U.S. GOVERNMENT ACCOUNTABILITY OFFICE

A Framework for Managing Improper Payments in Emergency Assistance Programs

July 2023

GAO-23-105876

GAO U.S. GOVERNMENT ACCOUNTABILITY OFFICE

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July 2023, Highlights of GAO-23-105876, a report to congressional committees

Why GAO Did This Study

Natural disasters are projected to increase in frequency and intensity. These events, as well as pandemics, cyberattacks, and terrorism, have highlighted challenges federal agencies face in responding to emergencies. In emergencies, the risk of improper payments may be higher because the need to provide assistance quickly can hinder the implementation of effective controls.

IMPROPER PAYMENTS 101

What are improper payments?

Improper payments are any payments that should not have been made or that were made in an incorrect amount—such as overpayments and underpayments.

Are they the same as fraud?

While all payments resulting from fraudulent activity are considered improper, not all improper payments are the result of fraud. For example, they can result from lack of agency oversight, mismanagement, errors, and abuse.

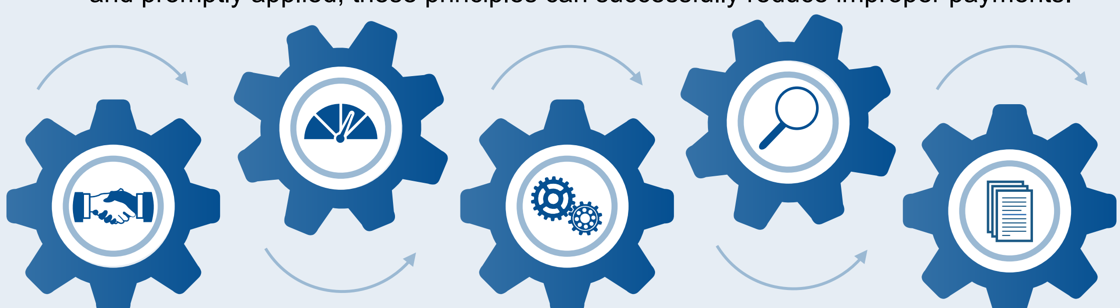
BY THE NUMBERS

$2.4 trillion

Estimated improper payments since 2003 for certain federal programs and activities

What are the five principles that can help federal program managers mitigate improper payments in emergency assistance programs?

This framework provides principles to help Congress and federal program managers. When properly and promptly applied, these principles can successfully reduce improper payments.



1 Commit to managing improper payments

- ☐ Develop internal control plans in advance to prepare for future emergencies
- ☐ Identify data-sharing opportunities
- ☐ Assign clear roles and responsibilities for managing improper payments
- ☐ Implement open recommendations related to improper payments
- ☐ Apply lessons learned from past emergencies

2 Identify and assess improper payment risks, including fraud

- ☐ Leverage prior risk assessments
- ☐ Quickly identify and assess new improper payment risks
- ☐ Support nonfederal entities in assessing and managing improper payment risks
- ☐ Define risk tolerance
- ☐ Periodically assess whether programs are susceptible to significant improper payments, including fraud

3 Design and implement effective control activities

- ☐ Establish control activities at the beginning of the program
- ☐ Leverage existing resources to create controls quickly
- ☐ Prioritize prepayment controls and avoid overreliance on “pay and chase” controls
- ☐ Ensure controls align with statutory requirements

4 Monitor the effectiveness of controls in managing improper payments

- ☐ Establish timely ongoing monitoring and separate evaluations
- ☐ Estimate improper payments
- ☐ Analyze the root cause of improper payments
- ☐ Monitor nonfederal entities' implementation of emergency assistance programs
- ☐ Develop corrective actions

5 Provide and obtain information to manage improper payments

- ☐ Provide improper payment information to nonfederal entities
- ☐ Provide improper payment information to oversight entities
- ☐ Obtain and use information from nonfederal entities and state and local auditors

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How can applying the principles of GAO's framework help address increased risk during emergencies?

Agencies are better able to manage improper payment risk during emergencies if they have taken steps to manage this risk effectively under normal conditions. When emergencies occur, agencies may need to develop new programs or significantly expand existing ones, which can involve increased risk. This increased risk may require additional emphasis on specific elements of the framework, such as those described below. Delaying or omitting the implementation of these elements may lead to increased risk of improper payments.

In emergencies, the risk of improper payments may be higher		Examples of how the framework can address this increased risk
Emergencies unfold rapidly, and assistance must be distributed quickly	→	Developing internal control plans that can be immediately implemented or adapted for a future emergency can help ensure that agencies are ready to respond to emergencies **(Principle 1)**
Estimating improper payments after the first year of assistance may be too late, as most funds are already disbursed	→	Estimating improper payments expeditiously, including during the initial year of implementation, can help programs to address issues sooner **(Principle 2)**
Emergency programs may allow applicants to certify their own eligibility for assistance, which can save time but increases the risk of improper payments, particularly due to fraud	→	Prioritizing and implementing prepayment controls, such as using existing data sources to verify applicants' identity and eligibility, can help to stop improper payments before they are issued **(Principle 3)**
The need for federal and nonfederal entities to coordinate means federal agencies may have additional oversight responsibilities	→	Monitoring the controls used by nonfederal entities is a step to meeting oversight responsibilities and can help ensure the effective use of federal funds **(Principle 4)**
Emergency legislation can introduce new requirements and risks for both new and existing programs	→	Providing timely, high-quality guidance to nonfederal entities, including guidance on program implementation, eligibility requirements, and appropriate use of funds, can help them interpret statutory requirements **(Principle 5)**

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Abbreviations

CMS	Centers for Medicare & Medicaid Services
DHS	Department of Homeland Security
DOL	Department of Labor
EIDL	Economic Injury Disaster Loan
FEMA	Federal Emergency Management Agency
HHS	Department of Health and Human Services
HRSA	Health Resources and Services Administration
IRS	Internal Revenue Service
NIST	National Institute of Standards and Technology
OMB	Office of Management and Budget
PIIA	Payment Integrity Information Act of 2019
PPP	Paycheck Protection Program
SBA	Small Business Administration
SSA	Social Security Administration

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Foreword

I am pleased to present GAO's *Framework for Managing Improper Payments in Emergency Assistance Programs*.

Federal emergency assistance in response to public health crises, natural disasters, and other catastrophic events can present significant challenges to agencies that must make timely payments to eligible individuals, businesses, and other entities. These emergency events and the corresponding creation of new federal programs or rapid expansion of existing programs— often with an emphasis on getting money out quickly to those in need—can strain agencies' capabilities in managing programs and ensuring that funds are spent appropriately. Further, the COVID-19 pandemic saw an increase in the frequency and volume of identity-related fraud, particularly in the areas of unemployment insurance and assistance to small businesses, as well as sophisticated fraud schemes. These developments will likely continue to challenge future federal emergency assistance efforts.

GAO's oversight of emergency assistance programs has identified substantial shortcomings in agencies' application of fundamental internal controls and fraud risk management practices. These shortcomings can result in significant improper payments—payments that should not have been made or were made in the incorrect amount as a result of mismanagement, errors, abuse, or fraud.

To address these issues, GAO developed this framework to provide Congress and federal agencies with an overall approach to managing improper payments in emergency assistance programs. This framework can also be useful for managing improper payments in non–emergency assistance programs or during normal program operations.

This framework should be used by federal agencies in conjunction with existing requirements related to managing improper payments, including those stemming from fraud. Federal agencies are required to follow the internal control standards outlined in *Standards for Internal Control in the Federal Government*, which provides the foundation of this framework. This framework's principles align with a number of internal control steps that managers should take. Agencies should also apply the leading practices in GAO's *Framework for Managing Fraud Risks in Federal*

Programs in their efforts to combat fraud in a strategic, risk-based manner.

We developed this framework through a deliberative process and solicited a wide range of views to help ensure its applicability to the federal government. This process included interactions with the Council of the Inspectors General on Integrity and Efficiency; the Chief Financial Officers Council; the National Association of State Comptrollers, Auditors and Treasurers; the American Institute for Certified Public Accountants; the Association of Government Accountants; and the Association of Local Government Auditors. The views of all parties were thoroughly considered in finalizing this document. We extend special thanks to those who provided input on and suggested improvements to this framework.

Gene L. Dodaro
Comptroller General of the United States

Introduction

Emergencies require federal agencies to plan proactively and manage improper payments strategically.

Natural disasters—such as those caused by hurricanes, tornadoes, and wildfires—have been occurring more frequently and are projected to increase in frequency and intensity due to climate change.[1] The federal government faces fiscal exposure from these events as well as from pandemics, cyberattacks, and terrorism. Such events have highlighted the challenges federal agencies face in responding to emergencies. These challenges include implementing new emergency assistance programs quickly and significantly increasing the volume of funding disbursed through existing programs. At the same time, new and expanded programs share the challenge of ensuring that payments are made properly to eligible recipients.

Improper payments are any payments that should not have been made or that were made in an incorrect amount—that is, overpayments and underpayments—under statutory, contractual, administrative, or other legally applicable requirements.[2] They may include any payment for an ineligible good or service, any duplicative payment, or any payment made to an ineligible recipient. An ineligible recipient may receive an improper payment due to several factors, including fraudulent activity. While all payments resulting from fraudulent activity—those that involve an individual or entity obtaining something of value through willful misrepresentation—are considered improper, not all improper payments are the result of fraud. For example, improper payments can also be unintended and can result from lack of agency oversight, mismanagement, errors, and abuse.

Improper payments are a long-standing, widespread, and significant problem in the federal government. Since fiscal year 2003, improper payment estimates across federal executive agencies (referred to in this report as "federal agencies") have cumulatively totaled about $2.4 trillion.[3] Federal agencies reported about $281 billion in estimated improper payments for fiscal year 2021—an increase of $75 billion from the prior fiscal year and about double the amount reported for fiscal year 2017—and about $247 billion for fiscal year 2022.[4] About 20 percent of the federal programs that reported improper payment rates in 2022 were found to have an estimated improper payment rate over 10 percent.[5] In the prior fiscal year, about 30 percent of the federal programs that reported improper payment rates were found to have an estimated improper payment rate over 10 percent.[6] However, we have found that the federal government is unable to determine the full extent to which improper payments occur and reasonably ensure that appropriate actions are taken to reduce them.[7]

In recent years, however, some agencies have reduced improper payments in their programs, including by applying existing requirements and guidance for managing improper payments. For example, we found that 19 of the 35 programs that reported estimated improper payment rates between fiscal years 2017 and 2022 saw their rates decrease.[8] The decrease in estimated improper payments across these programs in the 5-year period totaled about $15 billion. In addition, our analysis found that at least 46 programs stopped reporting during this same period because the agencies determined they were no longer considered susceptible to significant improper payments. When agencies follow relevant requirements and guidance, they can successfully reduce improper payments.

When the federal government provides emergency assistance, the risk of improper payments may be higher because the need to provide such assistance quickly can detract from the planning and implementation of effective controls. Our work has shown that federal agencies should better plan for and take a more strategic approach to managing improper payments in emergency assistance programs. For example:

- **Unemployment insurance.** Prior to the COVID-19 pandemic, the Department of Labor (DOL) regularly reported billions of dollars in annual estimated improper payments in the unemployment insurance system, a federal-state partnership.[9] Under the CARES Act, enacted in March 2020 to address the public health and economic threats posed by COVID-19, states implemented three new federally funded programs that expanded unemployment insurance eligibility and benefits.[10] By January 31, 2021, DOL had obligated $723 billion to unemployment insurance as part of COVID-19 relief funding.[11] The risk of improper payments, including those due to fraud, increased because of the unprecedented demand and the urgency with which states implemented the new programs. During the pandemic, states received more than 42 million unemployment insurance claims from March 21 to May 30, 2020, compared with 5.1 million in all of fiscal year 2019. In February 2023, the DOL Inspector General reported that of the $888 billion in state and federal unemployment insurance expenditures disbursed during the pandemic, at least $191 billion may have been improper payments.[12]

We found that states faced challenges processing a historically high number of claims and ensuring the timely payment of benefits to eligible individuals. We have made several recommendations to help DOL strategically manage fraud risks in unemployment insurance programs, including creating a dedicated fraud management entity and examining the suitability of existing fraud controls.[13]

- **Assistance to small businesses.** In response to the COVID-19 pandemic, the Small Business Administration (SBA) provided over $1.1 trillion in loans and advances to small business owners suffering from the economic effects of the pandemic.[14] While this assistance helped many small businesses, we found that SBA's initial limited internal controls and lack of finalized oversight plans created significant risk of billions of dollars in improper payments.

  Specifically, SBA reported $29 billion in estimated improper payments for fiscal year 2022 for the Paycheck Protection Program (PPP), a new nationwide program established to provide guaranteed loans to small businesses adversely affected by COVID-19 that are fully forgivable if certain conditions are met. It also reported $6.9 billion in improper payments for fiscal year 2022 for the COVID-19 Economic Injury Disaster Loan (EIDL) program, which was an expansion of an existing program to assist small businesses and nonprofits experiencing economic injury due to COVID-19.[15] In 2020 and 2021, we made several recommendations aimed at helping SBA to better manage the risks of improper payments in its programs, including developing and implementing plans to respond to program integrity risks and address potential fraud.[16]

- **Natural disaster response.** In 2017, hurricanes and wildfires created unprecedented demand for federal disaster response and recovery resources. In response, Congress passed and the President signed three supplemental appropriations acts, which included an oversight framework related to internal controls to limit improper payment of these funds. The third of the supplemental appropriation acts also required the Office of Management and Budget (OMB) to issue criteria for federal agencies to use in designing internal control plans for spending disaster relief funding. In 2019 we reported on weaknesses related to managing improper payments in disaster assistance programs. For example, certain agencies did not submit timely or complete internal control plans because OMB did not employ an effective outreach strategy.[17] We recommended that OMB develop a strategy for ensuring that agencies communicate timely and sufficient internal control plans for disaster relief funds.[18]

Others in the inspector general community have also found significant improper payments in emergency assistance programs. For example:

- **Lost Wages Assistance program.** On August 8, 2020, the President issued a memorandum directing the Federal Emergency Management Agency (FEMA) to provide up to $44 billion in lost wages assistance from the Department of Homeland Security's (DHS) Disaster Relief Fund to individuals unemployed or partially unemployed because of the COVID-19 pandemic.[19] FEMA did not make lost wages payments directly to claimants. Instead, FEMA provided funding to the state workforce agencies of participating states and territories, which delivered the assistance in conjunction with the state workforce agencies' existing unemployment systems.[20] Each state workforce agency was required to collect claimants' self-certification that they were unemployed due to the pandemic.

  DHS's Office of Inspector General found that FEMA did not implement controls that might have prevented 21 state workforce agencies from distributing more than $3.7 billion in improper payments through the Lost Wages Assistance program.[21] This occurred because FEMA launched the program in 11 days without developing and implementing clear guidance or verifying and monitoring the state workforce agencies' controls to help ensure they prevented or mitigated improper payments. The Inspector General made several recommendations to FEMA, including that the agency develop and implement a standard risk assessment process before initiating new federal grant programs, and that it develop a process for assessing program controls and risks for when FEMA is mandated to rely on non-FEMA eligibility determinations.

The CARES Act includes a provision for GAO to report on its ongoing monitoring and oversight efforts related to the COVID-19 pandemic.[22] We developed this framework as part of our work in response to this provision. To develop this framework, we reviewed the Payment Integrity Information Act of 2019 (PIIA), payment integrity guidance published by OMB, GAO's *Standards for Internal Control in the Federal Government*, and GAO's *Framework for Managing Fraud Risks in Federal Programs*.[23] We also reviewed relevant literature, including prior GAO reports related to improper payments, emergency assistance programs, and fraud risk management.

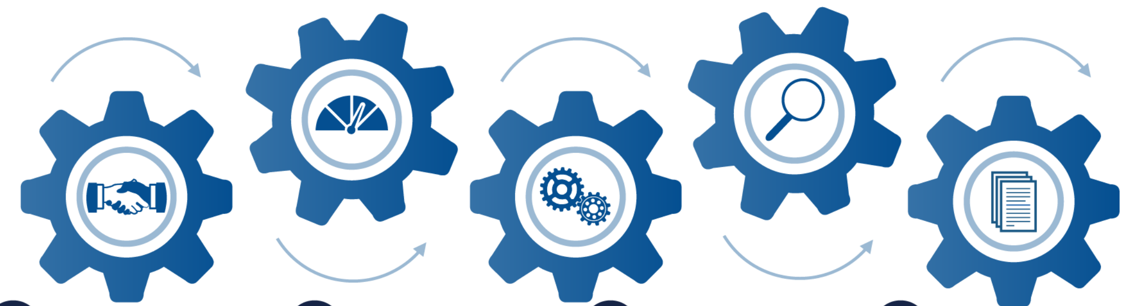
In addition, we consulted with GAO specialists on internal control, fraud risk management, and improper payments. We interviewed officials from OMB and the Department of the Treasury and officials from interagency organizations, including the Council of the Inspectors General on Integrity and Efficiency's Pandemic Response Accountability Committee and the Chief Financial Officers Council. We also solicited input from four organizations that represent federal, state, and local audit associations, which we identified through our background research and discussions with GAO experts on improper payments.[24] We asked officials from OMB, Treasury, and these organizations to review a draft of the framework and provide input, which we incorporated as appropriate.

We conducted our work from February 2022 to July 2023 in accordance with all sections of GAO's Quality Assurance Framework that are relevant to this framework. The Quality Assurance Framework requires that we plan and perform our work to obtain sufficient and appropriate evidence to meet our stated objective and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any conclusions in this product.

Framework for Managing Improper Payments in Emergency Assistance Programs

This framework provides five principles and corresponding practices that can help federal program managers mitigate improper payments, particularly in emergency assistance programs (see fig. 1). The framework is also intended as a resource for Congress to use when designing new programs or appropriating additional funding in response to emergencies. The framework incorporates payment integrity requirements from PIIA and relevant OMB guidance on payment integrity improvement. It also includes information derived from leading practices for managing fraud risks in GAO's *Framework for Managing Fraud Risks in Federal Programs*. Appendix II provides additional information on the different sources that informed the development of this framework and that can be used in managing improper payments.

Figure 1: Framework for Managing Improper Payments in Emergency Assistance Programs

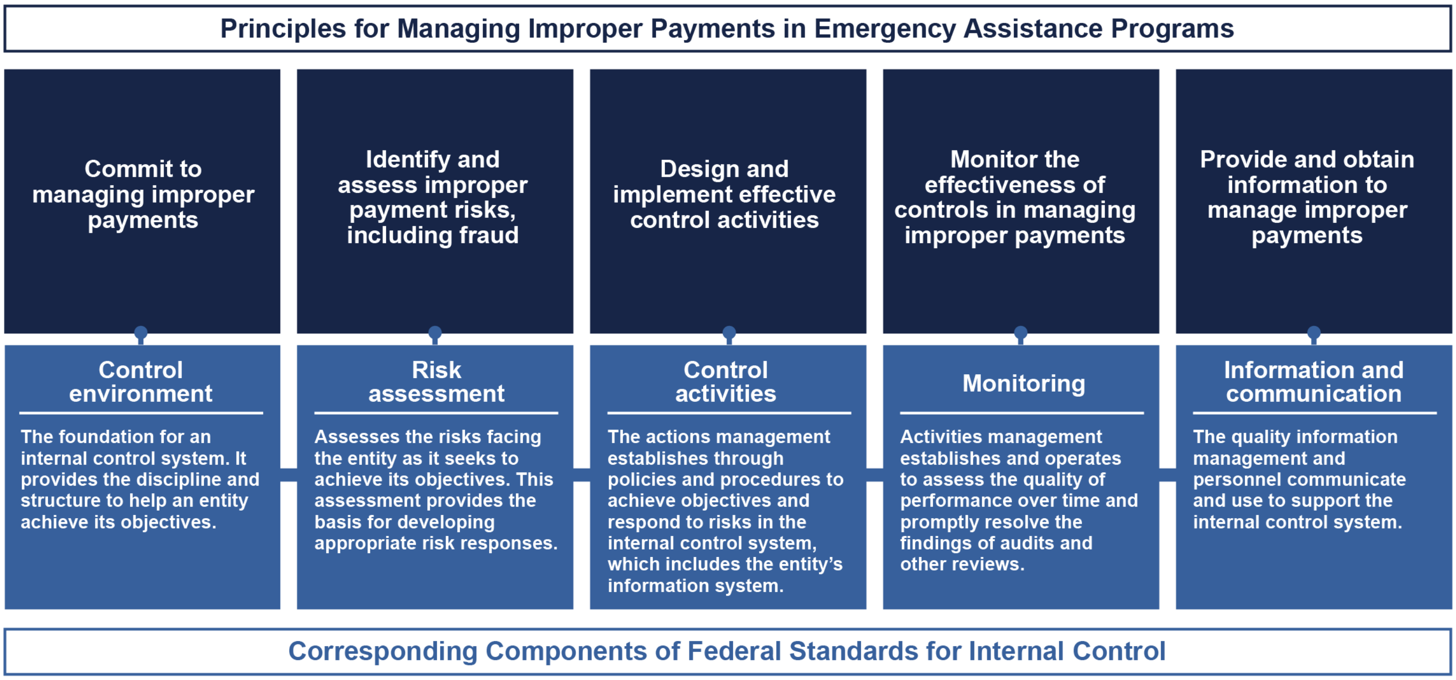


1 Commit to managing improper payments	2 Identify and assess improper payment risks, including fraud	3 Design and implement effective control activities	4 Monitor the effectiveness of controls in managing improper payments	5 Provide and obtain information to manage improper payments
☐ Develop internal control plans in advance to prepare for future emergencies ☐ Identify data-sharing opportunities ☐ Assign clear roles and responsibilities for managing improper payments ☐ Implement open recommendations related to improper payments ☐ Apply lessons learned from past emergencies	☐ Leverage prior risk assessments ☐ Quickly identify and assess new improper payment risks ☐ Support nonfederal entities in assessing and managing improper payment risks ☐ Define risk tolerance ☐ Periodically assess whether programs are susceptible to significant improper payments, including fraud	☐ Establish control activities at the beginning of the program ☐ Leverage existing resources to create controls quickly ☐ Prioritize prepayment controls and avoid overreliance on "pay and chase" controls ☐ Ensure controls align with statutory requirements	☐ Establish timely ongoing monitoring and separate evaluations ☐ Estimate improper payments ☐ Analyze the root cause of improper payments ☐ Monitor nonfederal entities' implementation of emergency assistance programs ☐ Develop corrective actions	☐ Provide improper payment information to nonfederal entities ☐ Provide improper payment information to oversight entities ☐ Obtain and use information from nonfederal entities and state and local auditors

Source: GAO (analysis and icons). | GAO-23-105876

Standards for Internal Control in the Federal Government provides the foundation of this framework, and the framework's principles align with the components of internal control (see fig. 2).[25]

Figure 2: Principles for Managing Improper Payments and Their Corresponding Internal Control Components



Source: GAO. | GAO-23-105876

1. Commit to Managing Improper Payments

Practices that demonstrate early commitment

- Develop internal control plans in advance to prepare for future emergencies
- Identify data-sharing opportunities
- Assign clear roles and responsibilities for managing improper payments
- Implement open recommendations related to improper payments
- Apply lessons learned from past emergencies

Source: GAO (analysis and icon). | GAO-23-105876

Because emergencies can unfold quickly or unexpectedly, agencies should commit to managing improper payments before an emergency occurs. Agencies can implement practices that demonstrate this commitment, including developing emergency internal control plans in advance to quickly adapt to an emergency situation, identifying data-sharing opportunities, assigning clear roles and responsibilities, implementing open recommendations related to improper payments, and applying lessons learned from past emergencies.

Develop Internal Control Plans

Because emergencies are inevitable, federal program managers should commit to managing improper payments early by developing internal control plans that can be immediately implemented or quickly tailored to fit the circumstances of a future emergency.[26] Managers should develop plans in advance that have potential eligibility criteria and controls designed for likely future emergencies, such as natural disasters. Some audit and government management organizations we spoke with emphasized this approach. These plans, developed in advance of an emergency, could also contain components such as identifying emergency-related risks and controls to address these risks.

Preexisting internal control plans should include prepayment controls, such as use of the Do Not Pay working system. This system is operated by Treasury and provides a variety of data-matching and data-analytics services for all federal executive and many state agencies to support their efforts to prevent improper payments. Using the system can help agencies to determine payment eligibility quickly prior to payment issuance.[27] Agencies should also plan for expedited postpayment controls, such as postpayment reviews and recovery audits, which are more critical when the quick disbursement of funds makes prepayment controls difficult to apply fully.

Effective, robust internal control plans can help agencies adapt to changing risks and new priorities. For example, to respond to an emergency, Congress may direct agencies to create new programs that are required to issue a large number of payments quickly, as it did with PPP. Given the immediate need for small business loans during the COVID-19 pandemic, SBA worked to set up PPP so that lenders could begin distributing funds as soon as possible. Specifically, SBA implemented PPP on April 3, 2020, 1 week after the enactment of the CARES Act. By April 16, 2020, just 14 days after SBA implemented the program, lenders had approved more than 1.6 million loans totaling nearly $342.3 billion.[28]

Because the need to provide funds quickly increased the risk of fraud, SBA would have benefitted from having plans in place prior to the emergency. Such plans could have helped ensure that program managers considered improper payment risks associated with emergency funding (such as the volume of transactions and speed at which they were processed) and implemented basic internal controls to help mitigate those risks prior to disbursing the emergency assistance. For example, antifraud controls within the internal control plan could have included using prepayment data analytics, such as the Do Not Pay working system mentioned above, as well as processes to screen payments for potential ineligibility or fraud. In addition, internal control plans increase transparency and may give Congress some assurance that agencies will be able to establish or adapt effective and efficient controls over new or expanded federal funding.

Preexisting internal control plans allow federal program managers to adapt controls quickly when a program's statutory requirements change in an emergency. For example, Congress may significantly expand an existing program, as it did with the federal unemployment insurance system during the pandemic. In 2020, DOL's Pandemic Unemployment Assistance program expanded unemployment benefits to independent contractors, self-employed individuals, and others not traditionally eligible for these benefits. Applicants were required to self-certify that they were eligible for pandemic-related assistance before payments were sent. Also in 2020, the DOL Office of Inspector General reported self-certification as a top fraud vulnerability for state workforce agencies administering pandemic-related unemployment benefits.[29] Congress addressed this issue in the 2021 Consolidated Appropriations Act by creating new documentation requirements for Pandemic Unemployment Assistance claimants; however, the program had already become an attractive target for increasingly sophisticated fraud schemes.[30] Preexisting internal control plans might have helped managers quickly implement appropriate controls before payments were disbursed—such as leveraging existing data-matching services to validate individuals' employment status. In emergencies, such plans may also help agencies to expedite more timely postpayment checks.

Identify Data-Sharing Opportunities

Sharing data allows programs to compare information from different sources to help ensure that payments are appropriate before they are made. Using different data sources to confirm identity and eligibility information can be a key step in reducing improper payments in emergency assistance programs.

Agencies should proactively identify data they may need to verify applicant identity and eligibility and resolve any barriers to accessing data before an emergency occurs, including entering into data-sharing agreements. Data-sharing agreements allow agencies access to necessary external data, which can be used to improve a program's existing controls or develop new verification controls to help overcome incomplete or missing applicant information.[31] For example, agencies can enter into Computer Matching Agreements, which permit federal agencies to conduct data matches with one another to establish or verify personal information.[32]

Identifying data-sharing opportunities in advance can help agencies identify barriers to accessing data, such as statutory restrictions, and proactively work to resolve them before an emergency occurs. While the obligation to control and protect data can limit agencies' ability and willingness to share information across the federal government, program managers may be able to identify authorities under which data sharing is permissible for the purpose of enhancing identity-verification controls. For example, the Privacy Act of 1974, as amended, defines a number of conditions under which federal agencies may share information with other government agencies without the affected individual's consent.[33] To help ensure the integrity of direct payments to individuals, we have recommended that Congress consider amending the Social Security Act to explicitly allow the Social Security Administration (SSA) to share its full death data with Treasury for data matching to prevent payments to ineligible individuals.[34]

Having data-sharing agreements in place before an emergency occurs can help ensure timely access to verification information, and these agreements can be used in the prevention and detection of improper payments. For example, in January 2023, the Pandemic Response Accountability Committee identified $5.4 billion in potential identity fraud associated with 69,323 questionable and unverified Social Security numbers across disbursed COVID-19 EIDL and PPP loan program applications. The committee found that if SBA had been able to verify the accuracy of the Social Security numbers on borrower applications, it could have reduced the possibility of identity theft and ensured that benefits were paid only to eligible recipients. However, the process of implementing a new Social Security number verification agreement and addressing the legal questions regarding information sharing can be lengthy, and the time required to establish these types of agreements can create delays and challenges, particularly in an emergency. The Pandemic Response Accountability Committee found that having such agreements in place before an emergency occurs would ensure timely access to verification information and protect taxpayer funds from improper payments.[35]

Assign Roles and Responsibilities

Federal program managers should ensure that sufficient resources are applied to oversee improper payment and fraud risk management activities, and that authority and responsibility for internal control are clearly assigned and periodically reviewed.

For example, the Centers for Medicare & Medicaid Services (CMS) created the Center for Program Integrity, a centralized entity responsible for Medicare and Medicaid program integrity issues.[36] After receiving additional funding, CMS allocated additional staff to the center and was able to establish working groups and interagency collaboration aimed at reducing improper payments. By assigning responsibility for payment integrity to this center, CMS was able to centralize the development and implementation of automated prepayment controls used to deny Medicare claims that should not be paid. As CMS has undertaken these efforts and others to address improper payments, it has seen a reduction in improper payments. Between fiscal years 2018 and 2020, Medicare's fee-for- service and Medicare Advantage saw a reduction in their improper payment rates of more than 1 percentage point, which is significant given that Medicare's improper payments accounted for over one-quarter of the total amount of improper payments made government-wide in fiscal year 2019.[37]

Clearly assigning roles and responsibilities for managing improper payments should also include establishing a dedicated antifraud entity to strategically manage fraud risks.[38] Having such an entity can help ensure that improper payment risks related to fraudulent activity are identified and assessed as the emergency unfolds and that appropriate controls are implemented when agencies distribute emergency funding. Such entities should have clearly defined and documented responsibilities and authority for managing fraud risks.

Implement Open Recommendations

Agencies can also prepare for future emergencies by promptly implementing recommendations made during normal operations by their inspectors general or GAO. For example, in 2018, GAO recommended that the Internal Revenue Service (IRS) take steps to improve its efforts to authenticate taxpayers.[39] IRS had not fully implemented these recommendations at the onset of the COVID-19 pandemic, and subsequently IRS officials raised concerns that fraudsters could be taking economic impact payments intended for eligible recipients by improperly accessing IRS's online payment portal and routing payments to their own bank accounts. By taking actions to address the open recommendations prior to the COVID-19 pandemic, IRS might have had better controls and safeguards in place during the emergency to manage improper payment risks and help ensure that eligible individuals in need of economic impact payments received them.[40]

In addition to implementing open recommendations made during normal operations, agencies can improve the integrity of their emergency assistance programs by implementing recommendations made during emergency operations. For example, we and inspectors general have made hundreds of recommendations in the course of performing COVID-19 oversight, many of which remained unimplemented at the end of the national emergency in May 2023.

Apply Lessons Learned

Agencies can also apply lessons learned about improper payments during emergencies to inform future practices. For example, during the COVID-19 pandemic, we and several inspectors general made recommendations to help agencies reduce improper payments, including those stemming from fraudulent activity in unemployment insurance and the EIDL program. These recommendations could benefit agencies in future emergencies.[41]

For example, in a future emergency, if agencies allow applicants to self-certify that they are eligible for assistance, agencies should consider establishing additional fraud controls, such as validating self-certifications with tax returns, employer certifications, or other alternate documentation before disbursing payments. The Pandemic Response Accountability Committee found that this lesson applies broadly to federal agencies that rely on self-certification to determine eligibility.[42] Agencies could apply this lesson by having a plan in place for validating self-certified eligibility information before the next emergency occurs. Applying lessons learned from past emergencies will help agencies build a foundation to quickly respond to and mitigate payment integrity risks in future emergencies.

2. Identify and Assess Improper Payment Risks, Including Fraud

Practices that identify and assess risk

- ☐ Leverage prior risk assessments
- ☐ Quickly identify and assess new improper payment risks
- ☐ Support nonfederal entities in assessing and managing improper payment risks
- ☐ Define risk tolerance
- ☐ Periodically assess whether programs are susceptible to significant improper payments, including fraud

Source: GAO (analysis and icon). | GAO-23-105876

Agencies should identify and address improper payment risks both as part of their normal operations before an emergency occurs and once emergency conditions develop. This process includes leveraging prior risk assessments, identifying and assessing new risks, supporting nonfederal entities that administer federal programs in managing payment integrity risks, defining programs' risk tolerance, and periodically assessing whether programs are susceptible to significant improper payments.

In emergency assistance programs, understanding the general magnitude, likelihood, and nature of improper payment risks before spending begins is critical. Conducting regular risk assessments can help program managers identify and respond to risks facing the entity, including fraud. While some programs may conduct statutorily required risk assessments, such as the improper payment risk assessment discussed below, programs that do not meet the statutory threshold for improper payment risk assessments should still strategically assess and manage their risks of improper payments.[43] This approach provides both safeguards for normal operations and a starting point for assessing new emergency assistance programs and expanded programs, which may have significantly altered risks and may need modified or new controls.

Leverage Prior Risk Assessments

Federal program managers can take steps to understand risks in new emergency assistance programs by leveraging risk assessments of prior programs or similar emergency assistance programs. For example, DOL implements temporary unemployment insurance programs following natural disasters. These temporary programs have regulations similar to those of the unemployment assistance program DOL implemented during the COVID-19 pandemic, and these programs have previously been audited for improper payments by DOL's Office of Inspector General. In emergency situations, using the risk assessments of previous or similar emergency assistance programs could better position program managers to quickly identify and assess improper payment risks and design appropriate internal controls to mitigate them.

Identify and Assess New Risks

Federal program managers should also identify and assess any new improper payment risks or changes in the likelihood of existing risks stemming from the emergency. For example, one office we spoke to with payment oversight responsibilities was required to shift to a remote (telework) posture at the onset of the COVID-19 pandemic. However, not all personnel had the appropriate technology to oversee and manage the distribution of payments from a remote posture, which increased the risk of improper payments.[44]

Legislation to address emergencies can also introduce new risks. For example, a state auditor noted that when CARES Act legislation expanded unemployment insurance payments to independent contractors, staff did not have the means to conduct traditional employment verification for them. Some independent contractors who realized the state had no way to verify their unemployment may have been able to fraudulently claim they were unemployed, contributing to improper payments.

The likelihood or severity of existing risks can also change. For example, an organization we spoke to noted that the risk of fraudulent activity may be higher when programs contract with and provide payments to unfamiliar businesses and do not have an established method to determine contractors' legitimacy. Specifically, a state auditor's office told us its staff routinely work with certain types of contractors after natural disasters, such as debris removal contractors, and based on prior experience are able to identify fraudulent companies more easily. During the COVID-19 pandemic, however, they had to work with ventilator contractors for the first time, and the lack of experience meant they had no basis on which to evaluate whether certain contractors were fraudulent. Fraudulent companies seeking contracts was a known existing risk that this auditor considered, but the circumstances of the pandemic increased the likelihood of this type of fraud.

In emergencies, when program administrators need to confirm recipient identity and eligibility expeditiously, the extent to which agencies rely on applicants self-certifying their eligibility can increase. However, as discussed previously, we and others have repeatedly found that self-certification can increase the risk of fraud, which may ultimately reduce the total amount of funds available to eligible individuals and businesses.[45] For example, to apply for an EIDL loan from SBA, businesses certified that they were established on or before January 31, 2020, by entering their establishment date on their application form. SBA did not verify this information with another data source or ask for additional supporting documentation before disbursing funds. When SBA's Office of Inspector General later used employer identification number data to audit the program, it found that the agency had approved over 22,700 potentially ineligible applications. As a result of not identifying and assessing this risk, SBA distributed $918 million in loan funds that were potentially improper payments.[46]

Support Nonfederal Entities

In emergency assistance programs, addressing improper payment risks is often a responsibility shared between federal and nonfederal entities, such as tribal, state, territorial, and local governments, and federal program managers should assist their counterparts with assessing and managing risk.

For example, nonfederal program administrators may assume responsibility for determining program eligibility, ensuring accurate benefit payments, and preventing fraudulent and other improper payments. Federal program managers can assist them in mitigating improper payment risk by providing fraud-related guidance, general support, and technical assistance. Furthermore, an audit and an oversight organization told us that federal program managers should ensure their state and local counterparts have their own risk assessment strategies, which can include activities such as assessing their vendors' internal controls. In circumstances where program eligibility decisions are determined outside of the federal agency, taking steps to assist a counterpart may help to mitigate risk.

Define Risk Tolerance

When managing an emergency assistance program, federal program managers may choose to adjust their risk tolerance, or willingness to take on risk, with respect to improper payments. Because the nature of emergency assistance can increase vulnerability to improper payments, program managers should weigh their objective to provide assistance quickly against the increased risk of improper payments.

For example, when responding to natural disasters, an emergency assistance program may contract with businesses for emergency services, such as debris removal. The managers may generally define their risk tolerance as "very low" because improper payments could undermine the program and waste resources. Therefore, they may require a full verification check as a control to ensure they identify businesses that may be using falsified tax identification numbers or fraudulent business websites. This control would have a high level of certainty of identifying fraud before issuing a payment. However, depending on the circumstances of the emergency, managers may accept a higher risk tolerance, and they might decide to waive the full verification control and opt for a control activity that is more limited (such as auditing a sample of businesses to verify their identities). Such a limited control provides less assurance that improper payments are being detected but is less time consuming and may help get assistance out faster.

Program management should define a program's risk tolerance according to OMB guidance and federal internal control standards. Management should then develop an internal control system that balances these risks with controls so as to identify, achieve, and maintain a tolerable level of improper payments.[47]

Assess Whether Programs Are Susceptible to Significant Improper Payments

Conducting improper payment risk assessments should be a routine part of risk management for federal programs, but emergency assistance programs may involve additional considerations because the risk of improper payments is higher. Federal program managers are required by law to periodically assess whether programs with annual outlays of over $10 million may be susceptible to significant improper payments, which would trigger requirements for improper payment estimates and corrective action plans.[48] While these improper payment risk assessments typically occur on a 3-year cycle, whenever a program experiences a significant change in legislation or funding—such as during a natural disaster or emergency—or any event that increases payment integrity risk, program managers should conduct an off-cycle risk assessment.[49]

For newly established programs, OMB guidance states that improper payment risk assessments should be completed after the first 12 months of the program.[50] However, for emergency assistance programs, especially large programs where there are concerns about the possibility of widespread improper payments, we have emphasized the importance of program management estimating improper payments expeditiously.[51] This can include during the initial year of implementation. Given the rapid timeline of emergency assistance, time lags in assessing risk may result in improper payment issues, including those resulting from fraudulent activities, not being identified or addressed until after most or even all funds are disbursed.

When conducting an improper payment risk assessment, program managers should consider risk factors that may contribute to a program's susceptibility to significant improper payments, including but not limited to those listed in table 1.

Table 1: Examples of Risk Factors That Increase a Program's Susceptibility to Improper Payments

• Whether the program or activity is new to the agency
• The complexity of the program or activity
• The volume of payments made through the program or activity
• Whether payments or payment eligibility decisions are made outside of the executive agency, such as by a state or local government or another third party or intermediary
• Recent major changes in program funding, authorities, practices, or procedures
• The level and experience of and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate
• Significant deficiencies in the audit report of the executive agency or other relevant management findings that might hinder accurate payment certification
• Similarities to other programs or activities that have reported improper payment estimates or been deemed susceptible to significant improper payments
• The accuracy and reliability of improper payment estimates previously reported for the program or activity, or other indicator of potential susceptibility to improper payments identified by the inspector general of the executive agency or GAO; other audits performed by or on behalf of the federal, state, or local government; in disclosures by the executive agency; or through any other means
• Whether the program or activity lacks information or data systems to confirm eligibility or provide for other payment integrity needs

Source: GAO and 31 U.S.C. § 3352(a)(3)(B). | GAO-23-105876

If the improper payment risk assessment determines that the program may be susceptible to significant improper payments, this determination triggers additional statutory requirements, such as estimating and publicly reporting on improper payments (see framework principles 4 and 5).[52] If a program has not been determined to be susceptible to significant improper payments, the agency should still regularly assess improper payment risks and develop appropriate responses. These responses may include assessing fraud risks and implementing new or modified control activities that are consistent with federal internal control standards.[53]

3. Design and Implement Effective Control Activities

Practices that support effective control activities

- Establish control activities at the beginning of the program
- Leverage existing resources to create controls quickly
- Prioritize prepayment controls and avoid overreliance on "pay and chase" controls
- Ensure controls align with statutory requirements

Source: GAO (analysis and icon). | GAO-23-105876

Designing and implementing effective control activities from the beginning of an emergency assistance program is critical to strong oversight and helps ensure that agencies achieve program objectives and respond to identified risks of improper payments in a timely manner. Practices that support effective control activities include establishing control activities at the beginning of the program, leveraging existing resources to create controls, prioritizing prepayment controls, and ensuring that controls align with statutory requirements. Having an internal control plan in place before an emergency occurs, as discussed in principle 1, can help expedite the establishment of control activities from the beginning of the program.

Establish Control Activities

Incorporating effective control activities from the beginning of the program is critical to mitigating the risks of improper payments, particularly when distributing emergency assistance quickly. For example, an audit organization told us that before the COVID-19 pandemic, most states required employers to certify that unemployment insurance applicants were no longer employed with them before the states disbursed payments. However, the large volume of unemployed individuals and urgent need for relief, and an initial requirement in the Pandemic Unemployment Assistance program that allowed applicants to self-certify their eligibility without providing any documentation, led states to forgo employer certification.[54] Instead, states made advance payments to individuals followed by postpayment verification audits, which increased opportunities for improper payments, including those resulting from fraudulent activity. This decision reflects a program's risk tolerance. One state official noted that relaxing this unemployment verification control cost the state hundreds of millions of dollars in improper payments.

Program managers could have implemented a different verification control in place of employer certification. For example, sending unemployment claims to the National Association of State Workforce Agencies' Integrity Data Hub for matching across datasets to determine if the claims had suspicious attributes.[55] Tools such as data matching can provide some assurance against improper payments, while potentially allowing for more timely payments.

Similarly, SBA's COVID-19 EIDL program initially had fewer safeguards than its traditional EIDL program. Under normal operations, SBA would use applicants' federal tax returns to verify parts of their EIDL applications, but the CARES Act prohibited SBA from obtaining these returns from applicants. We and the SBA Office of Inspector General found that such internal control practices may have led to fraud and the provision of EIDL funding to ineligible entities. In December 2020, Congress passed legislation that removed the restriction on obtaining tax returns, but having access to tax returns from the beginning of the program could have helped mitigate improper payments to ineligible applicants.[56]

Leverage Existing Resources

In emergency assistance programs, managers can leverage existing resources to design and implement control activities that allow them to disburse assistance rapidly while mitigating identified risks of improper payments, including those resulting from fraudulent activity. For example, CMS's Accelerated and Advanced Payments Program, expanded under the CARES Act to relieve the financial strain on health care providers caused by the pandemic, was able to distribute more than $100 billion in payments to 46,000 eligible providers by leveraging existing resources. Specifically, the program used CMS databases, including bankruptcy databases, and publicly available bankruptcy filing records to determine whether providers were eligible. In an October 2022 report, the Department of Health and Human Services (HHS) Office of Inspector General found that CMS generally made these payments in compliance with CARES Act and federal requirements.[57]

Agencies can also leverage controls used in similar programs. For example, the DOL Office of Inspector General suggested that the Pandemic Unemployment Assistance program adopt the same controls as those used in previous temporary disaster unemployment assistance programs, which required applicants to substantiate self-certified data on employment and wages with documentation such as pay stubs, business records, and tax returns.[58]

Some audit, oversight, and government management organizations similarly told us that if an agency decides to relax certain controls temporarily to provide assistance quickly, it should still leverage existing resources to implement some basic controls that mitigate improper payments. For example, the Pandemic Response Accountability Committee said program managers can use internal data they already have, such as mailing addresses from other programs they administer, to implement prepayment controls that help verify identity without requiring much additional time.

Prioritize Prepayment Controls

Prepayment controls can help prevent improper payments by identifying potential fraud and control deficiencies early, and they generally offer the most cost-efficient use of resources.[59]

For example, in August 2020, DOL's Employment and Training Administration, which oversees the unemployment insurance system, issued guidance to state workforce agencies on implementing prepayment controls for detecting fraudulent claims, including using the National Association of State Workforce Agencies' Integrity Data Hub to screen claims.[60] While the association estimated that use of the Integrity Data Hub during the COVID-19 pandemic helped to prevent more than $178 million in improper payments, its use is optional, and only 32 of 54 state workforce agencies had used or partially used it by December 2020. In February 2021, the DOL Office of Inspector General identified more than $5.4 billion in potentially fraudulent unemployment insurance payments made from March 2020 to October 2020, including benefits paid to individuals using Social Security numbers of deceased persons and federal inmates.[61] The DOL Inspector General recommended that the Employment and Training Administration work with Congress to establish legislation requiring state workforce agencies to cross-match data before issuing payments in four high-risk areas, including Social Security numbers of deceased individuals and federal prisoners.

While program managers should prioritize prepayment controls, postpayment controls, such as recovery audits, are also important. However, the "pay and chase model," where efforts are made to identify and recover improper payments after they are made, can be difficult and expensive.[62]

As managers implement emergency assistance programs, any reduction in prepayment controls to provide services and issue payments faster should be mitigated by strengthening postpayment controls, such as sampling payments to determine whether they were disbursed properly. For example, within 8 months of disbursing the first Provider Relief Fund payments, HHS developed a postpayment quality control review process to help verify that providers had received correct payments and to recover any overpayments. HHS stated that because full provider eligibility data that may not have been available at the time of payment had become available, program managers would review applicant and payment data to identify improper payments, reassess provider eligibility, and recover payments that exceeded a threshold of $10,000.[63] Postpayment controls can also be used to inform future preventive activities—for example, by using the results of audits to enhance applicant screenings and fraud indicators.[64]

Align Controls with Statute

Federal managers of emergency assistance programs should ensure that controls align with statutory oversight requirements. Emergency assistance funds will likely have different statutory requirements for eligibility, allowable spending, and reporting, including in existing programs that are expanded in an emergency. One agency official told us that bringing together staff from a variety of offices, such as general counsel, legislative affairs, operations, and information technology, can aid in developing and implementing effective and realistic controls that are consistent with statutory requirements.

Managers of emergency assistance programs in which payment eligibility decisions are made outside the agency, such as programs that distribute assistance through state and local governments or nonprofits, should also ensure that nonfederal program administrators have received sufficient guidance in creating control activities that align with statutory requirements. One audit organization told us that federal program managers should share information about improper payment control activities with nonfederal entities that may not have the resources to rapidly design effective controls in an emergency.

4. Monitor the Effectiveness of Controls in Managing Improper Payments

Practices for monitoring the effectiveness of controls

- ☐ Establish timely ongoing monitoring and separate evaluations
- ☐ Estimate improper payments
- ☐ Analyze the root cause of improper payments
- ☐ Monitor nonfederal entities' implementation of emergency assistance programs
- ☐ Develop corrective actions

Source: GAO (analysis and icon). | GAO-23-105876

As part of managing and overseeing federal emergency assistance, federal program managers should regularly assess the effectiveness of controls in managing improper payments. Managers can do this by establishing monitoring activities, estimating improper payments, analyzing their root causes, monitoring nonfederal entities' implementation of emergency assistance programs, and developing appropriate corrective actions.[65]

Establish Monitoring Activities

Program management should assess the internal control system through ongoing monitoring, which is built into the system and performed continually, and through separate evaluations, which are used periodically for a more in-depth analysis of the effectiveness of controls and ongoing monitoring efforts.[66] A risk-based approach to monitoring can allow managers to respond quickly to external factors that can influence the control environment. For example, changes in statutory requirements, new fraud schemes, or economic instability that accompany a natural disaster or national emergency can affect the extent to which controls are effective in addressing improper payment risks. Managers may need to modify specific control activities accordingly, based on monitoring results.

Estimate Improper Payments

Federal program managers should estimate a program's annual improper payments. Estimating a program's annual improper payments is an example of a separate evaluation that helps program managers—and the federal government—understand the scope of the problem and measure the effectiveness of internal controls in addressing improper payment risks.[67] Monitoring improper payments on a more frequent and recurring basis, such as by reviewing a sample of payments monthly or quarterly, can facilitate taking needed corrective actions on a more timely basis.

Estimating improper payments is especially important for emergency assistance programs, where the risk of improper payments is higher. Agencies should ensure that the estimate's methodology incorporates emergency-related risks, such as whether the program is new or received increased funding, whether there are time constraints for spending, and whether changes were made to existing program eligibility rules.

Analyze the Root Cause

After estimating the improper payments, federal program managers should analyze the root cause of the improper payments to help prevent them from recurring. Understanding the root cause will help agencies develop effective corresponding corrective actions. Identifying the root cause is an iterative process that can include assessing possible causes and prioritizing among them. According to OMB guidance, this process involves asking “why did this occur?” multiple times until the deeper cause is identified.[68] Table 2 is an example of a root cause analysis from OMB guidance.

Table 2: Example of Improper Payment Root Cause Analysis

Improper payment	Why did this occur?	Potential cause category	Analysis	Root cause	Possible corrective actions
A payment is improperly issued to a deceased individual.	The agency has access to the data it needs to verify if an individual is deceased but did not check that information prior to payment.	Failure to access data/information	Why was the data/information not accessed?	Lack of training or automation for checking whether the applicant is deceased	Training on how to review information Automate the eligibility process to enable data access

Source: GAO analysis of Office of Management and Budget Memorandum M-21-19 | GAO-23-105876.

Monitor Nonfederal Entities

Federal agencies have oversight responsibilities for the funds they award to nonfederal entities. In emergency assistance programs, nonfederal entities, such as tribal, state, territorial, and local governments, may be responsible for implementing policies and procedures and making payments, while federal program managers oversee and monitor these nonfederal entities. Federal agencies may rely on nonfederal entities that are providing the federal assistance to design and implement controls for mitigating improper payments.

Where federal program managers oversee nonfederal entities, this oversight can include evaluating the adequacy of the nonfederal entity’s policies and procedures and other controls. For example, federal program managers may conduct postpayment testing to validate payments and to evaluate the nonfederal entity’s compliance with its control activities. Without appropriate monitoring and evaluation of nonfederal entities, federal agencies cannot have reasonable assurance that their nonfederal counterparts are meeting program requirements or effectively managing risks.

In programs where eligibility determinations are made by nonfederal entities, nonfederal program administrators may temporarily adjust some controls to ensure payments are not delayed. However, such adjustments usually require federal program managers to perform additional monitoring, as they can increase the risk of improper payments.

For example, the Emergency Rental Assistance program made funding available to tribal, state, territorial, and local governments to provide rental assistance during the COVID-19 pandemic. Treasury allowed state and local program administrators to determine applicant eligibility through written attestations provided by the applicant (self-certification) if the applicant could not provide supporting documentation such as a pay stub to demonstrate income eligibility or a signed lease to demonstrate a rental obligation. Local auditors noted that the decision to rely on self-certification expedited application processing but also increased fraud risks. In February 2022, we recommended that Treasury develop and implement procedures to monitor and evaluate grantees' controls, including providing information on the minimum internal controls expected for nonfederal entities that rely on self-attestation and other administrative flexibilities that could increase risks of improper payments.[69]

In addition, certain nonfederal entities are required to undergo a single audit if their expenditures of federal awards in a fiscal year exceed a certain threshold.[70] A single audit includes an audit of the recipient's expenditure of federal funding and of its financial statements. It can identify deficiencies in the award recipient's compliance with the provisions of laws, regulations, contracts, or grant agreements and in its financial management and internal controls. Correcting such deficiencies can help reasonably assure the effective use of federal funds and reduce improper payments.

Develop Corrective Actions

Effective monitoring can inform the development and implementation of corrective actions that address identified weaknesses in controls. If management performs monitoring activities, such as auditing a sample of disbursed emergency assistance payments, and finds an unacceptable level of improper payments and develops information on a root cause, these findings could inform future prepayment controls.[71]

For example, at the beginning of the pandemic, SBA relied on applicants to self-certify that they were eligible for PPP loans, including that they were not delinquent on any federal loans. When SBA's Office of Inspector

General later reviewed these payments and corroborated the self-certified information against other data sources, it found that 57,500 PPP loans worth $3.6 billion had been issued to potentially ineligible recipients. As a result, for the third round of PPP distributions, SBA implemented the corrective action of using the Do Not Pay system to screen new PPP loan applications.[72]

Developing and implementing corrective action plans has been shown to reduce improper payments. Such plans involve determining the root causes of improper payments and developing solutions to address them, and each estimate of an executive agency program's improper payments must be accompanied by a report on these plans. Between fiscal years 2018 and 2021, several programs, including Medicare, reported that corrective action plans had contributed to a reduction in improper payments. In a study of eight federal programs, we found that the only one agency correctly adhered to statutory requirements and OMB guidance for corrective action plans—the Department of Veterans Affairs—and the estimated improper payment rate in its Prosthetic and Sensory Aids Service declined by 37.6 percent.[73]

5. Provide and Obtain Information to Manage Improper Payments

Practices to provide and obtain information

- Provide improper payment information to nonfederal entities
- Provide improper payment information to oversight entities
- Obtain and use information from nonfederal entities and state and local auditors

Source: GAO (analysis and icon). | GAO-23-105876

Providing information to and obtaining it from appropriate entities is necessary for emergency assistance programs to effectively manage improper payments. Practices that support this principle include providing clear, timely improper payment information to nonfederal entities and entities that perform oversight over emergency assistance programs. Federal managers of emergency assistance programs should also obtain and use information from nonfederal entities and from state and local auditors that oversee these entities.

Provide Information to Nonfederal Entities

To manage improper payments, federal managers of emergency assistance programs should provide timely and quality information to nonfederal entities, including guidance on program implementation, eligibility requirements, and appropriate use of funds.[74] We have previously reported that uncoordinated communication from federal agencies to state and local jurisdictions, and to providers and the general public, has caused confusion, frustration, and, in some cases, individuals' failure to seek or receive emergency assistance.[75]

For example, the CARES Act created the Coronavirus Relief Fund to provide $150 billion in financial assistance to tribal, state, territorial, and local governments to cover expenses incurred due to the COVID-19 pandemic. The act contained stipulations on the use of funds and required Treasury to issue payments from the fund within 30 days of enactment. When Treasury disbursed the funds, it did not provide recipients with timely information on terms and conditions, including that the funds could only be used to cover costs incurred between March 21, 2020, and December 30, 2020, among other requirements.[76] A state auditor we spoke to noted that state agencies that lacked experience as recipients of federal emergency assistance funds faced challenges with interpreting what costs were covered by the Coronavirus Relief Fund payments and required additional guidance on how to interpret the CARES Act statutory requirements.

In response, Treasury issued three versions of guidance and eight versions of frequently asked questions; however, these updates caused confusion about the use of the payments.[77] Further, the Treasury Office of Inspector General found that, in some cases, the lack of comprehensive, timely guidance caused ineligible uses of Coronavirus Relief Fund payments.

More timely information, such as guidance on eligible costs and definitions of key terms, might have helped recipients properly use funds.

Provide Information to Oversight Entities

Emergency assistance programs should also provide relevant, reliable, and timely information to external entities with oversight and monitoring responsibilities. These entities include Congress, federal inspectors general, and GAO. Programs should provide information to these entities to ensure that proper oversight of federal dollars is conducted during emergency circumstances.

Congress needs relevant, reliable, and timely improper payment information to perform its oversight responsibilities, which can include using improper payment information for future policy-making decisions. In addition, Congress may use this information to request evaluation of these programs by GAO or federal inspectors general. GAO and federal inspectors general need and use this information to perform their missions. Specifically, these entities use this information to examine the use of public funds and evaluate emergency assistance programs and policies in order to help Congress make informed oversight, policy, and funding decisions.

To ensure transparency and accountability of public funds, PIIA requires federal agencies to identify and review all programs and activities above a certain size that may be susceptible to significant improper payments. Federal agencies are also required to publish payment integrity information—including information on improper payments—in the materials accompanying their annual financial statements. In addition, PIIA requires federal inspectors general to publicly report on their determination of federal agencies' compliance with six statutory criteria as part of their PIIA compliance reporting.[78] If an agency's inspector general determines that the agency is not in compliance with the six criteria listed in PIIA, that agency must submit a plan to Congress describing the actions that it will take to come into compliance.

For fiscal year 2021, agencies reported estimated improper payment rates of 10 percent or greater for 26 risk-susceptible programs and activities, which accounted for about 87 percent of the government-wide total of reported estimated improper payments.[79] For fiscal year 2022, agencies reported estimated improper payment rates of 10 percent or greater for 17 risk-susceptible programs and activities, which accounted for about 59 percent of the government-wide total of reported estimated improper payments.[80]

Obtain and Use Information from Nonfederal Entities

To manage improper payments, federal program managers of emergency assistance programs that are administered by nonfederal entities should obtain and use quality information from these entities.[81] Nonfederal entities may include those that are public in nature, such as state and local governments and public higher education institutions. They may also include private for-profit financial organizations, such as banks and depository institutions. Finally, nonfederal entities may include nonprofit organizations, such as community centers and food banks. Congress may design emergency assistance programs that require federal agencies to facilitate relief funding through these organizations.

Emergency assistance programs that are administered by nonfederal government entities may benefit from oversight by state and local auditors. State and local auditors play a critical role in ensuring the accountability of nonfederal entities that receive federal emergency assistance. Federal program managers should ensure they obtain state and local auditor findings and recommendations and incorporate them into their risk assessment and monitoring activities. For example, local auditors identified deficiencies related to improper payments and controls for determining eligibility in a program administering Emergency Rental Assistance funds.[82] Specifically, the auditors noted that while the decision to rely on self-certification made it easier for those without formal documentation to qualify for awards, it also increased fraud risks.[83] Federal program managers should incorporate such information from state and local auditors into their programs to reduce fraud risks and improper payments.

Appendix I: Congressional Addressees

The Honorable Patty Murray
Chair
The Honorable Susan Collins
Vice Chair
Committee on Appropriations
United States Senate

The Honorable Ron Wyden
Chairman
The Honorable Mike Crapo
Ranking Member
Committee on Finance
United States Senate

The Honorable Bernard Sanders
Chair
The Honorable Bill Cassidy
Ranking Member
Committee on Health, Education, Labor and Pensions
United States Senate

The Honorable Gary C. Peters
Chairman
The Honorable Rand Paul, M.D.
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Kay Granger
Chairwoman
The Honorable Rosa L. DeLauro
Ranking Member
Committee on Appropriations
House of Representatives

The Honorable Cathy McMorris Rodgers
Chair
The Honorable Frank Pallone, Jr.
Ranking Member
Committee on Energy and Commerce
House of Representatives

The Honorable Mark E. Green, M.D.
Chairman
The Honorable Bennie G. Thompson
Ranking Member
Committee on Homeland Security
House of Representatives

The Honorable James Comer
Chairman
The Honorable Jamie Raskin
Ranking Member
Committee on Oversight and Accountability
House of Representatives

The Honorable Jason Smith
Chairman
The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
House of Representative

Appendix II: Additional Sources to Use in Managing Improper Payments

Table 3: Additional Sources to Use in Managing Improper Payments

Source	Purpose	When/how to use in managing improper payments
Standards for Internal Control in the Federal Government **(known as the Green Book)**	The Federal Managers' Financial Integrity Act of 1982, as amended, requires the Comptroller General to issue standards for internal control in the federal government. *Standards for Internal Control in the Federal Government* provides the overall framework for establishing and maintaining an effective internal control system. The Green Book may also be adopted by state, local, and quasi-governmental entities, as well as nonprofit organizations, as a framework for an internal control system.	The Green Book provides managers criteria for designing, implementing, and operating an effective internal control system, which is key to preventing and reducing improper payments. The Green Book defines the standards through five components: • Control environment • Risk assessment • Control activities • Information and communication • Monitoring The Green Book includes a discussion of how the five internal control components relate to an entity's objectives; how to evaluate the internal control system's design, implementation, and operation; and the requirements for each of the five components, including documentation requirements. Managers determine, based on applicable laws and regulations, how to appropriately adapt the standards presented in the Green Book as a framework for the entity.
A Framework for Managing Fraud Risks in Federal Programs	GAO's *Framework for Managing Fraud Risks in Federal Programs* identifies leading practices for managing fraud risks—an important subset of improper payment risks—and organizes them into a conceptual framework. The framework encompasses control activities to prevent, detect, and respond to fraud, with an emphasis on prevention, as well as structures and environmental factors that influence or help managers achieve their objective to mitigate fraud risks. Effective fraud risk management helps to ensure that federal programs' services fulfill their intended purposes, funds are spent effectively, and assets are safeguarded. The purpose of proactively managing fraud risks is to facilitate, not hinder, a program's mission and strategic goals.	The framework identifies and conceptualizes leading practices to aid program managers in managing fraud, including fraud that results in improper payments. These practices relate to the following concepts: • Commit to combating fraud by creating an organizational culture and structure conducive to fraud risk management • Plan regular fraud risk assessments • Design and implement a strategy with specific control activities to mitigate assessed fraud risks • Evaluate outcomes using a risk-based approach and adapt activities to improve fraud risk management

Payment Integrity Information Act of 2019 (PIIA)	PIIA was intended to improve efforts to identify and reduce government-wide improper payments.	This act establishes requirements for executive agencies to help them manage improper payments, including the following: • Estimating improper payments and reporting on actions to reduce improper payments, including identifying susceptible programs • Establishing compliance requirements for inspectors general of executive agencies • Establishing the Do Not Pay initiative • Improving recovery of improper payments, including through setting targets for recovery • Establishing and maintaining procedures for using data to prevent and reduce improper payments • Establishing financial and administrative controls related to fraud and improper payments PIIA also continues the requirement that the Office of Management and Budget (OMB) establish guidelines for agencies that incorporate leading practices from *A Framework for Managing Fraud Risks in Federal Programs*—specifically, guidelines for agencies to establish financial and administrative controls to identify and assess fraud risks and design and implement control activities in order to prevent, detect, and respond to fraud.
Office of Management and Budget Memorandum M-21-19, Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*	OMB M-21-19 provides requirements for assessing and reporting on executive agency internal controls. The goal of this revised version of OMB Circular A-123's Appendix C is to transform the payment integrity compliance framework and create a more comprehensive and meaningful set of requirements to allow agencies to spend less time complying with low-value activities and more time researching the underlying causes of improper payments, balancing payment integrity risks and controls, and building the capacity to help prevent future improper payments.	This guidance explains requirements related to improper payments, including providing instruction on the following: • Distinguishing among types of improper payments • Identifying susceptible programs using an improper payment risk assessment, including the structure and frequency of the risk assessment • Reporting improper payment estimates for susceptible programs, including suggested sampling and estimation methodologies, frequency of reporting, and how to report • Identifying root causes of improper payments • Preventing improper payments, including identifying improper payment risks, making corrective action plans, and using databases such as those available via the Do Not Pay working system • Identifying and setting risk tolerance and improper payment rate • Identifying and recovering overpayments • Inspector general requirements for determining agency programs' compliance with PIIA criteria, including reporting requirements

Source: GAO-14-704G, GAO-15-593SP, 31 U.S.C. § 3351-3357, OMB M-21-19. | GAO-23-105876

Appendix III: Endnotes

[1]GAO, *Disaster Recovery: Actions Needed to Improve the Federal Approach*, GAO-23-104956 (Washington, D.C.: Nov. 15, 2022) and *Disaster Resilience Framework: Principles for Analyzing Federal Efforts to Facilitate and Promote Resilience to Natural Disasters,* GAO-20-100SP (Washington, D.C.: Oct. 23, 2019).

[2]31 U.S.C. § 3351(4). When an executive agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be included in the improper payment estimate. 31 U.S.C. § 3352(c)(2).

[3]In 2003, federal executive agencies were required by law to begin reporting estimated improper payments for certain programs and activities. An executive agency is a department, an agency, or an instrumentality in the executive branch of the U.S. government. 31 U.S.C. § 102. Prior year improper payment estimates have not been adjusted for inflation.

[4]The improper payment estimate reported for fiscal year 2021 does not reflect all government-wide improper payments. Notably, several agencies with large programs that have been identified as susceptible to significant improper payments have not reported estimates, and some reported estimates are not comprehensive. Further, with the exception of two Department of Labor (DOL) unemployment insurance programs, the estimate does not include estimates related to the expenditures to fund response and recovery efforts for the COVID-19 pandemic. For example, for fiscal year 2021, the Small Business Administration did not report improper payment estimates for its Paycheck Protection Program (PPP), although it estimated $29 billion in improper payments for fiscal year 2022. Most of the fiscal year 2021 estimate was concentrated in the following areas: the Department of Health and Human Services' (HHS) Medicaid ($99 billion); DOL's unemployment insurance ($78 billion); and HHS's Medicare, which comprises three programs: Fee-For-Service, Part C, and Part D ($50 billion).

[5]GAO, *Financial Audit: FY 2021 and FY 2022 Consolidated Financial Statements of the U.S. Government,* GAO-23-105837 (Washington, D.C.: Feb. 16, 2023). Of 82 programs with reported estimates, 17 reported a rate over 10 percent. However, programs that were identified by their agency as not susceptible to significant improper payments would not be included in this 82-program population.

[6]GAO, *Financial Audit: FY 2021 and FY 2020 Consolidated Financial Statements of the U.S. Government,* GAO-22-105122 (Washington, D.C.: Feb. 17, 2022). Of 86 programs with reported estimates, 26 reported a rate over 10 percent. However, programs that were identified by their agency as not susceptible to significant improper payments would not be included in this 86-program population.

[7]GAO has an extensive body of work on improper payments that spans a number of years. Significantly, in March 2022 we recommended 10 matters for congressional consideration to strengthen internal controls and financial and fraud risk management practices across the government. We consider these actions to be important steps to more effectively manage improper payments. See GAO, *Emergency Relief Funds: Significant Improvements Are Needed to Ensure Transparency and Accountability for COVID-19 and Beyond*, GAO-22-105715 (Washington, D.C.: Mar. 17, 2022).

[8]Over this period, agencies' estimated improper payment rates decreased in 19 of these programs, according to fiscal year 2022 reporting. These changes may be attributable to a number of factors, including agency corrective actions, changes in policies, and variability (e.g., margin of error) in the process for estimating the payment rates. To identify the number of programs reporting improper payment estimates, we analyzed paymentaccuracy.gov data from fiscal years 2017 through 2022. Programs had to have a comparable improper payment estimation methodology from year to year. To determine if a program reported a change in estimation methodology, we assessed any programs that had a change in either (1) the estimated improper payment amount greater than $100 million and the estimated improper payment rate greater than 5 percent or (2) the estimated improper payment amount greater than $1 billion. Paymentaccuracy.gov is a U.S. government website managed by the Office of Management and Budget (OMB) that includes information about current and historical rates and amounts of estimated improper payments.

[9]Unemployment insurance programs provide temporary financial assistance to eligible workers who become unemployed through no fault of their own.

[10]GAO, *COVID-19: Opportunities to Improve Federal Response and Recovery Efforts*, GAO-20-625 (Washington, D.C.: June 25, 2020). A fourth unemployment insurance program was created by the Consolidated Appropriations Act, 2021 and extended by the American Rescue Plan Act of 2021. See GAO, *Unemployment Insurance: Transformation Needed to Address Program Design, Infrastructure, and Integrity Risks,* GAO-22-105162 (Washington, D.C.: June 7, 2022).

[11]GAO-22-105715.

[12]Department of Labor, Office of Inspector General, *Testimony Before the U.S. House of Representatives Committee on Ways and Means, No. 1919-23-003-03-315 (Washington D.C. Feb. 8, 2023).* With the exception of the Pandemic Unemployment Assistance Program, for which claims could be backdated to January 27, 2020, the DOL Inspector General defined the unemployment period as March 27, 2020, through September 6, 2021. The DOL Inspector General also noted that according to the Employment Training Administration, it could not provide final total costs of the programs because states were still processing claims that were for weeks of unemployment prior to expiration of the programs.

[13]GAO, *COVID-19: Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response*, GAO-22-105051 (Washington, D.C.: Oct. 27, 2021). DOL and the DOL Inspector General have also reported on the need for improving management of the unemployment insurance system and program integrity, among other things.

[14]GAO, *COVID-19: Current and Future Federal Preparedness Requires Fixes to Improve Health Data and Address Improper Payments,* GAO-22-105397 (Washington, D.C.: Apr. 27, 2022). SBA made or guaranteed these emergency loans and grants through its PPP and Economic Injury Disaster Loans. As of March 27, 2022, lenders had made about 11.4 million PPP loans, totaling about $789 billion.

[15]This information is based on GAO analysis of improper payment estimate data from fiscal year 2022 as reported on paymentaccuracy.gov. All references to the EIDL program in this report refer to the program administered in response to the COVID-19 pandemic unless otherwise noted.

[16]GAO-20-625 and GAO, *COVID-19: Sustained Federal Action Is Crucial as Pandemic Enters Its Second Year*, GAO-21-387 (Washington, D.C.: Mar. 31, 2021).

[17]GAO, *2017 Disaster Relief Oversight: Strategy Needed to Ensure Agencies' Internal Control Plans Provide Sufficient Information*, GAO-19-479 (Washington D.C.: June 28, 2019).

[18]OMB disagreed with our recommendation. OMB staff stated that OMB did not believe the sufficiency or timeliness of control plans presented material issues that warranted OMB action. OMB staff also stated that agency management and not OMB has responsibility for ensuring compliance with applicable laws and regulations. While agencies were responsible for submitting their internal control plans, federal law places the responsibility of establishing the criteria for the internal control plans with OMB. Therefore, we believe that our recommendation remains warranted.

[19]The White House, *Memorandum on Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019* (Aug. 8, 2020). This program was authorized under the Other Needs Assistance category of FEMA's Individual and Households program. According to 42 U.S.C. § 5174(a)(1), after a disaster, the President, in consultation with the state governor, may provide financial assistance to cover necessary expenses and serious needs in cases where the individual or household is not able to meet such expenses or needs through other means.

[20]Department of Homeland Security, Office of Inspector General, *FEMA Did Not Implement Controls to Prevent More Than $3.7 Billion in Improper Payments from the Lost Wages Assistance Program,* OIG-22-69 (Washington, D.C.: Sept. 16, 2022). FEMA approved Lost Wages Assistance grant applications totaling more than $37.3 billion in grant obligations for 49 states, four territories, and the District of Columbia. South Dakota was the only state that did not apply for or participate in the Lost Wages Assistance program. The U.S. territories that participated in the program were the Northern Mariana Islands, Guam, Puerto Rico, and the U.S. Virgin Islands. As of April 2022, $36.5 billion had been expended by the state workforce agencies.

[21]Department of Homeland Security, Office of Inspector General, OIG-22-69. These 21 state workforce agencies distributed more than 80 percent of the $36.5 billion of lost wages assistance—approximately $30 billion in total—and later detected $3.3 billion in potentially fraudulent payments. In addition, they identified $21.6 million in overpayments and $403 million in payments made without obtaining claimants' required self-certifications of eligibility.

[22]Pub. L. No. 116-136, § 19010, 134 Stat. 281, at 579-81 (2020). See app. I for the list of congressional addressees for this work.

[23]Pub. L. No. 116-117, 134 Stat. 113 (2020) (codified at 31 U.S.C. §§ 3351-3358); OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement* (OMB M-21-19); GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: Sept. 10, 2014); and GAO, *A Framework for Managing Fraud Risks in Federal Programs*, GAO-15-593SP (Washington, D.C.: July 28, 2015).

[24]These entities are the National Association of State Comptrollers, Auditors and Treasurers; the American Institute for Certified Public Accountants; the Association of Government Accountants; and the Association of Local Government Auditors.

[25]The five components of internal control (Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring) must be effectively designed, implemented, and operating together in an integrated manner for an internal control system to be effective.

[26]In March 2022, we recommended that Congress consider requiring OMB to provide guidance for agencies to develop internal control plans that would then be ready for use in, or adaptation for, future emergencies or crises and requiring agencies to report these plans to OMB and Congress. See GAO-22-105715.

[27]OMB, in coordination with Treasury, developed the Do Not Pay initiative as a web-based, centralized data-matching service for federal agencies to use in preventing and detecting improper payments. The Do Not Pay working system allows agencies to review multiple databases before making payments. Although PIIA established the requirement that all executive agencies use Do Not Pay prior to issuing payments, officials from Treasury's Bureau of the Fiscal Service told us that not all agencies are in compliance. As of May 2022, the Bureau of the Fiscal Service was working with 47 federal agencies and 286 federally funded programs. Bureau officials stated that they conduct significant outreach to increase awareness of the initiative and to bring more agencies into compliance with PIIA. In 2013, OMB also issued guidance to help agencies protect privacy while reducing improper payments with the Do Not Pay system. Office of Management and Budget, *Protecting Privacy While Reducing Improper Payments with the Do Not Pay Initiative*, OMB Memorandum M-13-20 (Washington, D.C.: Aug. 16, 2013).

[28]Small Business Administration, Office of Inspector General, *Inspection of SBA's Implementation of the Paycheck Protection Program,* 21-07 (Washington D.C.: Jan. 14, 2021).

[29]Department of Labor, Office of Inspector General, *COVID-19: States Struggled to Implement Cares Act Unemployment Insurance Programs*, 19-21-004-03-315 (Washington D.C.: May 28, 2021).

[30]Individuals who filed a new Pandemic Unemployment Assistance claim on or after January 31, 2021, were required to provide documentation of employment or self-employment within 21 days of application, or following the state deadline if later (with exceptions for good cause). Individuals who received Pandemic Unemployment Assistance on or after December 27, 2020, were required to provide this documentation within 90 days, or within the state deadline if later (with exceptions for good cause). For Pandemic Unemployment Assistance claims filed on or after January 26, 2021, states were required to use administrative procedures to verify the identity of Pandemic Unemployment Assistance applicants and provide timely payment, to the extent reasonable and practicable. The Continued Assistance Act included a new statutory requirement for weekly self-certification by claimants of a COVID-19-related condition for weeks on or after January 26, 2021. For more information, see also GAO-22-105051.

[31]Joint Financial Improvement Program, *Key Practices to Reduce Improper Payments through Identity Verification* (Washington, D.C.: July 2022).

[32]5 U.S.C. § 552a(o); see also OMB Memorandum M-21-19 and Joint Financial Improvement Program, *Key Practices.* Federal executive agencies generally may enter into Computer Matching Agreements with other agencies for ongoing data matching that assists in the detection and prevention of improper payments. These agreements are limited to 18 months followed by a renewal period and must contain certain information, such as a description of the records that will be matched.

[33]5 U.S.C. § 552a(b). For example, data sharing between federal agencies may be allowed if it is for a purpose that is compatible with the purpose for which the data were collected, referred to as routine use. 5 USC 552a(b)(3),(a)(7). While increased data sharing can help identify and reduce improper payments, identity verification involves individuals' personal information, such as mailing address, date of birth, and Social Security number, which can create privacy risks. According to the National Institute of Standards and Technology (NIST), organizations could potentially mitigate these risks by assessing the risk associated with online transactions and selecting the appropriate assurance level for each. A low assurance level reduces the amount of personal information that organization must collect, but increases the risk of improper payments. On the other hand, a high assurance level may increase the burden on applicants, including those who are not misrepresenting their identities. NIST develops information-security standards and guidelines, including the minimum requirements for federal information systems. Joint Financial Improvement Program, *Key Practices.*

[34]GAO-20-625. For the economic impact payments made during the pandemic, starting with the fourth batch of payments, the SSA death records were used by Treasury's Bureau of the Fiscal Service to identify deceased individuals. This occurred after Treasury and IRS, in consultation with counsel, determined that such individuals were not entitled to receive the payment.

[35]Pandemic Response Accountability Committee, *Fraud Alert: PRAC Identifies $5.4 Billion in Potentially Fraudulent Pandemic Loans Obtained Using over 69,000 Questionable Social Security Numbers* (Jan. 30, 2023).

[36]For more information, see GAO, *High Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas*, GAO-21-119SP (Washington, D.C.: Mar. 2, 2021). Due to Medicare's size, complexity, and susceptibility to improper payments, GAO first designated it as a high-risk program in 1990.

[37]GAO-21-119SP.

[38]GAO-15-593SP.

[39]GAO, *Identity Theft: IRS Needs to Strengthen Taxpayer Authentication Efforts*, GAO-18-418 (Washington D.C.: June 22, 2018).

[40]GAO made 11 recommendations. Of those, IRS had addressed 10 by September 2022; it had partially addressed the remaining recommendation as of January 2023.

[41]GAO-20-625; Small Business Administration, Office of Inspector General, *Inspection of Small Business Administration's Initial Disaster Assistance Response to the Coronavirus Pandemic,* 21-02 (Oct. 28, 2020); and Department of Labor, Office of Inspector General, *Alert Memorandum: The Pandemic Unemployment Assistance Program Needs Proactive Measures to Detect and Prevent Improper Payments and Fraud*, 19-20-002-03-315 (May 26, 2020).

[42]Pandemic Response Accountability Committee, *Lessons Learned in Oversight of Pandemic Relief Funds Updated* (Washington D.C.: June 8, 2022).

[43]Federal program managers are responsible for identifying, assessing, and responding to risks (including the potential for fraud) while a program seeks to achieve its objectives. According to *Standards for Internal Control in the Federal Government*, a risk assessment is the identification and analysis of risks related to achieving the defined objectives, and the assessment forms the basis for designing risk responses. When conducting a risk assessment, managers should consider internal risk factors, such as the complex nature of the program, and external factors, such as potential natural disasters. To focus managers' attention on the need to take a more strategic, risk-based approach to managing fraud risks, managers are required to consider the potential for fraud and fraud risks as part of their risk assessment activities. GAO's *Framework for Managing Fraud Risks in Federal Programs* provides comprehensive guidance for conducting these assessments and using the results as part of the development of a robust antifraud strategy. Additionally, some programs may be statutorily required to do other types of risk assessments, such as an improper payment risk assessment. OMB Memorandum M-21-19 provides additional guidance to agencies on conducting the improper payment risk assessment.

[44]A state auditor told us that the COVID-19 pandemic created unique personnel challenges that affected distribution of funds. For example, staff had to work from home, and in certain situations they did not have the proper equipment to do so. The auditor noted that only eight of the 54 staff within the office owned a laptop to be able to conduct work remotely.

[45]GAO-20-625 and Pandemic Response Accountability Committee, *Lessons Learned.*

[46]Pandemic Response Accountability Committee, *Lessons Learned*, and Small Business Administration, Office of Inspector General, 21-02.

[47]OMB Memorandum M-21-19 and GAO-14-704G. According to federal internal control standards, program managers should define their risk tolerances and consider them in the context of the applicable laws, regulations, and standards as well as the agency's standards of conduct, oversight structure, organizational structure, and expectations of competence. An internal control system is a continuous built-in component of operations, effected by people, that provides reasonable assurance, not absolute assurance, that an entity's objectives will be achieved.

[48]By statute, agencies must conduct improper payment risk assessments at least once every 3 years for all programs with annual outlays of more than $10 million. PIIA defines "significant" improper payments as improper payments in the preceding fiscal year that may have exceeded either (1) 1.5 percent of program outlays and $10 million or (2) $100 million (regardless of the improper payment rate). 31 U.S.C. § 3352(a).

[49]OMB Memorandum M-21-19.

[50]After the first improper payment risk assessment is conducted, agencies can adjust the time frame so future assessments are aligned or staggered with other agency programs on a 3-year improper payment risk assessment cycle. OMB Memorandum M-21-19.

[51]GAO-21-191.

[52]31 U.S.C. § 3352. OMB designates programs with estimated improper payments resulting in a monetary loss greater than or equal to $100 million as high-priority programs, which are subject to requirements in addition to those for programs deemed susceptible to improper payments. See OMB Memorandum M-21-19.

[53]GAO-14-704G. According to federal internal control standards, management should consider the potential for fraud when identifying, analyzing, and responding to risks.

[54]The CARES Act created the Pandemic Unemployment Assistance program and initially allowed applicants to self-certify their eligibility and did not require them to provide any documentation of self-employment or prior income. The Consolidated Appropriations Act of

2021 included a requirement for individuals to submit documentation of employment or self-employment when applying for the Pandemic Unemployment Assistance program. See GAO-22-105051.

[55]The National Association of State Workforce Agencies' Integrity Data Hub provides states a secure and centralized platform to assist in detecting and preventing fraud, identity theft, and improper payments in the unemployment insurance program. The platform brings state workforce agencies together to compare and analyze claims data for enhanced detection and prevention of fraud and improper payments. Specifically, states can submit unemployment insurance claims data to the data hub, which then cross-matches these data with a variety of datasets to determine if a claim has suspicious attributes that may indicate fraud or identity theft before the agency issues payment. As we previously reported, according to DOL Inspector General officials, some state IT systems may not have been easily compatible with the Integrity Data Hub. See GAO-22-105162.

[56]GAO-21-387; Small Business Administration, Office of Inspector General, *Follow-Up Inspection of SBA's Internal Controls to Prevent COVID-19 EIDLs to Ineligible Applicants*, 22-22 (Washington D.C.: Sept. 29, 2022); and Pandemic Response Accountability Committee, *Lessons Learned.*

[57]Of the 109 provider payment requests that the HHS Office of Inspector General included in its audit, 100 were correctly paid, six were incorrectly approved but CMS identified the error before the payment was made, and in three of the cases, CMS identified the errors immediately after the payments were made and recovered the improper payments. Department of Health and Human Services, Office of Inspector General, *Payments Made to Providers Under the COVID-19 Accelerated and Advance Payments Program Were Generally in Compliance with the CARES Act and Other Federal Requirements (*Washington, D.C.: October 2022).

[58]Department of Labor, Office of Inspector General, 19-20-002-03-315. In addition, the DOL Inspector General recommended that the department seek additional guidance or clarification from Congress concerning whether a claimant is entitled to establish and continue to receive Pandemic Unemployment Assistance payments without providing documentation. The department agreed to consult with Congress and provide technical assistance if Congress wished to amend the self-certification provision within the Pandemic Unemployment Assistance program to require submission of documentation to substantiate an individual's previous employment. The DOL Inspector General closed this recommendation on April 28, 2021, based on actions taken by Congress when it created documentation requirements for Pandemic Unemployment Assistance claimants in the Continued Assistance to Unemployed Workers Act of 2020.

[59]For more information, see GAO-15-593SP.

[60]The Integrity Data Hub allows state workforce agencies to perform various cross-matches of data, such as identifying claims filed using deceased persons' and federal inmates' Social Security numbers. Department of Labor, Office of Inspector General, *Alert Memorandum: The Employment and Training Administration Needs to Ensure State Workforce Agencies Implement Effective Unemployment Insurance Program Fraud Controls for High Risk Areas,* 19-21-002-03-315 (Washington D.C.: Feb. 22, 2021).

[61]Department of Labor, Office of Inspector General, 19-21-002-03-315.

[62]Postpayment reviews and improper payment recovery audits are financial management practices that agencies can use to determine whether payments were made appropriately to eligible recipients in correct amounts and used by recipients in accordance with law and applicable agreements. "Pay and chase" refers to the practice of detecting improper payments after payments have been made and attempting to recover funds.

[63]Department of Health and Human Services, Office of Inspector General, *HHS's and HRSA's Controls Related to Selected Provider Relief Fund Program Requirements Could Be Improved* (Washington, D.C.: September 2022). In October 2021, we recommended that the Health Resources and Services Administration (HRSA), within HHS, establish time frames for completing postpayment reviews and finalize and implement procedures for postpayment recovery of any Provider Relief Fund improper payments. GAO-22-105051.

[64]GAO-15-593SP.

[65]According to federal internal control standards, program managers should (1) monitor the effectiveness of internal controls (including internal controls to mitigate improper payments and fraud risk) and evaluate the results and (2) remediate identified internal control deficiencies on a timely basis.

[66]GAO-14-704G.

[67]Under certain circumstances, executive agencies are statutorily required to produce an annual estimate of a program's improper payments, *i.e.,* if the program has been determined through the improper payment risk assessment to be susceptible to significant improper payments, or otherwise as required by law. 31 U.S.C. § 3352(c)(1) and OMB Memorandum M-21-19. While improper payments could suggest that a program may be vulnerable to fraud, improper payment estimates are not valid indicators of the extent of fraud in a particular program.

[68]OMB Memorandum M-21-19.

[69]GAO, *Emergency Rental Assistance: Additional Grantee Monitoring Needed to Manage Known Risks*, GAO-22-105490 (Washington D.C.: Feb. 10, 2022). Treasury did not agree or disagree with our recommendation. Treasury stated it planned to update its compliance testing procedures to include information on control systems expected for grantees that rely on administrative flexibilities, which generally aligned with our recommendation.

[70]Pub. L. No. 98-502, 98 Stat. 2327 (1984) (codified, as amended, at 31 U.S.C. §§ 7501-7506). States, local governments, and nonprofit organizations that expend $750,000 or more in federal awards in a fiscal year are required to undergo a single audit or, in limited circumstances, a program-specific audit.

[71]One step that can help support improved audits would be to have a more complete Compliance Supplement, which is issued annually by OMB and provides guidance to auditors performing single audits of nonfederal entities that receive funding from federal assistance programs. OMB requires federal awarding agencies to provide annual updates to agency program information before publishing the supplement each year, including adding additional requirements as a result of changes in statutory or regulatory requirements, such as those in the COVID-19 relief laws. The agency-specific information included in the supplement can support an auditor's determination of whether the recipient has complied with federal statutes, regulations, and award terms. Without the supplement, auditors would need to research many statutes and regulations for each program under audit to identify compliance requirements that could have a direct and material effect on that program. In April 2022, we recommended that the Departments of Education, Health and Human Services, and the Treasury document their policies and procedures for providing information to OMB to better enable OMB to annually update the Compliance Supplement. Establishing written policies and procedures could help expedite OMB's final issuance of the supplement, ensure that concerns can be resolved prior to issuance, and strengthen the quality of single audit guidance. As of January 2023, these recommendations had not been implemented.

[72]Pandemic Response Accountability Committee, *Lessons Learned;* Small Business Administration, Office of Inspector General, *Paycheck Protection Program Loan Recipients on the Department of Treasury's Do Not Pay List*, 21-06 (Washington D.C. Jan. 11, 2021).

[73]GAO, *Payment Integrity: Selected Agencies Should Improve Efforts to Evaluate Effectiveness of Corrective Actions to Reduce Improper Payments*, GAO-20-336 (Washington, D.C.: Apr. 1, 2020).

[74]According to federal internal control standards, management should externally communicate the necessary quality information to achieve the entity's objectives. GAO-14-704G.

[75]GAO, *Influenza Pandemic: Lessons from the H1N1 Pandemic Should Be Incorporated into Future Planning*, GAO-11-632 (Washington, D.C.: June 27, 2011).

[76]The CARES Act also stipulated that Coronavirus Relief Fund recipients only use the funds for costs that (1) were necessary expenditures incurred due to the public health emergency with respect to COVID-19 and (2) were not accounted for in the budget most recently approved as of March 27, 2020.

[77]Department of the Treasury, Office of Inspector General, *American Rescue Plan—Application of Lessons Learned from the Coronavirus Relief Fund,* OIG-CA-21-020 (Washington D.C.: May 17, 2021).

[78]PIIA requires offices of inspector general to report on executive agency compliance with six statutory criteria: (1) publishing payment integrity information with the annual financial statement and posting the annual financial statement and any accompanying materials as required under OMB guidance on the agency website; (2) conducting improper payment risk assessments for any program or activity with annual outlays greater than $10 million at least once every 3 years to identify each program or activity that may be susceptible to significant improper payments; (3) if required, publishing improper payment estimates for each such identified susceptible program or activity in the accompanying materials to the annual financial statement; (4) publishing a corrective action plan for each such identified susceptible program or activity in the accompanying materials to the annual financial statement; (5) publishing an improper payment reduction target for each such susceptible program and activity in the accompanying materials to the annual financial statement and demonstrating improvements and developing a plan to meet the reduction target; and (6) reporting an improper payment estimated rate of less than 10 percent for each program and activity for which an estimate was published in the accompanying materials to the annual financial statement. OMB Memorandum M-21-19 expands these six criteria into 10 by breaking down some criteria into subcomponents and, in some cases, adding new elements.

[79]GAO-22-105122.

[80]GAO-23-105837.

[81]According to federal internal control standards, management should use quality information to achieve the entity's objectives. GAO-14-704G.

[82]GAO-22-105490. Section 501 of Division N of the Consolidated Appropriations Act, 2021 appropriated $25 billion for the delivery of emergency rental assistance to eligible households suffering unemployment or other financial hardship due to the novel coronavirus pandemic. Treasury allocated these funds to states, the District of Columbia, U.S. territories, Indian Tribes, tribally designated housing entities, the Department of Hawaiian Homelands, and units of local government. Congress later appropriated an additional $21,550,000,000 for emergency rental assistance under the American Rescue Plan Act of 2021.

[83]Office of the Inspector General, Montgomery County, Maryland, *COVID-19 Rental Assistance Programs* (Rockville, Md.: Oct. 8, 2021).

Appendix IV: GAO Contact and Staff Acknowledgments

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Staff Acknowledgments

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