



PANDEMIC RESPONSE ACCOUNTABILITY COMMITTEE

A Committee of the Council of the Inspectors General on Integrity and Efficiency

pandemicoversight.gov

Statement of Michael E. Horowitz
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before the

U.S. House of Representatives
Committee on Oversight and Government Reform
Select Subcommittee on the Coronavirus Crisis

concerning

“The Pandemic Response Accountability Committee’s Role in
Combating Fraud in Pandemic Relief and Small Business
Programs”

March 25, 2021

Mr. Chairman, Ranking Member Scalise, and Members of the Subcommittee:

Thank you for inviting me today to discuss the work of the Pandemic Response Accountability Committee (PRAC) since its creation as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in March 2020. In addition to serving as the Inspector General of the Department of Justice since 2012, for the past year I have served as acting Chair of the PRAC and permanent chair since January 2021.

The PRAC is a Committee of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) and is comprised of 22 federal Inspectors General (IGs) who are working collaboratively to oversee the more than \$5 trillion in federal pandemic-relief emergency spending. Our primary mission at the PRAC is to work with Offices of the Inspector General (OIG) to ensure that taxpayer money is used effectively and efficiently to address the pandemic-related public health and economic needs that were funded through the various COVID-19 relief bills. My testimony today will focus on the PRAC's role in coordinating oversight of the pandemic response, particularly in the area of small business programs.

The PRAC was established to serve the American public by promoting transparency and facilitating coordinated oversight of the Federal Government's COVID-19 pandemic response and associated spending with the goal to identify and mitigate major risks that cross program and agency boundaries, and to prevent and detect fraud, waste, abuse, and mismanagement. We also seek to provide the public with accessible, timely, accurate, and comprehensive data about the over \$5 trillion in COVID-19 relief spending. To date, the 22 PRAC IGs, as well as other IGs whose agencies received emergency pandemic funding, have issued 170 oversight reports related to pandemic spending and the government's response to the pandemic. Recognizing the need to provide policymakers with insights now, the IGs have issued many agile oversight products, including inspections conducted remotely, flash reports, agency program funding snapshots, management alerts, and white papers. These reports have included specific reviews of the Small Business Administration loan programs, the Paycheck Protection Program and the Economic Injury Disaster Loan program, which are covered in detail in Inspector General Ware's remarks.

PRAC's Work to Date

In response to the COVID-19 outbreak, Congress authorized historic levels of emergency funding for federal agencies to provide relief to individuals, businesses, state and local governments, and public services. Since last March, the PRAC has worked with member IGs to conduct oversight that seeks to identify and mitigate programmatic and systemic risks, and to develop recommendations for program improvements, refer matters for criminal and civil investigations, and identify misspent covered funds for recovery. I will briefly mention a few examples of the PRAC's work over the past year to fulfill this mission and its plans for the future.

Launch of PandemicOversight.gov

The PRAC fosters greater transparency of the government's pandemic-related spending through our robust, publicly accessible website, [PandemicOversight.gov](https://www.pandemicoversight.gov). The website includes important information about the PRAC and makes publicly available a wide range of data related to how emergency pandemic funds have been spent. For example, the website includes pandemic spending data from USASpending, Paycheck Protection Program (PPP) data from the Small Business Administration (SBA), and an updated list of all ongoing work from member IGs related to the pandemic. In addition, our website provides direct access to recipient and sub-recipient level reporting and the expenditures made using Coronavirus Relief Funds. Our website is currently the only place where this data is available to the public. The website also contains accountability information, including findings from OIGs, such as completed audits and inspections, as well as Government Accountability Office (GAO) reports. We also track recommendations that IGs have made to agencies to help them improve the operations of government programs related to the pandemic.

We are continuing to update [PandemicOversight.gov](https://www.pandemicoversight.gov) with additional datasets and are presenting the data in ways to make it more accessible. We are also working to incorporate Provider Relief Fund data from hospitals and healthcare providers from HHS into our website. Further, since [PandemicOversight.gov](https://www.pandemicoversight.gov)'s launch, we have been designing and developing new content and features that will further enhance the site's effectiveness as a transparency tool for Congress, the public, and other key stakeholders. For example, as a result of our outreach effort to our oversight partners at the state and local levels, we have begun to highlight their work by sharing their reports on our homepage and through a feature on our webpage on fraud in UI programs. We also have worked closely with GAO and its leadership to ensure that federal oversight efforts are well coordinated. We look forward to continuing to work closely with GAO, as well as our state and local oversight partners, as we continue our independent oversight efforts.

Report on Cross-Cutting Issues that Transcend Federal Agencies

In February 2021, the PRAC issued a "[Top Challenges in Pandemic Relief and Response](#)" report, which updated a similar [June 2020 report](#) by the PRAC, and highlighted the major management challenges facing federal agencies during the pandemic. The PRAC report also highlighted cross-cutting issues that policymakers should consider as they implement the relief funding in the American Recovery Plan. Three of these challenges incorporate elements related to small business fraud:

1. Grants and Guaranteed Loan Management. The CARES Act and related legislation rely on grants and loans to provide assistance to state and local governments, individuals, businesses, and other entities impacted by the pandemic. The substantial increases in funding for grants under the CARES Act and related legislation heighten the existing challenges agencies face in processing and monitoring of grant payments, and in developing metrics to effectively evaluate their impact. The CARES Act's primary guaranteed loan programs, the Paycheck

Protection Program (PPP) and expansion of Economic Injury Disaster Loans (EIDL), present similar management challenges, with the SBA attempting to balance timely economic relief while ensuring that funds are provided only to intended beneficiaries. As SBA Inspector General Mike Ware will address in detail, the SBA OIG has identified potentially fraudulent loans and duplicative loans made to applicants under both programs.

2. Preventing and Detecting Fraud against Government Programs. Over the last year, numerous OIGs have found that speed compromised internal controls, as agencies rushed billions of dollars in urgent relief out the door. After SBA launched the PPP, within 14 days lenders approved more than 1.6 million PPP loans totaling nearly \$342.3 billion. SBA received more EIDL loan applications and approved and disbursed more EIDLs than for all other disasters combined since the agency was founded in 1953. Both SBA OIG and Department of Labor (DOL) OIG identified self-certification of eligible recipients as a top fraud vulnerability for the pandemic assistance programs. For DOL, that vulnerability puts \$26 billion in taxpayer funds at a higher risk of fraud and improper payment.

3. Informing and Protecting the Public from Pandemic-Related Fraud. PRAC member OIGs have also found that Americans are being targeted in greater numbers by dishonest people taking advantage of the crisis to harm individuals and businesses through scams and harassment. Identity theft is on the rise and has been exploited across PPP, EIDL, unemployment insurance (UI) fraud, healthcare programs, and more. Additionally, as noted in the February 2021 report, some medical labs targeted retirement communities claiming to offer COVID-19 tests, only obtained blood samples, and then, falsely billed health care programs for their services. In another example, fraudsters hacked social media accounts to obtain individuals' personal information and personal health information to commit medical insurance fraud. In addition, OIG work has continued to identify instances when unscrupulous actors have used misleading information for financial gain, such as enticing individuals and businesses to purchase defective or ineffective personal protective equipment or to pay for advanced access to the COVID-19 vaccine.

Report on Data Gaps

A fourth challenge ties to another critical issue in oversight of the pandemic response, data transparency and completeness. The PRAC included this challenge in its updated challenges report and also commissioned a separate [study with MITRE](#) which identified key gaps in data sources and potential opportunities to close the gaps. The PRAC is actively reviewing federal data sets to identify areas where high impact programs contain reporting gaps effecting the ability of agencies, OIGs, and the PRAC to properly oversee their use of pandemic response funds. We have been working with OMB, the Chief Financial Officers Council, OIGs and agencies on these gaps and are working to improve data quality and transparency.

An important result from these recent discussions was [OMB Memorandum M-21-20, Promoting Public Trust in the Federal Government through Effective Implementation of the American Rescue Plan Act and Stewardship of the Taxpayer Resources](#), issued on March 19, 2021. This guidance addresses some of the

concerns PRAC leadership and staff have been discussing with OMB this past year, particularly the need for detailed and accurate award descriptions, enhanced transparency of spending through use of disaster and emergency funding codes and working with the PRAC and IGs to strengthen payment integrity. The guidance specifically mentions the Administration’s commitment to working with the PRAC and agency IGs to strengthen payment integrity to minimize the risk of waste, fraud, and abuse. Additionally, the guidance notes that “OMB anticipates continued collaboration with the PRAC to include joint communications on issues related to ARP relief that will raise awareness on specific challenges and opportunities for payment integrity.”

We will continue its work with partner IGs and OMB to address program level data gaps and opportunities to promote public trust and enhance payment integrity.

Coordinating Oversight Across the PRAC IGs

The PRAC serves as an effective forum for coordination and collaboration among OIGs and other oversight partners, including GAO and state and local auditors, evaluators, and inspectors, to minimize duplication of effort and support high-impact oversight of covered funds and the coronavirus response. To facilitate this coordination and collaboration, we have established five subcommittees and three issue groups for healthcare, financial institutions, and data sharing—chaired by PRAC members—to share ongoing oversight and accountability efforts, best practices, and lessons learned. These efforts include:

- ongoing reviews of multi-dipping, or recipients of pandemic funds using multiples sources of funds for the same purpose,
- GAO, state and local coordination and sharing among the group and with the federal community on high risks and areas of concern to help find solutions, such as challenges completing Single Audit Act requirements, fraud risks associated with the unemployment programs, and sharing reports or methodologies used for similar oversight activities.
- a PPP working group that is discussing outcomes related from oversight and inspections of PPP fraud and misuse, and
- sharing of data analytics and data across the pandemic response community to create a more cohesive response to pandemic oversight.

More specifically, the PRAC shares best practices with OIG members and state and local partners through the working group structure on issues such as data analytics, investigative techniques, and health care. The PRAC Audit Subcommittee issued the [Agile Products Toolkit](#) to assist members in providing expeditious oversight of federal response in a crisis like the pandemic. The PRAC Healthcare issue group recently released a report on [COVID-19 testing, a risk area the group identified](#) that cuts across agencies, and collaborated to create a data brief on COVID-19 testing administered between February 2020 and August 2020 in six select federal health care programs. This report highlights critical areas for policymakers should consider to improve testing for Americans, including

availability, accessibility, and cost effectiveness of tests. The PRAC Financial Institutions issue group brought together expert stakeholders to gather their insights concerning the Federal government's pandemic response efforts in small business and housing relief programs. The group released a series of videos highlighting those perspectives of [lenders](#), [small business and borrowers](#), and [housing stakeholders](#).

Meanwhile, OIGs and our law enforcement partners at the Department of Justice and elsewhere have been aggressively pursuing fraud cases. The investigative workload for a number of PRAC IGs has been substantial and, regrettably, continues to grow. The PRAC is working to assist these IGs, including through the development of a pandemic fraud task force, which I discuss below. Those who engage in fraud and other wrongdoing in connection with pandemic-related programs will be held accountable, and we hope that these efforts will have the necessary and important deterrent effect.

To date, there are 185 publicly announced criminal investigations which have resulted in indictments and criminal complaints issued on the numerous alleged perpetrators. The first civil settlement to resolve allegations of fraud against the Paycheck Protection Program (PPP) occurred on January 12, 2021 in the Eastern District of California. Additionally, regulatory agencies like the Food and Drug Administration, have issued 7 civil injunctions and restraining orders against companies and individuals who are falsely claiming to have treatments or cures for the coronavirus.

The Offices of Inspectors General are actively engaged in combating this criminal behavior and have led or participated in investigations leading to over 240 indictments or complaints, 190 arrests, and 36 convictions thus far. PPP and EIDL fraud continue to trend as the largest number of publicly announced investigations with 98, followed by Unemployment Insurance fraud at 31, and investigations related to testing supplies/treatments/vaccines at 18.

The PRAC is also continuing to track scam and fraud alerts issued by our member agencies, to ensure the broadest dissemination on our website and social media platforms. Most recently, the PRAC worked with HHS OIG to publish an alert on the vaccine scams that have begun targeting the public.

Shared Services Support to OIGs

The PRAC is seeking to use the resources and tools that Congress have given us to enhance shared services across the IG community, and to fill gaps to help our partners meet the challenge of overseeing this pandemic spending. For example, we are working with data science programs at leading academic institutions to recruit data science fellows and build a talent pipeline for the OIG community. The PRAC is also providing resources to PRAC members to combat fraud in pandemic relief programs, including PPP and EIDL fraud. Additionally, the PRAC is hosting an educational Loan Fraud Forum on April 22, 2021, that will highlight activities in the oversight community related to PPP and EIDL fraud schemes. This will allow OIG investigators to hear from SBA OIG, FDIC OIG, and FHFA OIG about their

experiences in pursuing PPP and EIDL cases; as well from the Department of Justice and the Special Inspector General for Pandemic Relief (SIGPR) related to their ongoing efforts in this area. Further, the PRAC Data Sharing workgroup coordinates regular meetings of OIGs to discuss data sharing opportunities to identify potential cross cutting initiatives, to share lessons learned from OIG data-related oversight work, and to consider ways to prevent and detect fraud, waste, and abuse through the use of data analytics.

The PRAC also launched a hotline complaint site on its webpage (<https://www.pandemicoversight.gov/contact/about hotline>) to enable whistleblowers and the public to report alleged wrongdoing related to federal pandemic programs without having to determine which OIG office has primary responsibility for a particular government program. All of the complaints made to the PRAC hotline are reviewed by staff and then forwarded to the appropriate OIG. As of March 12, 2021, the PRAC has received 888 complaints, and has made 1,284 referrals to OIGs (since some hotline complaints impact multiple programs and offices). Separately, the PRAC provided the SBA OIG with 10 detailees to assist the SBA OIG in responding to the enormous influx of PPP and EIDL-related complaints to the SBA OIG's own hotline.

PRAC Initiatives

Having highlighted some of the work of the IG community and PRAC to date, let me briefly discuss some of the initiatives that the PRAC is currently undertaking or planning to initiate going forward.

Pandemic Analytics Center of Excellence

We greatly appreciate Congress's continued support of the PRAC, including the \$40 million provided in the American Rescue Plan Act of 2021. Fulfilling the PRAC's mission of rooting out waste, fraud, and abuse in COVID response spending requires better technological tools, including the use of advanced data analytics that can be used to identify and stop fraudulent payments before they are made, to strengthen compliance and audit efforts, and detect fraud and support efforts to recover any ill-gotten gains. To that end, the PRAC has established and will operate the Pandemic Analytics Center of Excellence (PACE) to: (1) conduct data analysis and visualization of all pandemic response funds; (2) provide fraud-fighting tools and central shared services to the IG community; (3) enable the broad sharing of data, analytics and leading practices across the oversight and law enforcement community; and (4) assist investigations and audits of pandemic relief programs with expanded data for open source investigative intelligence.

The PACE will provide the enhanced capacity needed to ensure that pandemic response funds are used for their intended purpose, and not wasted or misused. The PACE is comprised of three primary functional capabilities (IT & Data Management; Analytics Visualization & Reporting; and Investigative Support) that will execute and operate its mission:

- Analytic support tools will include data matching, anomaly detection, risk

modeling, social network analysis, robotic process automation, geospatial analysis, link analysis, business intelligence, and open-source intelligence.

- Data science staff will utilize the tools to identify trends, patterns and anomalies and generally develop insights to detect and prevent potential or suspected fraud, waste, abuse and mismanagement of covered funds based upon best available data and analytic techniques.
- Development of capabilities necessary to identify, acquire, and curate data that can be used for pandemic oversight to allow for a flexible and adaptable cloud-based platform to analyze data. This should include capabilities to support data governance, data quality, data policies and standards, data inventory, and data security.

Cross-Cutting Oversight Work

The PRAC has three ongoing cross-cutting oversight projects. One of the projects is reviewing the spend rate data across six federal pandemic response programs that provided a large majority of their funds to states for expenditure, such as the Coronavirus Relief Fund, and identifying programs where multi-dipping has occurred, or there is a risk of it occurring. Additionally, we are examining first-time contractors that received a sole source contract related to the COVID-19 pandemic response. Further, with the Audit Subcommittee, the PRAC is developing an acquisition and grant workforce survey to assess qualifications of personnel and resources provided, as required by Section 15110(d)(1)(B)(vii-viii) of the CARES Act.

Our staff is also working on deconfliction with OIGs and GAO, as well as the tracking of all work in the community to identify cross-agency trends and patterns, as required by our authorization in the CARES Act 151109d)(1)(B)(i) through our strategic plan to ensure coordinated, efficient, and effective comprehensive oversight. Some examples of these efforts include the development of a systematic coordination and deconfliction tracker that is regularly updated, distribution of a monthly report that provides a list of all ongoing pandemic response oversight projects to all pandemic OIGs and GAO, and monthly meetings with GAO to share key activities and priorities.

PRAC Fraud Task Force

The PRAC is standing up a Fraud Task Force to serve as a deconfliction and coordination tool to assist OIGs in their investigative efforts; to serve as a coordinating body with Department of Justice prosecutors, the Federal Bureau of Investigation, and other federal law enforcement agencies; and to allow OIGs to tap into available criminal investigators and analysts from across the OIG community in handling pandemic fraud cases. Further, the PRAC will use its funding to retain and provide contract and staff support to the Fraud Task Force, as well as to assist OIGs with pursuing administrative remedies such as suspension and debarment.

Additionally, the PRAC has a draft subpoena policy in the clearance process

with our Committee members. The policy, when adopted, will directly support the Fraud Task Force and our member IGs, and contribute to the IG community's efforts to stop the large-scale fraud we are seeing in pandemic response programs, like PPP.

Program Fraud Civil Remedies Act

Too often those who fraudulently divert tax dollars in amounts below what is typically accepted by prosecutors are not fully held accountable, impacting agency programs and leaving the taxpayer footing the bill. In light of this challenge, the PRAC's and the IG Community's efforts to fight fraud in pandemic related spending would be enhanced by congressional support for a long-standing CIGIE legislative priority to reform amend the Program Fraud Civil Remedies Act (PFCRA). As my fellow PRAC member and CIGIE Legislation Committee Chair Kathy Buller has testified before the House Oversight and Reform Committee:

PFCRA is often referred to as the "mini False Claims Act" because it provides administrative remedies for smaller false and fraudulent claims against the government that the Department of Justice (DOJ) declines to enforce. Unfortunately, because of problems in the original legislation, passed over 3 decades ago in 1986, PFCRA remains a relatively underutilized tool.

CIGIE has suggested raising the jurisdictional limit for administrative recoveries of "smaller" false or fraudulent claims against the government from \$150,000 to \$500,000 extending PFCRA's coverage as a fraud-fighting tool to cover approximately \$50 billion in government expenditures. This estimate was developed in 2018, two years before passage of the CARES Act, which exponentially increased the total amount of "small" payments to recipients of pandemic-related funds, and could further increase PFCRA's reach, if CIGIE's proposal were to pass, by tens of billions of dollars. CIGIE and the PRAC look forward to working with the subcommittee and the full committee to enact this important legislation.

Conclusion

Thank you again for your strong support for our work, and we look forward to working with the Congress and the Administration as the PRAC and our IG partners continue to fulfill our crucial oversight mission. This concludes my prepared statement, and I would be pleased to answer any questions that you may have.