



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 Transportation and Infrastructure

concerning

“Assessing the Federal Government’s COVID-19 Relief and
Response Efforts and its Impact”

July 29, 2021

Mr. Chairman, Ranking Member Graves, and Members of the Committee:

Thank you for inviting me to testify today to discuss the work of the Pandemic Response Accountability Committee (PRAC), which was created 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 15 months, I have served as acting Chair and permanent chair of the PRAC.

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, and what lessons we have learned thus far.

To put it in perspective, the more than \$5 trillion in relief provided to address the pandemic and its health and economic impact to Americans is more than the federal government's total spending in 2019 for all discretionary, mandatory, and interest on the debt. Oversight of a program of this magnitude takes a monumental and whole-of-government effort. The speed at which funds were disbursed last year, and the sheer amount of money involved, put the funds at high risk of fraud and misuse, making the work of oversight entities like the PRAC and IGs essential to a successful national recovery.

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 major risks that cross program and agency boundaries, and to assist agencies in preventing and detecting 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 250 oversight reports related to pandemic spending and the government's response to the pandemic. Recognizing the need to provide policymakers with timely insights into pandemic relief spending, 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 Department of Transportation and Department of Homeland Security, which are covered in detail in Inspector General Soskin and Assistant Inspector General for Investigation Izzard'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 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.

Promoting Transparency through [PandemicOversight.gov](https://pandemicoversight.gov)

The PRAC fosters greater transparency of the government's pandemic-related spending through our robust, publicly accessible website, [PandemicOversight.gov](https://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.gov, 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.

We are continuing to update [PandemicOversight.gov](https://pandemicoversight.gov) with additional datasets and have been designing and developing new content and features that further enhance the site's effectiveness as a transparency tool for the public, Congress, and other key stakeholders. In May, we provided updated Coronavirus Relief Fund data to includes all funds spent from March 1, 2020 through March 31, 2021. In June, we incorporated Provider Relief Fund data from hospitals and healthcare providers that we obtained from the U.S. Department of Health and Human Services into our website. Most recently, in July, we updated our data visualizations on the Paycheck Protection Program and for the first time incorporated loan forgiveness data.

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.

I am particularly pleased to report that, as a result of the PRAC's outreach effort to our oversight partners at the state and local levels, [PandemicOversight.gov](https://pandemicoversight.gov) also now includes reports from state, county, and city auditors overseeing pandemic response funds. The website contains [over 125 reports](#) on unemployment insurance, use of Coronavirus Relief Funds, pandemic preparedness, contact tracing, and more. The reports can be found alongside the PRAC's pandemic oversight reports by federal auditors. A searchable database of state and local reports allows policy makers and the public to better understand pandemic response oversight at all levels and helps

federal oversight agencies, like the PRAC, better monitor and protect the \$5 trillion in pandemic relief distributed across the United States. For example, a report issued by the California State Auditor in August 2020 designated the management of Federal pandemic response funds as high risk for the state, stating that California must be able to properly account for and report on the use of funds; specifically, the report stated that California must effectively track and justify the costs of its COVID-19-related emergency protective measures to ensure that it maximizes the reimbursement that FEMA will provide. The California State Auditor further noted that mismanagement of COVID-19 funds could result in serious detriment to the state and its residents. In another example, work completed by the New York Comptroller's Office (which includes the state's audit function) provided a data snapshot of the impact of the pandemic on subway ridership as well as the impact of the pandemic on the Metropolitan Transit Authority's debt profile and highlighting that ridership levels will likely not reach pre-pandemic levels until sometime in 2021. These reports highlight the need for proper management of funds, as well as provide key insights and information about the impact of the pandemic on the ground.

We also have worked closely with GAO and its leadership to ensure that federal oversight efforts are well coordinated and seamless. The outstanding reports issued by GAO have been an integral part of the federal oversight effort and we look forward to continuing to partner with GAO, as well as our state and local oversight colleagues, as we conduct our independent oversight efforts on behalf of the taxpayers.

Work 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 identified cross-cutting issues for policymakers to consider as they implement the relief funding in the American Rescue Plan. Three of these challenges particularly incorporate elements related to this Committee's jurisdiction:

1. **Financial Management of Relief Funding.** Even in non-pandemic times, financial management controls and proper oversight of government contracts pose a challenge to federal agencies and programs. The substantial increase in funding for certain programs and an expedited timetable for the distribution of CARES Act and other pandemic-related funds heightens the risks. Since the pandemic began in March 2020, OIGs have found that payments have been made without the appropriate checks and controls in place to verify the expenditures. A soon to be issued PRAC report found that noncompetitively awarded contracts increase the risk of higher prices and decreased contractor performance and may require additional oversight. In addition, OIGs have identified contracts that pose potential conflicts of interest and contractors that have not delivered products by the specified due dates. Further, federal agencies may face challenges maintaining their agency operations and programming, especially those supported by contracts if the contractors are unable to fulfill existing requirements due to COVID-19 restrictions. As the pandemic continues, federal agencies must continue to ensure they get what they pay for in their pandemic response-related contracts as well as guard against fraud

and improper payments.

2. 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 three pandemic-related benefit programs have been particularly hard hit: the Department of Labor's unemployment insurance (UI) program and the Small Business Administration's Economic Injury Disaster Loan (EIDL) program and Paycheck Protection Program (PPP). According to the Federal Trade Commission, identity thieves targeted pandemic unemployment insurance in record numbers, with over 394,000 people reporting that their personal information was misused to apply for a government benefit—an increase of nearly 3,000% from 2019.¹

In July, the PRAC announced formation of a new working group focused on preventing and addressing identity fraud in pandemic response programs. The PRAC Identity Fraud Reduction & Redress Working Group is a joint effort of multiple Inspectors General who are members of the PRAC. The Working Group is taking a holistic approach in seeking to help reduce identity fraud in government programs and assist victims in recovering from what can be devastating impacts from identity fraud. As an oversight community, we have identified several internal controls that can prevent identity fraud in federal programs to avoid the scale of fraud that took place in 2020.

To educate the public about what watchdogs at all levels of government—federal, state, and local—have found in their work related to identity theft in pandemic relief programs, the PRAC has added an [interactive timeline](#) to our website. The timeline takes a user through the oversight community's audit and investigative efforts to protect pandemic relief funds.

3. Report on Data Gaps. A third challenge we identified concerns data transparency and completeness. A [study commissioned by the PRAC with MITRE](#) identified key gaps in data sources and opportunities to close those gaps. The PRAC is actively reviewing federal data sets to identify areas where high impact programs contain reporting gaps that could affect 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 since March 2020, particularly the need for detailed and accurate award descriptions, enhanced transparency of spending through use of disaster and emergency funding codes, and

¹Federal Trade Commission's Staff Report, *Protecting Consumers During the COVID-19 Pandemic: A Year in Review* (April 2021).

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 in order 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 continue to work with partner IGs, OMB, and the American Rescue Plan implementation team to address program level data gaps and opportunities to promote public trust and enhance payment integrity. In April, we issued a [Joint Alert with OMB](#) on payment integrity. It is imperative that executive departments and agencies incorporate in program design, tracking, and reporting the lessons learned from previous rounds of COVID-19 stimulus. OMB and the PRAC’s joint alert identifies risk factors and mitigating strategies that agencies can consider when assessing impact to their respective programs. And just last week we issued a second [Joint Alert](#) with OMB, this one on the benefits of using automation and data analytics in reducing the risk of improper payments of government funds.

Coordinating Oversight Across the PRAC IGs

To facilitate coordination and collaboration between the PRAC and its member IGs, as well as with the GAO and state and local oversight entities, the PRAC has established five subcommittees and four issue groups for healthcare, financial institutions, data sharing, and identity fraud—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,
- 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,
- GAO, state and local coordination with the federal community on high risks and areas of concern.

Specifically on state and local coordination, we [regularly interface with state and local auditors](#) to keep the lines of communication open to federal offices. We created a series of monthly listening posts to discuss challenges that are faced by federal, state, and local audit program, and fiscal partners in their oversight of CARES Act funds, 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, and to help find solutions to these problems. Attendees include PRAC member OIGs, GAO, the National Association of State Auditors, Comptrollers and Treasurers, the Association of Local Government Auditors, and entities responsible for Tribal oversight.

We also have conducted new coordination efforts with state and local oversight offices for pandemic-related hotlines and investigations so that states can provide the PRAC, or the applicable federal agency, with hotline information outside of their purview or applicable to a federal pandemic response program. Additionally, the PRAC has initiated quarterly briefings to share investigative best practices or fraud indicators identified by federal investigators that would benefit state and local investigators and auditors.

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 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 to 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](#).

To help assess the impact of CARES Act funding, as well as discuss lessons learned, we held a virtual forum on March 25, 2021—[CARES Act One Year Later: Oversight of America's Investment in Pandemic Response](#). The event was attended live by 550 participants and featured prerecorded remarks from Sen. Gary Peters, Rep. Carolyn Maloney, Rep. James Comer, and Rep. Jim Clyburn. To share these insights widely with the public, the PRAC posted the event video on [PandemicOversight.gov](#) and our YouTube channel. In August, we will host a virtual roundtable webinar to discuss the impact of pandemic spending on underserved communities, whether the funds reached those they were intended to help, and what changes may be needed in connection with future disaster relief efforts.

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 PRAC's 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 have been 900 defendants publicly charged with criminal offenses based on fraud schemes connected to the COVID-19 pandemic. 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 481 indictments or complaints, 436 arrests, and 131 convictions thus far. PPP and EIDL fraud continue to trend as the largest number of publicly announced investigations, followed by Unemployment Insurance fraud, and investigations related to testing supplies/treatments/vaccines.

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 and hire 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. The PRAC hosted an Educational Loan Fraud Forum on April 22, 2021, that highlighted activities in the oversight community related to loan fraud schemes. This allowed 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 using data analytics. For example, the workgroup organized a two-day Data Expo to share information among OIGs in terms of their data analytic capabilities, tools, and ongoing projects.

Additionally, the PRAC Data Sharing workgroup held an International Data Forum with counterparts from the United Kingdom and Australia in early July. The event featured discussion of pandemic relief programs in each country, the challenges faced in overseeing those relief programs, and how innovative approaches to data sharing and analytics allowed officials to address those challenges.

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 July 20, 2021, the PRAC has received 1,787 complaints, and has made 1,363 referrals to OIGs (since some hotline complaints impact multiple programs and offices). Additionally, PRAC hotlines are provided to the PRAC Task Force for

investigative follow-up where applicable.

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 is operating 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 is providing 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) to execute and operate its mission:

- Analytic support tools include data matching, anomaly detection, risk modeling, social network analysis, robotic process automation, geospatial analysis, link analysis, business intelligence, and open-source intelligence. Currently, we are using robotic process automation to assist a member OIG to automate tasks associated with monitoring of pandemic spending that are currently manual reviews. This project will save critical time for both the OIG and the recipients that report spending information. In addition, we are assisting OIGs with development of risk models to help them identify high-risk recipients of pandemic funds for additional oversight. Our social network analysis assists in investigative work to uncover insights on networks of individuals who may have defrauded pandemic relief programs.
- 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. Currently, we have augmented the data science talent focused on pandemic relief in the oversight community with 12 data science fellows placed at the PRAC and member OIGs.

- 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 eight ongoing cross-cutting oversight projects. One of the projects is reviewing the spend rate data across five federal pandemic response programs that provided a large majority of their funds to states for expenditure, such as the Coronavirus Relief Fund. On another project, with member OIGs, we are identifying programs where multi-dipping has occurred, or there is a risk of it occurring. Additionally, we are examining COVID-19 contracting data from Fiscal Year 2020 where first-time federal contractors or limited competition was used. Further, with the Audit Subcommittee, the PRAC developed an acquisition and grant workforce data call to assess qualifications of personnel and resources provided, as required by Section 15110(d)(1)(B)(vii-viii) of the CARES Act. The data call will go out to the acquisition and grant workforce in early Fiscal Year 2022. With MITRE, we are researching best practices and lessons learned from pandemic response in state unemployment insurance (UI) benefits programs. As I previously mentioned, the PRAC is reviewing the degree of transparency provided in publicly available award-level data for federal pandemic relief and assistance spending to provide Congress, policymakers, and the public with specific examples of gaps in reporting. We are also evaluating whether fraud controls that SBA applied in phase III of the Paycheck Protection Program (PPP) (and which we understand are being applied in the SBA's new Restaurant Revitalization Fund program) would have likely detected known fraud that occurred during last year's distribution of PPP funds. Finally, we are collaborating with member OIGs to conduct impact case studies at six different locations to identify the federal pandemic response funds provided to those locations, the purpose of those funds, and whether the federal program spending aligned with the intended goals and objectives. Access to information about the total amount of funds received, the purpose of those funds, and the progress made toward achieving the program goals and objectives is not always centralized and can be difficult for the public to track down or may not even be available to the public.

In May, we also issued a report on COVID-19 in prisons and detention facilities pulling together insights and trends across multiple agencies and programs, presenting a comprehensive cross-agency view with Department of Justice OIG, Department of Homeland Security OIG, and Department of Interior OIG. This report is the first in a series of cross-agency reviews.

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

Earlier this year, the PRAC stood up a Fraud Task Force to serve as a resource for the IG community by surging investigative resources into those areas where the need is the greatest: pandemic loan fraud. As of July, we have 28 agents from 8 OIGs who have been detailed to work on Task Force cases. These agents have partnered with prosecutors at the Department of Justice's Fraud Section and at United States Attorneys' Offices across the country.

The idea behind our Task Force is to harness the expertise of the oversight community and attack this problem with every tool we have: criminal, civil, forfeitures of money and property, suspension and debarments. Our PRAC Fraud Task Force works closely with other initiatives to combat pandemic fraud such as the Department of Justice COVID-19 Fraud Enforcement Task Force.

Additionally, the PRAC adopted a subpoena policy in April 2021. This policy directly supports the Fraud Task Force and our member IGs, and contributes to the IG community's efforts to stop the large-scale fraud we are seeing in pandemic response programs.

Conclusion

The PRAC was created 16 months ago in the midst of a pandemic, yet our extraordinarily talented staff, working with our member OIGs and our oversight partners at GAO and at the state and local level, have fulfilled the independent oversight responsibilities that the CARES Act placed on us and that the public expects from us. While we know oversee more than \$5 trillion in federal spending, I am confident that the IG community is up to the task of doing what we can to advance transparency and accountability through our oversight efforts.

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.