primarily state and local partners, have received specialized training there, you know, technical training that includes for our forensic examiners. They are also issued special equipment in order to do those examinations.

And it is such a great force multiplier for the Secret Service. It gives us additional thousands of extra investigators, detectives from our state and local departments that we can equip, and then have them focus on these investigations along with us.

Mrs. MILLER-MEEKS. Thank you very much. I yield back my time.

Chairman CLYBURN. Thank you very much.

The chair now recognizes Mrs. Maloney for five minutes.

Mrs. MALONEY. Thank you, Mr. Chairman, for your leadership and for this hearing.

Small Business Administration relief programs were vital to keeping local business open in New York City, which, as you know, was hit early. We were the epicenter of the whole epidemic and the pandemic.

And, unfortunately, the report released by the select subcommittee today shows that significant fraud occurred in Small Business Administration relief programs under the former Trump administration because of failures to implement even the most basic fraud prevention safeguards. And it is disheartening to learn the extent to which identity theft harmed many of our most vulnerable residents.

Thankfully, the Biden administration has prioritized a whole-of-government approach to combating pandemic relief fraud, and the

SBA has introduced new controls to ensure funds go to the intended recipients.

So, my first question is to Mr. Ware: Can you describe SBA's efforts over the past year to prevent fraud in the Economic Injury Disaster Loan program?

Mr. WARE. Thank you for your question. Yes, I can. It's important for me to state that the efforts to raise the controls that were lowered is not really an administration thing from one to the next. This was an ongoing situation, which is why it's important for me to at some point address this point. Six percent, that's not an accurate portrayal of the improper payment rate.

What happened is that we pivoted to making sure that the control environment was strengthened from the very beginning. And the December report that I put out was to address the serious concerns to lift the control environment. So, things started to change from that point, dealing with requiring—like checking the Do Not Pay List, not allowing folks to change the bank routing information after loan approval, starting with the rule of two again.

Raising all these type of controls was something that took some time, unfortunately, but started and continued to where we are today, where we have a much stronger controlled environment.

Mrs. MALONEY. Thank you. Uncovering and prosecuting fraud that has already occurred in pandemic relief programs is vital, and requires close collaboration across Federal agencies.

Mr. Horowitz, how do different entities, such as Inspectors General and the Secret Service, work together to get cases to the Department of Justice for prosecution, and why is this collaboration so important?

Mr. HOROWITZ. Thank you, Congresswoman. It's critical to this effort, and what we've done is we've created at the PRAC our own task force to bring together—law enforcement task force, to bring together the law enforcement community within the IG community to partner with the Secret Service, the FBI, others in Federal law enforcement, so that we can share the expertise we each have in these areas.

We each bring unique abilities to these efforts. The SBA IG agents, for example, have tremendous expertise in PPP, EIDL, and related program fraud issues. The Labor IG has that with regard to unemployment insurance. And it's critical that we do that.

We are having IG offices—my own office has had agents volunteer and contribute to this effort, and we've had a great partnership with the Department and been a critical part, I think, of their task force as well as we've brought them these cases.

We are all committed to making sure that we use every single available tool to not only hold individuals and entities accountable for fraud and wrongdoing, but to ensure we are recovering every single penny for the taxpayers. That's our responsibility and our goal.

Mrs. MALONEY. Thank you.

Finally, there's bipartisan legislation now being considered by the House that would extend the statute of limitations on the Paycheck Protection Program and Economic Injury Disaster Loan program fraud for 10 years.

My final question, Mr. Chambers: Mr. Chambers, would it be helpful for Congress to extend the statute of limitations on pandemic relief fraud so that DOJ can hold all those who committed fraud accountable?

Mr. CHAMBERS. Thank you for the question, Congresswoman. Not only would it be helpful, it is near essential. With the amount of relief that was provided and the amount of potential fraud, there is an incredible volume of cases in the hopper and an incredible volume of cases yet to come.

As you all know, cases, particularly the ones that are more complex, take time. And with the greater volume, that means less time per case. To the extent that Congress can help to get the statute of limitations extended, it would be appropriate and, again, not only helpful, but essential.

Mrs. MALONEY. Well, I just want to say that Congress needs to help law enforcement and ensure that law enforcement has strong tools to prosecute pandemic fraud, so that small business owners and working families in the U.S. can get crucial relief without becoming victims of fraud. I want to thank all the panelists and the chairman and ranking member.

I yield back. Thank you.

Chairman CLYBURN. Thank you very much.

The chair now recognizes Mr. Foster for five minutes.

Mr. FOSTER. Thank you, Mr. Chair, and thank you to our witnesses.

I've been struck in all of your testimony how central identity fraud and particularly online identify fraud is to the money that the taxpayers lost on this.

Am I correct that the large-scale criminal gangs are essentially operating 100 percent using online identify fraud? Is that an essential part of these large-scale things? They're not having people show up in person at an office and collecting things. Mr. Dotson.

Mr. DOTSON. Congressman Foster, yes, that's a great question. Yes, for the majority of the cases that we investigate, that's what we see. You know, it was basically an online application and the use of other people's identity. Particularly, I would say, in the unemployment area, unemployment insurance fraud, we saw a lot of identity theft.

Mr. FOSTER. And in terms of something where someone has to show up in person, I believe that we have a good tool to prevent identity fraud there in the form of the REAL ID-compliant ID card, which I think will be required, for example, to get on airplanes next May, something like that. So, that that will be—you know, for non-online identity fraud, that will be a really pretty solid tool for citizens to—are there—do you pretty much concur that that's going to make it much more difficult to present multiple fake identities in an in-person environment?

Mr. DOTSON. Yes, sir. Any time someone has to present real identification, it's going to eliminate a lot of fraud.

Mr. FOSTER. OK. Then, so, we're left pretty much with the online aspect. And there's a very powerful tool that's now actually being rolled out in a number of states, these so-called Mobile IDs, sometimes digital driver's licenses, that essentially associate a REAL ID-compliant driver's license or ID with a cell phone.

And a modern cell phone has the ability to identify itself as a single traceable device, so that you can use it to assert your identity online and prove that you are who you say you are, that you own not only a REAL ID-compliant driver's license, but one that is associated with the cell phone that it was registered with. And then so what that allows you to do is to pretty much prove you are who you say you are.

Now, if we had such a system in place where that was the standard for applying for any kind of Federal benefit, you know, get out your cell phone, convince your cell phone that—you know, log into your cell phone, let your cell phone prove it's the one associated with the digital—with the REAL ID-compliant driver's license, would that largely have short-circuited all of the fraud that we've seen with identity fraud?

Mr. DOTSON. It would definitely have limited some, but I will say—you know, any time you put in an extra level of identification, it's going to benefit the program. It's going to eliminate some fraud.

By far, it will not eliminate all of the fraud. Our, you know—our complex criminals are ever-evolving, just like we are, investigations, trying to circumvent different parameters that are set, particularly in identification and their identity online.

So, there will always be an issue there that we'll be fighting just because it is online. But yes, sir, in short, it would help eliminate some fraud.

Mr. FOSTER. And there seems to be a difference between the sort of fraud that the SBA was seeing where these were like real people with fake businesses versus—or were these largely fake people that didn't exist or you're stealing someone else's ID?

Mr. WARE. All of the above. So, we had quite a bit with businesses that existed but didn't have the number of employees that they said they had, businesses that started way after the date that you were eligible to be started but still got through. And then we saw some that were just fake altogether, and tons of identity theft as well within the SBA's programs.

Mr. FOSTER. And that's why looking at, for example, tax data is the way to find out the business doesn't really exist.

Mr. WARE. That's one of the ways, but that was something that was not done in this instance.

Mr. FOSTER. Were there legal impediments or just it was too much volume of things to approve?

Mr. WARE. There were legal impediments. The Act, in essence, said that they couldn't do that.

Mr. FOSTER. OK. If you could get us a little more detail on that for the record, I would be very interested, because that sounded like we were shooting ourselves in the foot in terms of eliminating that kind of fraud.

I'd like to also point out that there is an Act that I am sponsoring called the Improving Digital Identity Act of 2021. It's co-sponsored by myself, Ranking Member Katko of the House Homeland Security Committee, Congressmen Langevin and Loudermilk. And what this does is it encourages the government, all agencies to get together and come up with a standardized way of proving you are who you say you are when you're applying for a Federal benefit or other purpose, with I believe the idea in most people's

mind that that would be the NIST standard for mobile ID associated with a REAL ID-compliant ID.

And so I'd be interested in your reaction. You can respond for the record to see if that would be a useful step forward here, because I'll be asking that again for the record.

And my time is up, and I will yield back.

Chairman CLYBURN. Thank you very much, Mr. Foster.

The chair now recognizes Ms. Malliotakis for five minutes.

Ms. MALLIOTAKIS. Thank you, Mr. Chairman.

Thank you all for your testimony today and for being here. I think it is a very important topic that should have been probably done before issuing another \$1.9 trillion in the COVID package last year.

I wanted to followup on some of the questions that were raised regarding the estimated 400 billion that was believed to have been stolen from the 900 billion COVID unemployment relief program. NBC had reported that at least half of that money was taken by international fraudsters. You alluded to some of the investigations that have been taking place.

How much of that funding has the United States been able to recover for the taxpayers?

Mr. DOTSON. Well, ma'am, again, as far as numbers, you know, I know we've recovered about \$1.26 billion, that there's a slight amount there that it's international, but the majority of that is domestic.

We continue to investigate those cases that involve transnational organized groups and the funds they stole, and we will followup. And anything we can recover, we will recover. Obviously, when it leaves the United States and goes international, it makes our job tougher to recover funds.

Ms. MALLIOTAKIS. The 1.26, that is—what is the latest estimate that has been stolen? Is it still \$400 billion or is it more than that overall, not just internationally, domestically as well?

Mr. DOTSON. Well, I just have to say, as many of us have stated, we have no idea the actual fraud amount. We know it's substantial. We just—those analyses are still ongoing, and I think we hope to have those numbers.

Ms. MALLIOTAKIS. Now, there's been minimal efforts to review state eligibility determinations, which were the most common cause of the unemployment fraud.

Do you have any recommendations for how the Federal Government can better ensure that these funds are used appropriately? Would it be feasible for the Federal Government to audit funds that we give to states or municipalities let's say of a million or more to try to ensure that their process is appropriate to ensure that the funds are going for their intended purpose?

Mr. HOROWITZ. Certainly, Congresswoman, the oversight effort of following Federal funds is something that we all do as Inspectors General. It's something that's very important to do.

And I know from talking with the IG at the Labor Department how much of a challenge it's been because of the decentralized nature of the unemployment insurance system that has been set up, created by Congress and through administrative actions over long periods of time.

And the importance of reforming those, I think, is something that's very worthwhile and significant that we've seen here the need to do.

Ms. MALLIOTAKIS. I want to thank you all for the work that you do, because I think it's incredibly important that we get to the bottom, and also learn from the process, how do we fix it? Because too much money is being wasted when people are truly in need of it or programs are truly in need of it.

New York, California, Illinois, it was reported that there were among—there were 12 states that used COVID relief money that was supposed to be used to reopen schools and that it somehow shifted to equity, implicit bias training, critical race theory.

What are—are you aware of that, No. 1? No. 2, any other egregious examples of how funds were used by municipalities or states not for their intended purpose?

Mr. HOROWITZ. I have seen the reports on that, but I'll just say, this is an area, where I mentioned earlier, data gaps and data challenges exist for us. We're still waiting for a fair amount of data. This has been going on since 2020, over two-plus years.

Agencies need to do a better job of getting data to the public. The public has a right to know where the money went. We've issued reports in 2020 and 2021 about those gaps, about information being listed. Thousands of grants, for example, going out where we can't make heads or tails, let alone the public, of who were the end—where did that money ultimately go? And that's something that I think needs to be looked at as well.

Ms. MALLIOTAKIS. And when you say agencies, Federal agencies, state agencies, or both?

Mr. HOROWITZ. Federal agencies I'm now talking about. And this has been a long-time issue. Comptroller General Gene Dodaro has testified about this many, many times I know. We've talked about as well, the importance of data and data accuracy. Congress made an important step forward with the DATA Act several years ago, but there's certainly more work to be done.

Ms. MALLIOTAKIS. Well, again, thank you for your work. I think we need to make sure that you guys have the resources to do your job to make sure that taxpayers' money is protected and used for their intended purpose.

Thank you, Mr. Chairman.

Chairman CLYBURN. Thank you.

The chair now recognizes Mr. Raskin for five minutes.

Mr. RASKIN. Mr. Chairman, thank you very much.

Which one of you talked about the conflict or the tension between speed and accuracy? You did, Mr. Horowitz. And I get that, and I remember clearly that when we were doing, you know, the EIDL program or doing PPP our constituents were desperate to get the money, legitimately desperate. But then, as you suggest, we've got criminals waiting in the wings to rip off the program.

So, when we did this and we created it under the Trump administration, what controls and regulations were put into place to make sure that transnational criminals and other thieves weren't ripping off the taxpayers?

Mr. HOROWITZ. So, the problem at the outset was that, you know, for example, the PPP program, about \$400 billion went out in two

weeks out of an \$800-billion program, relying essentially only on self-certification. And so, we had 57,000 PPP loans be approved for entities/individuals who were on the Treasury Department's and other agencies' Do Not Pay List. No one checked.

So, what I've said is, you need—I understand completely the need for speed. No one is suggesting in the IG community, the oversight community, you wait weeks or months. I just think there were several steps that could have been taken that easily match some existing data, basic checks that could have prevented some of the fraud.

Because, you know, all the data shows that if you put a roadblock in front of a fraudster in the first instance, they usually won't come back and try another door. Now, that may not be true for some of the more sophisticated actors, but the goal is to stop as much of the fraud as possible.

Mr. RASKIN. Right. I mean, I just find it outrageous. I understand that there was huge need and so on, but the failure to institute the most simple mechanisms of accuracy to check where the money is going is just indefensible.

And, you know, we don't want to act with speed in getting money to the wrong people, to criminals. And I certainly have a lot of constituents who were legitimately in line to get it who never got it. And then to hear that there are other people who are getting it who are just ripping off the system is just—to me, it's appalling.

Well, Mr.—yes.

Mr. HOROWITZ. I was just going to say can I add also—

Mr. RASKIN. Yes.

Mr. HOROWITZ [continuing]. what people don't tend to focus on is identity theft, not only how it rips off the program and it depletes the program from helping people it was intended for, but we've now heard of instances where the people who were intended beneficiaries, when they tried to show up for the benefit, couldn't get it.

Mr. RASKIN. Oh, I had a bunch of constituents like that.

Mr. HOROWITZ. They thought they were the fraudsters.

Mr. RASKIN. I had a number of constituents who said, I applied and they said I'd already gotten—I'd already gotten my money.

So, you know, the greatest country on earth can do better than this in distributing a huge amount of money. I hope, Mr. Horowitz, that we've learned our lessons for the next crisis. There's going to be another crisis in the history of the United States, so I hope we've learned our lesson and we're going to institute some real mechanisms of control.

Mr. Ware, I understand your office got \$25 million in the American Rescue Plan to combat waste and misdirection, fraud and corruption in the process. How are you using that money to investigate fraud, and to improve the underlying SBA program?

Mr. WARE. Well, thank you very much for the question. At the onset, setting up these controls exactly like you are talking about, we were the first in the oversight committee to—I mean community to put out a report on pandemic-related fraud and issues that were happening. We had three reports out before the first loan went through the door asking for these controls to be raised.

We were first in the Nation to make an arrest on PPP fraud. We staffed up our office utilizing that money. To date, we have, what, over 300—over 300 arrests, close to 400, as a matter of fact—convictions and—that we have taken a part on. We joined every single task force. We’ve returned over \$1 billion in funds and helped SBA to recover another \$3.1 billion, and that number is growing.

Mr. RASKIN. Well, that’s great to hear. And it’s obviously a shrewd investment and payoff for us to do it.

Mr. Horowitz, are there additional resources that are needed to identify and combat fraud in the pandemic relief programs, knowing that we’re going to get a lot more money back if we do the job right?

Mr. HOROWITZ. Congressman, there absolutely are. I think one of the things that has been frustrating, frankly, through the various appropriation processes that I know for—not for the PRAC specifically but for the IG members, like IG Ware’s office, the Labor IG office, other IGs, has been the lack of followup funding and the fact that the emergency funding, which was obviously not an annual appropriation, required the IGs to make now decisions on do we cut back on employees right as—I can tell you the fraud numbers and the investigative work is growing.

The recoveries, by any measure, if you want to look at return on investment, any measure of return on investment will show that taxpayers benefit by multiples, 14, 15, even more than that percent—times the money invested in IG work.

I just hope the Congress in their—in looking at the appropriation process considers not for our office, the PRAC, but for the IGs that are doing this work, for the law enforcement agencies that are doing this work, that effort.

And for the PRAC, I’ll just make one observation, which is we’ve set up this data analytics effort at the PRAC. We’re identifying fraud. Analytics work is the only way you can figure this out with \$5 trillion in money going out the door.

During the Recovery Act in 2009, Congress created the Oversight Board then. It created a data analytics platform. It sunset in 2015. The administration, Congress, and the Treasury Department, which ultimately got that data analytics platform, decided not to keep it.

To your point, five years later, here we were with no analytics platform in the IG community and we had to start from scratch. Congress appropriated in the American Rescue Plan \$40 million to us to startup what had sunset in 2015.

And you are exactly right, we will have more earthquakes, hurricanes, fires, other, unfortunately, disasters, hopefully no more pandemics. But as we all know, all of those happen. We need those tools. We’re talking to the—on the Senate side, after the last hearing we had there in March, they’ve followed up with us about extending this analytics platform. We’re engaged in those discussions.

Gene Dodaro the Comptroller General, is very supportive of that. And that’s something I think is also very important.

Mr. RASKIN. Thank you, Mr. Chairman. Thank you. I yield back. Chairman CLYBURN. Thank you very much.

Now, we were noticed that there would be time for a second round of questions, and we are going to allow that at this time.

Now, as we go to a second round, the chair is going to recognize himself for a second round. I am particularly interested in the last issue raised by Mr. Raskin, not just for any future pandemics, but I come from a part of the country where we've experienced similar fraudulent activity relating to hurricanes and the kind of disaster relief that has gone out, not just to do—for the families involved, but the people who—the fly by-night organizations that step up and all of a sudden they're big-time contractors and they're getting all kinds of money.

Now, I seem to recall—in fact, in the report that we're releasing today, we are dealing with this issue where the SBA Office of the Inspector General, as you just noted, said that the SBA failed to use sufficient controls to prevent PPP fraud, and quoting from your report, lowered the guardrails in the EIDL program, significantly increasing fraud vulnerabilities. I mean, after you all identified there's a problem here, the guardrails were lowered and increased vulnerabilities.

Now, that doesn't sound like anybody is trying to prevent fraud and abuse and protecting the additional money that's going to come. That sounds like somebody is trying to make it easier for these criminals to get at the money in the first place.

And when you order people to put the money out, when there are red flags saying this looked like a crook, and you had no ability to stop it, I want you to speak to that, Mr. Ware.

Mr. WARE. Thanks. Initially, like Mr. Horowitz spoke about, there was a huge struggle between the need for speed versus the need for control. I'm at the table screaming for the need for control after identifying that we have major issues. Each one of the flags that I raised were met with, but there could be a reason for that. So, I raise another flag. There could be a reason for that. Another flag.

And then I said, aha, but all these flags come together in one circle. So, it's just not one instance with an illogical Social Security number, or that the bank account was changed at the end or an illogical email or hundreds if not thousands of loans from the same IP address.

Again, the need for speed, thinking that these flags and them not having sufficient resources to clear the flags would be a hindrance for speed, that was the issue that the agency was faced with up front, initially. Beginning in December of that year, of 2020, finally came to the realization that we have a large enough problem that the controls have to be raised once again.

Chairman CLYBURN. It's one thing to have a need for speed. It's something else to use the need for speed as a subterfuge for getting money out of the door to people known to be criminals, or felt to be criminals. Lowering the guardrails has got nothing to do with speed. That sounds more like convenience.

With that, I'll yield five minutes to Ms. Malliotakis, if you would like to.

Ms. MALLIOTAKIS. Just to followup on the questions, I know I talked a lot about the international fraudsters. Domestically, can you talk a little bit about some of the cases that—where there have been arrests that you can speak about, and what is the responsibility of the states in these cases? Because, again, the UI criteria

was usually established by the state, right? So, they bear some responsibility here. And are you getting cooperation from local authorities?

Mr. CHAMBERS. Congresswoman, thank you for that question. As you point out, the UI programs are, in the first instance, administered by the State Workforce Agencies. They, during the pandemic, took the first role in distributing funds.

As part of our work to combat that fraud, we have relied on the State Workforce Agencies to provide the data that applicants gave them when they applied for unemployment insurance. And that's the data that's going to lead to prosecutions, and, eventually, convictions.

I'm happy to say that we have data from all 50 states at this point, the data is coming in, as well as from all territories. There's a lot more to receive, but we have had cooperation from all 50 states.

In terms of what the states can do—and Congressman Foster raised this a moment ago—standardization of the data would be incredibly helpful for the purpose of our work in identifying where fraud has occurred.

It's a large thing to ask. Many of these State Workforce Agencies may, you know, not have had occasion to have to collaborate or work together. But we've seen with this pandemic, when the Federal Government is giving money through these State Workforce Agencies, we need to have a way to analyze that data without wasting months or years cleaning it up. So, one thing I think that would be very helpful is standardization of data for those applying for unemployment benefits.

Chairman CLYBURN. Thank you very much.

The chair now recognizes Mrs. Maloney for five minutes, or Mr. Foster for five—

Mrs. MALONEY. Hi. Thank you, Mr. Chairman.

Chairman CLYBURN. OK.

Mrs. MALONEY. Mr. Chairman.

Chairman CLYBURN. Yes.

Mrs. MALONEY. In 2020, Congress took bold action to provide unprecedented relief to Americans struggling because of this terrible pandemic. Yet, due to the failures of the Trump administration, fraud prevented many vulnerable Americans from receiving the much-needed aid that they justly deserved. Your select committee's report clearly shows that the Trump administration failed to implement basic fraud controls in the COVID-19 Epidemic Impact Disaster Loan program, or EIDL. These failures had devastating effects for many Americans in need who were seeking this vital aid.

So, my question to you, Mr. Ware, is what were the most concerning deficiencies that enabled fraud in the early administration of the EIDL program?

Mr. WARE. Well, one of the most concerning—the most concerning thing was self-certification was the route that was taken. So, you just had to say that you had a business, so you had X amount of employees, and you could get money. That was the most concerning thing, and the thing that we sounded the alarm on very early, that this can't be the way.

Mrs. MALONEY. I've got to say I was very concerned by the unprecedented amount of fraud, because programs such as the Paycheck Protection Act and the EIDL program ran out of funds so quickly. They ran out really early. One of them ran out in one day. Individuals and small businesses and communities of color were disproportionately unable to receive any relief or the relief that they needed.

So, Mr. Horowitz, could you speak about the harms to communities of color when fraud consumed the resources of these vital relief programs? You know, the fraudsters were ready to pounce and the regular people were still filling out the forms while they stole the money from the system. So, could you please respond?

Mr. HOROWITZ. Yes, Congresswoman. It's a very important point, something we've written about and have held hearings on. And people can go to our website and see the hearings we've held about these issues, about how underserved communities and individuals who had challenges applying through the internet.

So, we saw underserved communities that were economically impacted not be able to get benefits that were intended for them. We've seen the same, by the way, with rural communities that didn't have good internet service or strong internet service be challenged in applying for programs that you had to apply through the internet. We were in the middle of a pandemic, of course.

We've seen challenges for elderly applicants in navigating through the internet application process. And so we've identified a lot of different issues that came up through these processes that need to be addressed.

I mean, what—at bottom line, what we saw in multiple agencies, they were woefully unprepared to be able to deal with this kind—these kind of programs in a way that they should have been able to deal with at a basic level. They could have been more sophisticated. You could continue to increase their ability to deal with it. But even at the most basic level, so many agencies we found were unprepared to deal with these challenges.

Mrs. MALONEY. Thank you.

Mr. Ware, in your opinion, could SBA have taken additional steps to prioritize underserved small businesses and communities of color during the early rollout of the PPP?

Mr. WARE. In my opinion, yes. And the report that we put out probably like two weeks into the program, in essence, laid out how they could do that. At the onset, SBA wasn't even able to tell that it went there. So, we had them change the way that they were doing the NIST codes that would provide for demographic information. There would have been no way for them to know whether they were served or not served initially.

Mrs. MALONEY. Well, I want to thank all the panelists. My time has expired. And I thank you for doing all that you are doing to try to make sure the pandemic funds get to the people who really need it and that it is distributed fairly and honestly and equitably. I thank you.

And I yield back to the chairman and thank you for this very important hearing.

Chairman CLYBURN. Thank you very much.

The chair now recognizes Mr. Foster for five minutes.

Mr. FOSTER. Thank you, Mr. Chair.

Mr. Chambers, you mentioned data standardization as an important priority toward making the system work better next time. Does this occur, for example, in lists of bad actors, where you might have different state and Federal agencies accumulating lists of wrongdoers, and then it just is very labor-intensive to find out that this person applying for something is, in fact, on someone's list of bad actors, or is that pretty well-organized at this point?

Mr. CHAMBERS. Congressman, it's even more basic than that. The standardization that I'm speaking of is things as basic as Social Security numbers, addresses, phone numbers, email addresses collected in a similar fashion, maintained in a similar fashion. So that, for example, when we get state work force data from four or five different states, we can quickly compare and analyze those things to look for red flags.

Mr. FOSTER. Essentially, a unique identifier for the human beings that you're trying to figure out who's who, you have a data base index for the wonks and all of you.

Mr. CHAMBERS. Precisely.

Mr. FOSTER. Yes. And so that is, I think, the motivation behind getting—doing a good job of a secure digital ID, where you take the data that exists in a REAL ID-compliant driver's license or a passport if you want one and put it in—you know, in people's cell phones so that there is no question that that is the person and their cell phone, but then use that effectively as the unique identifier. So, you can walk into anything in person or online and prove you are a single legally traceable person.

And, you know, it's my feeling that when we talked about return on investment, there isn't really a higher return on investment that our government can make than making such a streamlined way of being able to prove you are who you say you are.

I am very encouraged that the work that NIST has been doing for the last decade is now—you know, it exists in every one of your cell phones. The latest couple releases of IOS and Android have implemented the NIST standards, so that it will actually—and they're being—internationally, they're also being adopted by the ISO.

So, that there is technologically the possibility of being able to assert your digital identity online and in person in a very streamlined way. And, you know, I think that's a natural job for government, that we put a tremendous amount of work into getting the data behind the REAL ID-compliant IDs, and that just taking the additional step of putting that on people's cell phone and allowing that to be the standard for, you know, basically applying for Federal benefits.

Mr. Horowitz, when we talk about return on investment, are there estimates of the total losses for government from identity fraud? Does anyone take it upon themselves to just look through all the agencies, all the programs, and say, Here's how much money we could save by—with a high-quality ID system in this country?

Mr. HOROWITZ. It's a great question, Congressman. I'm not aware of an executive branch-wide effort to do that. And I think that's one of the frustrations we have as—in the oversight community, is this sort of siloed approach, with agencies focusing on their individual

issues and their individual standards as opposed to across the executive branch and the issues that arise.

And one of my concerns in this space is the perfect being the enemy of the good. Starting doing some basics at the outset. Everybody wants to find the perfect solution. What's the right approach? This is not going to happen overnight that that's going to get fixed.

The fact that, you know, as we've found in the PPP program, a single telephone number was used in connection with 1,400 PPP applications. One Social Security number was used in 29 states to get UI benefits.

Mr. FOSTER. But if they had been required to, OK, fine, you applied, get out your cell phone, prove you are who you say you are, and use that single identifier. And the fact that you can't clone a modern cell phone, because they have the Secure Enclave and key generation, all that inside it. They're like—basically like one of these security dongles. And so you could use that to make sure that—if you have a unique ID that you are demanding every time you apply for any Federal benefit, it seems like you could have just stopped that in its tracks.

And the return on investment from getting that—you know, the mobile IDs that are being implemented in individual states, to get that implemented nationally and used universally by the Federal Government would just be a huge cost savings.

And it's also my hope that if we actually—when we get legislation for this, that it will actually have a huge positive pay-for in the Congressional Budget Office sense, which is always an interesting question, that where you can actually save a lot more taxpayer money from a small investment. And we wrestle with that all the time.

I just want to thank you again for all the work you're doing. It's really important that everyone sees our government is working as well as it can be under—even under stressful situations.

So thank you, and I yield back.

Chairman CLYBURN. Thank you, Mr. Foster. The chair now recognizes Mr. Raskin for five minutes.

Mr. RASKIN. Thank you, Mr. Chairman.

I want to start just by thanking you for your resolute determination to ferret out the corruption and the fraud which undermined the programs that we voted for our people. So, thank you for that.

And I also want to salute President Biden for making an investment and for asking for more funds to be invested in the anticorruption, antifraud efforts across the agencies.

Let's see. Mr. Dotson, the SBA's Office of Inspector General and SBA and the Secret Service got together to go after fraud and recovered I think from our report it was reported more than \$1 billion that had been stolen from the EIDL program.

Can you tell us, first of all, how you did that? And then second, is it mainly organized criminals, like organized gangs or groups or traditional organized crime here or abroad that you're going after, or is it lone ranger individuals?

Mr. DOTSON. Well, thank you for the question, Congressman. The efforts put forth with the Secret Service and SBA OIG and our partners here has been extraordinary. There's no doubt there.

In working with them to identify fraud and also working with the financial sector from early on, we were able to identify several cases that involved what we looked to be as fraud. In following up those cases, we were able to recover, like you said, over \$1 billion to date. And that's just by sheer hard work of thousands of investigators and detectives, like I said, from our Cyber Fraud Task Forces, not only out in the field actually following up cases, you know, doing the typical investigations of interviewing people and finding assets, but it also was, at a global scale, working with SBA OIG and the financial institutions who were identifying those types of fraud.

Early on, we saw this—as Mr. Ware said, we saw this kind of happening real time, and we got out advisories through FinCEN that identified the fraud indicators that financial institutions should look for. And they did an outstanding job of trying to safeguard as much fraudulent funds as they could.

Mr. RASKIN. Thank you.

Mr. Ware, your office gave us data showing that, with the help of the OIG, that banks and financial institutions had returned over \$8 billion in EIDL funds to the SBA.

Why did they return this money? Was that money that had been illegitimately taken by the banks and the financial institutions, or was it from fraudsters?

Mr. WARE. No. So, it's for various reasons. Like, the people didn't collect, the people turned it back. They realized that—in many instances, that we're onto them. They left the money, didn't come for it. And we assisted SBA in getting that money back from the financial institutions. The number will be even bigger than that.

Mr. RASKIN. Gotcha. On this point about unemployment insurance, I understand that the Biden administration is asking for money to help the states modernize and upgrade their unemployment insurance systems, which would be of great benefit to the people of Maryland. Hundreds of thousands of people just had a nightmarish time trying to get the unemployment benefits that they were due in Maryland. So, I do hope we'll make some progress on that.

Is your general response to all of these events, Mr. Horowitz, that it would be better when we engage in programs like this that we do it at the national level?

I mean, I know that the Social Security system, for example, spends less than one percent of their money on bureaucracy, and they seem to be extremely efficient and there's very little fraud. And yet we have programs like this that are thrown up overnight, they're just rife with fraud.

So, I mean, should we be doing this on the national level rather than in a decentralized state-by-state way?

Mr. HOROWITZ. I certainly think what we've seen here is the need to more centralize it. How far you go, whether it's entirely Federal, or there's a better balance or a supported way that states can upgrade their systems. But we're now in the digital age, and what we saw at the executive branch level and at the local level is so many entities were not ready for a digital age problem that arose, right? People could not show up to pick up their benefits. They had to do it remotely. We weren't allowing people to go out. There were lockdowns. And people just weren't ready.

If nothing else from this, it's let's step back, figure out how to fund, support to create modernized systems that can talk to one another, that can pick up these problems early on. This shouldn't happen. We shouldn't have 29 states giving benefits to the same Social Security number.

Mr. RASKIN. Right. And it just seems to me, Mr. Chairman, if we're at a national crisis and we are allocating national benefits, we should have national programs with national safeguards and controls, so we don't have people hopscotching from state to state to rip off the taxpayers in each state.

I yield back to you.

Chairman CLYBURN. Let me—thank you, Mr. Raskin. Thanks to all of our witnesses here today.

I was thinking—as Mr. Raskin was asking this question about a centralized process that seems to me up front would have prevented a lot of all of this, I was thinking about how far we tend to get away from this country's motto: E pluribus unum, out of many, one.

If that were the practice more often, I think that a lot of what we're trying to do here—people look to the Federal Government for relief and assistance in this kind of instance. Yet, when we set out to provide it, we tend to do whatever we can to lessen the efficiency of the process.

We said with the subcommittee from the very beginning, that we were going to ascribe three Es to whatever we were doing here. We wanted to be efficient, effective, and equitable.

And it seems as if so much of what we've done to implement this program is in violation of all of that. We have not been as efficient as we could be, and, therefore, we have not been as effective as we should be. And the equity that should have been in this process was very, very lacking.

And so I want to thank all of you for what you're doing and what I know you're going to do. I'm looking forward, Mr. Ware, to your report that in 30 days—if it's not going to be 30 days, I would let the committee know, subcommittee know.

Mr. WARE. Thirty-ish.

Chairman CLYBURN. I'm sorry, 30-ish. I know a little bit about the "ish."

It's our responsibility, as yours, to ensure that these relief funds are available to all eligible Americans and not stolen by criminals and criminal enterprises. That's the thing that's getting me more than anything else. I don't excuse the run-of-the mill fraudster, but there seems to be a pretty big widespread enterprise at work here and I think that we've got to do more than we're currently doing.

Now, I applaud the Biden administration for taking the steps that it's taken to protect these vital programs going forward. And I want to thank you once again for being a significant part of that.

And, without objection, all members will have five legislative days within which to submit additional written questions for the witnesses to the chair, which will be forwarded to the witnesses for their response.

With that, this meeting is adjourned.

[Whereupon, at 12:05 p.m., the committee was adjourned.]