



PANDEMIC RESPONSE ACCOUNTABILITY COMMITTEE

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

PandemicOversight.gov

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before the

U.S. House of Representatives
Committee on Oversight and Accountability

concerning

“Federal Pandemic Spending: A Prescription for Waste, Fraud, and Abuse”

February 1, 2023

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

Thank you for inviting me to testify today on the ongoing oversight work of the Pandemic Response Accountability Committee (PRAC), which Congress created in March 2020 as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The PRAC provides independent oversight of the approximately \$5 trillion in pandemic relief spending and helps coordinate and facilitate oversight by the Inspectors General (IGs) whose agencies administer pandemic relief programs. It has been my honor to serve as Chair of the PRAC since April 2020 and, working together with our state and federal oversight partners, we are ensuring transparency in pandemic spending, helping to reduce fraud in pandemic programs, and holding accountable those who have stolen from and defrauded these programs.

At the outset of my testimony, I would like to recognize the key role that the bipartisan efforts of this Committee have played over the years in advancing government transparency and program integrity. For example, following passage of the American Recovery and Reinvestment Act of 2009, the Committee, led by then Chairman Towns and Ranking Member Issa, supported the IG-led Recovery Accountability and Transparency (RAT) Board's pioneering efforts to enable taxpayers to see how and for what purpose Recovery Act funds were being spent through the RAT Board's creation of Recovery.gov. Then, in 2014, with then Chairman Issa and Ranking Member Cummings working together, the Committee championed passage of the bipartisan DATA Act. Two years later, in 2016, then Chairman Chaffetz and Ranking Member Cummings played central roles in ensuring adoption of the bipartisan IG Empowerment Act, which among other things cemented in law the ability of IGs to obtain all records in their agency's possession and provided an exemption for IGs from the Computer Matching Act. Through these bipartisan efforts, the House Oversight has been at the forefront of improving government spending transparency, program payment integrity, data reliability, and the use of data analytics—all of which have advanced efforts to fight fraud, waste, and abuse and ensured that important government benefits go to people who most need them.

When the pandemic occurred, this Committee through the bipartisan work of then Chairwoman Maloney and Ranking Members Comer and Jordan helped transform how oversight is done when it supported the PRAC's creation and the development of the PRAC's Pandemic Analytics Center of Excellence (PACE) to analyze financial transactions associated with \$5 trillion in pandemic relief spending. It also provided the PRAC with special hiring authority, which has allowed us to hire a remarkable group of talented data scientists and statisticians. This support for our data analytics capability is already showing a significant return on investment.

Earlier this week, the PRAC issued a [Fraud Alert](#) regarding the use of over 69,000 questionable Social Security Numbers (SSNs) to obtain \$5.4 billion in pandemic loans and grants. Our team of data scientists identified this potential fraud and identity theft by using the PACE to analyze information in the over 33 million EIDL and PPP loan applications to identify a group of questionable SSNs included in those applications. Then, with the legal authorities that Congress provided to the PRAC, we obtained the Social Security Administration's (SSA) assistance to determine whether it could verify the name, date of birth (DOB), and SSN that were included in the EIDL and PPP applications identified by the PRAC—in other words, did the name, DOB, and SSN provided by the applicant match the name, DOB, and SSN in SSA's records? Through this verification process, we determined that 69,000 questionable SSNs were used to obtain \$5.4 billion in pandemic loans and that another 175,000 questionable SSNs were used in applications that were not paid or approved. This type of advanced data analytics work is the future of government oversight and would not have been possible without this Committee's ongoing support for data transparency and spending accountability.

About the PRAC

The PRAC is housed within the Council of the Inspectors General on Integrity and Efficiency (CIGIE) and is comprised of 20 federal Inspectors General (IGs) that work collaboratively to oversee the more than \$5 trillion in federal pandemic relief emergency spending. Our primary mission is to work with Offices of Inspector General (OIGs) to ensure that taxpayer money is being used effectively and efficiently to address the pandemic-related public health and economic needs funded through the various COVID-19 relief bills.

To facilitate our mission, we

- **promote transparency** by publicly reporting accessible and comprehensive spending data;
- **collaborate across the oversight community** to identify cross-cutting issues and risks;
- **detect and prevent fraud, waste, abuse, and mismanagement of relief spending** through leading-edge data insights and analytic tools; and
- **hold wrongdoers accountable** by marshaling the investigative and analytic resources of the oversight community.

My testimony today highlights the PRAC's achievements since March 2020 in fulfilling these objectives.

I will also discuss our strategic direction as we have evolved into an organization providing a model for effective, coordinated government oversight and building a legacy for how the IG community manages future large-scale government emergency response efforts.

Background

At the outset, it's important to emphasize the whole-of-government oversight effort required to oversee spending of this magnitude. With the PRAC's five-year appropriation of \$120 million, we have been tasked with overseeing the more than \$5 trillion in pandemic relief funding – a sum that exceeds the federal government's total spending in 2019 for discretionary, mandatory, and interest on the debt. It is also more than six times greater than the \$800 billion stimulus package passed in 2009 in the wake of the financial crisis. To lead oversight of the 2009 stimulus, Congress created the Recovery and Accountability Transparency Board—affectionately known as the RAT Board—and appropriated more than \$175 million to it over the course of its almost seven-year existence.¹ The RAT Board, led by then-Interior Department Inspector General Earl Devaney and comprised of about a dozen IGs, was widely praised for its effective oversight efforts. Those included the RAT Board's development of the Recovery Operations Center (ROC), a first-ever Inspector General community-wide data analytics effort. Unfortunately, when the RAT Board sunset in 2015, the ROC ceased operations as well.

What we have sought to do at the PRAC is to build upon the prior outstanding work of the RAT Board while developing a new model for conducting oversight in a crisis. It is a model that should be retained and replicated, built on a foundation of collaboration, the use of data analytics, and drawing on the existing capabilities of the oversight community.

Today, federal Inspectors General are charged with overseeing 494 pandemic relief programs across more than 40 agencies. Just one of those programs alone—the Paycheck Protection Program (PPP) — has distributed approximately \$800 billion in funding, or roughly the same amount as the entire American Recovery and Reinvestment Act of 2009. Moreover, in just its first 14 days in April 2020, about 1.7 million PPP loans were issued with disbursements of upwards of \$343 billion. These loans were approved with few, if any, controls to check if the applicant was legitimate and qualified for aid.

¹ The American Recovery and Reinvestment Act of 2009 originally appropriated \$84 million for the RAT Board, with a termination date of September 30, 2013. In subsequent years, Congress appropriated almost \$95 million for the RAT Board. The Disaster Relief Appropriations Act of 2013 subsequently expanded the RAT Board's mandate to include oversight of other federal spending—specifically funds related to Hurricane Sandy relief efforts—through September 30, 2015. The RAT Board oversaw \$800 billion dollars of relief from the American Recovery and Reinvestment Act of 2009, and \$50 billion from the Disaster Relief Appropriations Act of 2013, for a total of \$850 billion.

Consequently, effective and coordinated independent oversight has been central to improving how federal agencies are operating their pandemic relief programs, as well as addressing and combating fraud, waste, abuse, and mismanagement involving these funds. Through this work, oversight entities like the PRAC, IGs, the Government Accountability Office (GAO), and our state and local oversight partners have played a critical role in the success of our national recovery efforts.

In addition to these coordination efforts with our oversight partners, over the past year we have met weekly with leadership in the Office of Management and Budget (OMB) and the American Rescue Plan (ARP) implementation team led by Gene Sperling. These meetings have enabled the PRAC and Inspectors General to, among other things, timely share issues that have arisen with Executive Branch leadership and ensure that any impediments to our oversight work are addressed promptly. We also have, separately, participated in more than two dozen meetings focused on agency-specific pandemic relief programs where the agency provides an overview of the program to be implemented, payment integrity risks, and reporting and performance mechanisms. Participants in the briefings, which are hosted by the ARP implementation team and OMB leadership, include the implementing agency, that agency's OIG, and the PRAC. This model allows for the presentation and consideration of antifraud controls before a program is implemented and before money goes out the door.

In December 2021, [OMB Memorandum M-22-04](#) highlighted the importance of this approach: “Agencies have been encouraged to proactively engage with their IGs in the design of new or expanded ARP programs. The White House ARP Implementation Coordinator, working with OMB, developed a new process bringing together the agency, their IG, the PRAC, OMB, and the ARP Implementation team to collectively review and assess program design, financial controls, and reporting measures prior to the release of funds from programs that were newly created, received substantial funding increases, or required significant changes to program design.” In April 2022, [OMB memorandum M-22-12](#) directed agencies to oversee infrastructure spending with the same collaborative approach we have used for pandemic spending.

This process of engagement by senior Executive Branch and agency officials with Inspectors General and the PRAC has become a model for how to manage large-scale emergency spending initiatives and balance the need for robust independent oversight with timely program implementation.

Promoting Transparency and Collaboration across the Oversight Community

One of our foundational responsibilities at the PRAC is to provide transparency to the public about pandemic-related spending. The PRAC is promoting transparency through our website, PandemicOversight.gov, which features interactive dashboards organizing 34 million rows of data and providing timely information and relevant insights that allows the public to make sense of the more than \$5 trillion in pandemic relief spending. To increase and expand transparency of pandemic funding, we have added data collected by federal agencies that is not reported to USAspending.gov. For example, we added Paycheck Protection Program, Restaurant Revitalization Fund, and Shuttered Venue Operator Grant data collected by the Small Business Administration as well as Provider Relief Fund data from the U.S. Department of Health and Human Services to our website.

If a visitor to PandemicOversight.gov is seeking information about how much money the State of Kentucky or Maryland, for instance, spent on payroll for health and safety employees, they can drill down in the more than 200,000 rows of prime and sub-recipient data on our Coronavirus Relief Fund (CRF) dashboard. There, they can find details, to the dollar, on how cities and counties in those states used their federal relief funds. The PRAC has also posted about 50,000 rows of [available](#) data from the U.S. Department of the Treasury on the Coronavirus State and Local Fiscal Recovery Fund, part of the American Rescue Plan Act.

Another visitor to our website might be looking for a broader view on how states are using Elementary and Secondary School Emergency Relief grants to close learning gaps resulting from pandemic-related school closures and remote learning. There, they would find a data story about that issue detailing how schools across the country distributed \$189.5 billion for a range of programs and equipment, including summer school, laptops, and mental health services and support.

The PRAC is also advancing transparency by providing the public with access, through our website, to 536 pandemic oversight reports issued to date by federal Inspectors General as well as reports issued by GAO. These reports provide information about how pandemic programs are operating and include recommendations on how to improve them. Federal IGs have issued reports containing 1,103 recommendations to improve the government's pandemic response. Those reports contain over \$87.5 billion in total monetary findings, which includes findings where an OIG questioned costs associated with a pandemic response program or determined that the agency could have put pandemic response funds to better use. In the PRAC's most recent Semiannual Report to Congress, we identified five key insights from oversight work completed between April 1, 2022, and September 30, 2022:

1. Ways the pandemic created program monitoring challenges and increased program risk.
2. Risks with self-certification that extend beyond the Pandemic Unemployment Assistance, the Paycheck Protection, and Economic Injury Disaster Loan programs.
3. How failure to implement or effectively modify critical pandemic-related internal controls created risks for agency programs.
4. Why assessing emergency planning procedures used during the pandemic can help inform and improve future emergency responses.
5. Ways data can help inform the design of more equitable programs.

In addition, as part of our close working relationship with our state and local partners, the PRAC is posting to our website their pandemic-related oversight reports so the public has access to oversight information at all levels of government. More than 270 state and local auditor reports are already on our website covering programs in 36 different states and the District of Columbia.

Information is power, and through our transparency efforts we are empowering American taxpayers to dig into the data to examine how pandemic relief dollars have been put to work in their communities. Information and transparency are also critical to ensuring accountability. As Justice Brandeis so aptly stated, "Sunlight is said to be the best of disinfectants." Without transparency and that sunlight, you cannot have accountability. Indeed, transparency drives accountability. To assess whether a program has had its intended impact, you first need to know where the money has gone and how it has been spent.

This transparency also has resulted in the PRAC and Inspectors General benefiting from tips that the public and whistleblowers have provided about waste, fraud, and abuse after reviewing the spending data on our website. We rely on information from whistleblowers and citizen watchdogs to help us prevent and detect wrongdoing, recover funds for the taxpayers, and hold wrongdoers accountable. We have received thousands of tips from the public.

In terms of collaboration, from the earliest days of the pandemic we recognized the importance of coordinating with GAO and our state and local oversight partners. The Inspector General community is fortunate to have developed over the years a strong working relationship with GAO, thanks in significant part to the leadership of Comptroller General Gene Dodaro; we also have benefitted from Comptroller General Dodaro's tireless efforts to bring together the GAO, federal Inspectors General, and the state and local oversight community to share information and best practices. At the PRAC, we have sought to

build on those relationships and raise to a new level our collaboration with our oversight partners. For instance, the PRAC's leadership regularly coordinates with GAO leadership on pandemic oversight issues and is engaging with state and local oversight offices to share the results of our work and to enable state and local oversight offices to provide the PRAC, or the appropriate OIG, with investigative information applicable to a federal pandemic response. The PRAC also conducts quarterly briefings to share fraud indicators with state and local investigators and auditors. To date, more than 440 state and local officials have attended these briefings.

We also added state-level expertise to our team to further advance our strategic goal of collaborating across all levels of the oversight community. In September 2022, we launched the federal IG community's first-ever state auditor-in-residence program to detail two professionals from the Tennessee Comptroller's office to the PRAC to better inform federal pandemic oversight with local insights; this program also will, inevitably, help the federal IG community build a coordination infrastructure with our state counterparts that can be sustained post-pandemic. Additionally, we brought on Elaine Howle as Special Advisor for State, Local, Tribal, and Territorial Oversight. A nationally recognized expert and the former California State Auditor, Ms. Howle brings nearly 40 years of professional auditing and leadership experience to the PRAC. Further, during her tenure as California State Auditor, her office performed significant pandemic oversight work and she added pandemic relief spending to the state's High Risk List.

Additionally, through regular stakeholder listening sessions that we are conducting with the GAO and federal, state, local, and Tribal auditors, we hear about the impact that pandemic programs have had on local communities and provide an essential platform for auditors across the country to collaborate and share information on best practices and lessons learned. These close partnerships enhance our own independent oversight and go a long way in helping our state and local partners raise priority risks and issues, such as fraud alerts and other early warnings, and resolve questions in their own oversight work including those around Single Audit requirements and Office of Management and Budget guidance. These sessions have provided such value to the community that members from CIGIE's infrastructure working group are using this platform to efficiently coordinate future infrastructure oversight at all levels of government.

Further, consistent with the authority provided to the PRAC to hold public hearings, [we have hosted a series of programs](#) including with the bipartisan National Academy of Public Administration, so that the PRAC can share insights on the successes and challenges of pandemic programs at the grassroots

level. Recordings of these events can be found on our website, and in the past year the topics have included:

- data transparency, facts, and lessons learned while [conducting oversight of the pandemic response](#),
- the public's experience [applying for pandemic relief funds](#),
- how local governments and organizations [track the use of pandemic relief funds in their communities](#), and
- community engagement strategies local governments used to [determine how to spend pandemic relief funds](#).

The PRAC has also participated in a U.S. Conference of Mayors workshop series that shares best practices with city officials as they manage federally funded grants, programs, and resources. We will continue to engage in collaborative outreach efforts like these to increase the public's awareness of how their tax dollars are being spent and to promote ideas that may improve the government's response to this and future crises.

The pandemic affected every part of our society, from small business to health care providers to schools. That is why I am also proud of the important oversight work that the PRAC and Inspectors General have done on pandemic-related health issues. For example, in December 2022 the PRAC Health Care Subgroup released its second [report that assesses](#) telehealth utilization and fraud, waste, and abuse risks across six federal agencies during the first year of the pandemic.² This report includes insights that will help inform policymakers and stakeholders' future decisions on telehealth and how agencies might incorporate safeguards to prevent fraud, waste, and abuse.

Identifying Necessary Improvements in How Agencies Collect and Track Spending Data and Operate Pandemic Programs

Despite the PRAC's significant accomplishments in advancing transparency, we have had a number of challenges in making available to the public full and complete information about the federal government's pandemic spending, as well as providing data on how that money was being used. Early on, we had difficulty obtaining spending data for several significant pandemic programs. Moreover, in

² The PRAC has five subcommittees and four issue groups, including health care, financial institutions, data sharing, and identity fraud reduction and redress. These subcommittees and groups share ongoing oversight and accountability efforts, best practices, and lessons learned among our 20 member IGs.

those early days few agencies required relief recipients to provide detail about how they were spending federal funds that they received. As [we reported in November 2020](#), data completeness and transparency gaps presented challenges to our ability to oversee pandemic relief spending and, as a result, we found that policymakers, senior leaders, and program managers did not have access to all the data needed to inform program and funding decisions for their pandemic response programs. We recognize that pandemic relief funds were distributed amid a worldwide health and economic crisis, creating a potential tension between imposing an undue burden on aid recipients and requiring those recipients to provide information about how they spent the money that they received. Nonetheless, we believe that taxpayers have a right to know how their money is being spent, and that policymakers also need this information to be able to assess whether and how these relief programs worked.

We further highlighted this challenge in our October 2021 report [Increasing Transparency into COVID-19 Spending](#). In that report, we examined 51,000 grants worth \$347 billion, spread across 250 programs to assess the level of transparency in agency information. We found numerous challenges and problems, including:

- 15,000 awards worth \$33 billion had **meaningless descriptions** that made it difficult to know what that money was used for;
- more than 12,000 of those awards used **opaque descriptions** that repeated the name of the program, such as “Community Development Block Grants/Entitlement Grants”; and
- another 2,500 awards used indecipherable **technical jargon** like CCC5-2021.

Both our November 2020 and our October 2021 reports contain recommendations for improving the federal government’s data transparency and spending information. We also have had numerous discussions with the Administration and Congressional officials about the need to improve the quality of future spending data. Without high-quality data, policymakers and the public cannot fully assess the successes and shortcomings of pandemic relief or any government assistance programs. Equally important, this lack of transparency can hinder efforts to ensure accountability. We have been working with OMB, the Chief Financial Officers Council, Inspectors General, and agencies on these gaps with the goal of improving data quality and transparency. For example, in December 2021 the PRAC briefed the Chief Financial Officers Council to highlight common issues identified in the report, share lessons learned, and promote improvements in federal award data. Moreover, the PRAC followed up with OMB to close recommendations that address issues in award descriptions for federal award data, enhance

independent oversight of agency award data submissions, and pilot solutions to better track sub-recipient data reported to [USAspending.gov](https://www.usaspending.gov).

An important result from these 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 several of the concerns the PRAC has 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 a commitment to work with the PRAC and Inspectors General to strengthen payment integrity. 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.” Indeed, in April 2021 we issued a [Joint Alert with OMB](#) on payment integrity. The joint alert identifies risk factors and mitigating strategies that agencies can consider when assessing impact to their respective programs. In July 2021, we issued a second [Joint Alert](#) with OMB, this one examining the benefits of using automation and data analytics in reducing the risk of improper payments of government funds.

We believe it is imperative that executive departments and agencies incorporate the lessons learned from previous rounds of COVID-19 stimulus. That is why, in September 2021, we issued a report entitled [Lessons Learned in Oversight of Pandemic Relief Funds](#), highlighting several of the challenges we identified in the operation of some of the largest pandemic relief programs, such as the Paycheck Protection Program and Unemployment Insurance, that were prone to fraud, waste, and abuse due to their size and scope. For example, we saw potential fraud because of self-certification in relief programs run by the Small Business Administration and the Department of Labor. In June 2022, we published an update to this report identifying additional lessons learned in our oversight of American Rescue Plan programs:

1. Agencies should not solely rely on individuals attesting that they are eligible for benefits
2. Underserved communities should be prioritized for funding
3. Agencies should use existing data to verify eligibility, like the “Do Not Pay” system
4. Relief guidance needs to be accurate and issued quickly
5. Programs must fully disclose to the public who received relief funds
6. Allocate funding based on need
7. New programs need more outreach to increase public awareness and participation
8. Watchdogs need access to data to find fraud

9. Collaboration is critical to oversee pandemic relief programs
10. Better reporting is needed to track pandemic relief spending

These lessons need be heeded as policymakers respond to recent natural disasters with new relief funding.

Using Advanced Data Analytics to Better Target Investigations and Hold Wrongdoers Accountable

The only way to effectively oversee \$5 trillion in relief spending is with data. At the PRAC, we have been using advanced data science to further our oversight mission in a manner never before undertaken by the Inspector General community. Using funding provided by Congress in the American Rescue Plan, the PRAC created the **Pandemic Analytics Center of Excellence (PACE)** to deliver world-class analytic, audit, and investigative support to the oversight community. The PACE applies the best practices from the ROC, which as previously mentioned was created by the RAT Board to support OIGs in oversight of the American Recovery and Reinvestment Act of 2009. With the ROC, we learned that OIGs stand a better chance of identifying fraud and improper payments by combining data sets and using tools like link analysis, text mining, and anomaly detection.

We have built a data analytics center that, to date, has more than 36 datasets, providing access to more than 992 million records from public, non-public, and commercial data sources, each of which has specific rules governing their use. Some of these datasets can be shared across the OIG community. For example, we are sharing SBA nonpublic loan level datasets with 42 OIGs and law enforcement agencies as part of our effort to combat PPP and EIDL fraud. Further, thanks to the hiring authority provided to the PRAC in the CARES Act, we have been able to attract top data science talent from across the country. Not only has this aided the PRAC, but our highly successful Data Science Fellows program has detailed data scientists to OIGs to facilitate and support their pandemic-related data analytics efforts.

The sophisticated work of the PRAC's data scientists and our data analytics platform have been instrumental in advancing our efforts to identify improper payments and fraudulent activity in pandemic programs. In addition to issuing this week's [Fraud Alert](#) regarding the use of over 69,000 questionable SSNs to obtain \$5.4 billion in pandemic loans and grants, our data scientists are, among other things, developing robotic processes for automating some of the tasks associated with monitoring pandemic relief spending. They identify flags and anomalies, sending those to our investigators for a closer look. They also develop risk models to help Inspectors General identify high-risk recipients of pandemic

funds. For example, one risk model helped the Small Business Administration (SBA) OIG to triage the enormous increase in hotline complaints it experienced after the start of the pandemic. Prior to March 2020, the SBA OIG's hotline typically received fewer than 1,000 complaints per year. That rate increased to 6,000 complaints per week during the early months of the pandemic. Using the PRAC-designed risk model, SBA OIG investigators are better equipped to assess which of these complaints to pursue, saving them valuable time and resources.

In another example, the executive director of a public housing authority in two Midwest counties contacted SBA OIG when they began receiving anonymous calls after the award list of PPP loan recipients was made available online. The housing authority sought the SBA OIG's assistance to determine whether individuals who had obtained PPP and Economic Injury Disaster Loan (EIDL) loans were also receiving public housing assistance. Given prosecution thresholds and large caseloads, the SBA OIG was unable to provide this assistance and referred the matter to the PACE. We obtained recipient data from the housing authority and conducted analysis with public USAspending data, non-public PPP/EIDL data, and other data sources using a Structured Query Language (SQL) waterfall matching process. With this technique, the PACE's data scientists ultimately found that approximately 10 percent of participants may have obtained PPP or EIDL loans that were inconsistent with income eligibility requirements. The SBA placed holds on names the PACE flagged in their loan forgiveness system and the local housing authority is now able to use this information in their annual income verification process to ensure public assistance awards are going to truly eligible individuals.

Advanced analytics tools like these are helping our partners search multiple data sources to root out issues like identity theft, multi-dipping, and fraud across pandemic relief programs. This kind of work has advanced numerous investigations, and to date our data analytics team has used the PACE to complete 341 investigative requests for the federal oversight community.

We are also using our CARES Act authority to create new models of coordination among the federal Inspectors General. In January 2021, the PRAC and our OIG partners launched the PRAC Fraud Task Force to enable us to better coordinate investigations, to exchange information about fraud schemes that we have identified, and to share resources to enable agents to support investigations across the Inspector General community. For example, through the **PRAC's Fraud Task Force** more than 50 experienced investigators from 15 OIGs have been working together to investigate small business loan fraud cases. Additionally, the PRAC Fraud Task Force has uncovered fraud schemes that have provided valuable leads for the entire Inspector General community, including scams used to buy luxury cars, real estate, and cryptocurrency. Fraud in the Paycheck Protection Program, the Unemployment

Insurance program, and Economic Injury Disaster Loan grants continue to trend among our most prevalent investigations in addition to investigations involving testing supplies, treatments, and vaccines. To date, the work of the PRAC Fraud Task Force and our OIG partners have resulted in hundreds of criminal convictions, lengthy jail sentences for wrongdoers, and the recovery of more than \$1 billion. In one example, a federal jury in November 2022 convicted a fraudster for his role in a \$10 million pandemic fraud scheme in the first PRAC Fraud Task Force case to go to trial.

We also participate, along with 30 partner agencies, in the whole-of-government effort coordinated by the Department of Justice's COVID-19 Fraud Enforcement Task Force. As of December 2022, the efforts of the task force resulted in criminal charges against more than 1,800 defendants with losses estimated at \$1.3 billion, the seizure of more than \$1.2 billion in relief funds, and civil investigations into more than 1,800 individuals and entities for alleged misconduct of pandemic relief loans totaling more than \$6 billion. The PRAC is also a member of DOJ's International Organized Crime Intelligence and Operations Center (IOC-2) and Organized Crime and Drug Enforcement Task Force Fusion Center (OFC), which enables PRAC to engage in case deconfliction and share and receive investigative intelligence. Pandemic fraud is a problem that affects programs across agencies, so it requires a coordinated all-of-government effort to address it. We continue to work with federal prosecutors to ensure that those who steal from these important programs are held fully accountable.

We also have undertaken several initiatives to share information and connect stakeholders with an equity in pandemic fraud. For example, in December 2021, the PRAC engaged with DOJ, the Secret Service, and other law enforcement partners on a forfeiture project to survey financial institutions who had been holding suspected pandemic fraud proceeds. The PRAC created a web-based survey to financial institutions with a link where the institutions can voluntarily report frozen pandemic funds. With the support of partners, we've worked to identify nearly \$8.75 million in potentially fraudulent pandemic relief funds held by credit unions.

Legislative Priorities

In the months ahead, we look forward to working with the Committee on legislation to build on the foundation of the DATA Act to ensure agencies are disbursing funds in a timely yet accurate manner.

In that regard, it is critical that Congress consider legislation to sustain the PRAC's Pandemic Analytics Center of Excellence (PACE) beyond the PRAC's scheduled sunset date of September 30, 2025. In order to properly oversee federal spending, the IG community must have an effective data analytics platform. As I noted earlier in my testimony, such a platform previously existed when Congress

appropriated a significant amount of money to the RAT Board in 2009 to develop and operate the Recovery Operations Center (ROC). The ROC was highly effective and was widely praised as a critical tool in advancing program integrity and rooting out waste, fraud, and abuse. Indeed, the GAO issued a report in 2015 describing the important role the ROC played in ensuring federal spending accountability. Nonetheless, the absence of Administration and Congressional action meant that the ROC ceased to exist on September 30, 2015, when the RAT Board sunset.

As a result, when the pandemic hit in March 2020, no data analytics platform was available to the PRAC to assist us in our oversight work and to support IGs in the critical first year of the pandemic when federal programs were disbursing billions of dollars in pandemic relief funds. In 2021, Congress appropriated funds that allowed the PRAC to build the PACE from the ground up, leveraging leading practices and lessons learned from the ROC, and you have seen the important results that this data analytics platform is providing. Indeed, the PRAC is spending about \$16 million annually to operate and sustain the PACE, and the return for the public on this investment could not be clearer. Just this week's Fraud Alert alone identified potentially \$5.4 billion in fraud, which is 360 times the annual cost of operating the PACE.

A sustained data analytics capability would benefit all IGs and would provide partners:

- Access to federal spending data sets for OIGs who have their own data analytics capabilities;
- A self-service analytics research platform for OIG auditors and investigators;
- Audit research and investigative tips and leads, particularly focused on fraud risks that cut across agency and program boundaries;
- Law enforcement intelligence capabilities, including open, deep, and dark web data analysis;
- CIGIE-wide investigative deconfliction and coordination; and
- Projects to deliver analytic solutions for OIGs (e.g., risk models, robotic process automation, code, artificial intelligence, and antifraud technical assistance).

The sustainment of the PACE and its capabilities will ensure that our federal government is equipped with resources to face avoidable oversight risks when our country encounters its next crisis that requires emergency relief funding and effective oversight of that funding, as well the annual federal government funding that Congress appropriates. In light of the PRAC's scheduled statutory sunset in September 2025, we urge Congress to pass legislation retaining this critical antifraud analytics center to bolster oversight of federal expenditures and to help us protect taxpayer funds and fight identity fraud. Failure to do so will result in the oversight community losing an invaluable resource, as we did when the ROC sunset in 2015.

I want to mention two other legislative actions that will assist the PRAC in fighting fraud. We are committed to using all of the tools Congress has made available to us to hold wrongdoers accountable—including criminal, civil, and administrative actions. The 117th Congress enhanced the PRAC, IG community, and law enforcement partners' efforts to fight fraud in small business loan programs with its passage of H.R. 7352 and H.R. 7334. These bipartisan bills, signed into law in August 2022, establish a 10-year statute of limitations for all forms of PPP loan fraud and all COVID EIDL loan fraud. The extension of the statute of limitations for PPP and EIDL fraud was necessary given the scope of the fraud identified to date in order to allow our investigators the time necessary to fully pursue those who defrauded aid programs intended to assist small business owners and their employees during an acute national crisis. We also support similar extensions of the statute of limitations for fraud in other pandemic programs, such as unemployment insurance (UI). Currently, the statute of limitations for many pandemic-related UI fraud investigations will expire in 2025 as the statutes most often used to prosecute UI fraud have a 5-year limitation. Extending the statute of limitations for fraud associated with pandemic-related UI programs will help ensure investigators and prosecutors have time to effectively pursue and hold accountable those groups and individuals that targeted and defrauded the program, and that they do not escape justice.

Additionally, we encourage Congress to assist us in being able to administratively recover fraudulently diverted tax dollars by amending the Program Fraud Civil Remedies Act, [31 U.S.C. 3801 et seq.](#); [Pub. L. 114-74](#), to raise the jurisdictional limit for administrative recoveries of “smaller” false or fraudulent claims from \$150,000 to \$1,000,000. To date, the PRAC is aware of at least over one million pandemic awards, totaling about \$362 billion, that ranged from \$150,000 to \$1,000,000. While the scope of the fraud for these “smaller” awards has not yet been fully determined, increasing the jurisdictional amount would ensure that we could pursue them. Bipartisan legislation to make that jurisdictional change was introduced in the last Congress but was not adopted. I am hopeful that Congress will take up this legislation again.

Priorities in the Year Ahead

The PRAC has a number of important priorities in the year ahead. Perhaps our biggest challenge going forward, as well a key priority, will be to ensure accountability for those who engaged in fraud and other wrongdoing in obtaining pandemic funds. Additionally, the PRAC has identified the need to prevent and detect identity theft in pandemic benefit programs as a key priority. Indeed, identity theft has been endemic in the fraud cases we have seen, and it often results in three victims:

- First, **the tax-paying public at large** because federal benefits intended to provide relief from the health and economic impacts of the pandemic are diverted to the pockets of bad actors.
- Second, the **individuals these programs are intended to help** who are left unable to obtain benefits because someone already fraudulently took out benefits in their name.
- Third, the **individuals whose identities were stolen** and used to fraudulently obtain benefits are left to deal with the ramifications of damaged credit and other issues.

The PRAC created the Identity Fraud Reduction and Redress Working Group in July 2021 to address these serious challenges. Through this group and related efforts, we are partnering with our member Inspectors General to identify ways that the agencies we oversee can better protect the public from identity fraud in pandemic relief programs by closing the gaps that allow scammers to exploit these programs. For example, our December 2021 capping report [Key Insights: State Pandemic Unemployment Insurance Programs](#) examined 40 reports from 16 state auditors and described how one of the new federal unemployment insurance programs did not require proof of income or identity, making it difficult for state auditors to verify eligibility. We also found that multiple states paid benefits to prisoners or to individuals that applied using stolen identities.

In June 2022 we issued [Key Insights: Identity Fraud Reduction and Redress in Pandemic Response Programs](#). In this report, the PRAC reviewed 55 federal IG reports concerning identity fraud, 16 of which were related to the pandemic. These 55 reports included a total of 191 recommendations, many of which related specifically to identity fraud reduction and redress and could be applied across multiple agencies. Our review shows that pandemic spending was particularly vulnerable to fraud schemes leveraging stolen or synthetic identities for two major reasons:

1. Pandemic relief funds under several programs were widely available with minimal or no documentation required.
2. Because many of the programs were created quickly, agencies did not take the time to develop effective fraud controls.

As discussed in the June 2022 report, supporting identity fraud victims has not been a concentrated focus across the federal government. One of the challenges is finding the right balance to ensure fraud controls are effective but not so stringent that it becomes too difficult for legitimate claimants to apply for government benefits. In October 2022, the PRAC engaged MITRE to conduct a study focused on

identifying existing federal and state identity theft and identity fraud redress processes related to U.S. government benefits programs. We plan to synthesize results of this study into a comprehensive report the PRAC will publish this summer.

Many of these insights, along with additional, pre-pandemic findings and recommendations from OIGs in this area, provide broader considerations for agencies to better address identity fraud in their programs.

Notably, the [Fraud Alert](#) released this week by the PRAC regarding the use of tens of thousands of questionable Social Security Numbers (SSNs) on pandemic loan and grant applications highlights the magnitude of the identity theft challenge. Our PACE data scientists identified potential fraud and identity theft by analyzing information on over 33 million unpaid and paid EIDL and PPP loan applications to identify \$5.4 billion in potential identity fraud associated with 69,323 questionable SSNs used across paid PPP and EIDL applications—that is, applications that successfully received a loan and/or grant. These payments could have been questioned further by SBA, before the loan and/or grant had been paid, if SBA had timely access to government information necessary to verify the accuracy of SSNs and the associated information on borrower applications, such as the applicants' full names and dates of birth.

As the PRAC, the SBA Office of Inspector General (OIG), and the Government Accountability Office have all previously reported, the speed of federal agencies' responses to the pandemic increased the risk of fraud in the EIDL and PPP programs and underscores the need for greater information sharing across the federal government to better verify program eligibility before approving applications for government benefits rather than attempting to claw back funds after benefits are paid. Timely access to a consent-based verification system would improve federal program integrity, protect taxpayer funds from fraud and improper payments, better ensure benefits are paid only to those who are truly eligible, and reduce the incidence of identity fraud, thereby helping protect victims of identity theft.

In addition to these efforts, the PRAC and our member IGs are currently working on 198 pandemic oversight engagements that focus on emerging issues like public health and safety and how to prevent and detect fraud in government programs. The PRAC also will continue to increase our transparency efforts by, among other things, highlighting the important oversight efforts underway by state, local, and Tribal governments to ensure that lessons learned during the pandemic are used to improve outcomes and prevent improper payments in future large-scale government spending events. We also will continue to engage in community outreach and engagement events to gather stakeholder perspectives and recommendations on the delivery of better government programs and operations. Finally, we will

continue to work closely with our federal and state oversight partners, Congress, the Office of Management and Budget, and the agencies we oversee to identify lessons learned and provide insights regarding the federal government's pandemic response efforts so that future emergency responses will benefit from that knowledge.

Conclusion

What the PRAC has developed over the past two years is a new model for conducting oversight in a crisis. It is a data-driven model that draws on the existing capabilities of the oversight community and surges capacity where needed. We are providing important shared services to the Inspector General community and working more closely than ever with our federal, state, and local partners and are providing them with access to data, staff, and investigative resources. Our transparency mission and tracking of pandemic spending is unique across government while our other priorities address common challenges and risks across our member OIGs.

Thank you for your continued support for the PRAC, the Inspector General community, and independent government oversight. We look forward to continuing to work on behalf of the taxpayers to ensure that federal pandemic programs are operating effectively and efficiently, and to prevent and detect waste, fraud, and abuse.

That concludes my prepared remarks, and I would be pleased to answer any questions that the Committee may have.