GAO Highlights

COVID-19 RELIEF

SBA and DOL Should Improve Processes to Identify and Recover Overpayments

Why GAO Did This Study

In response to the COVID-19 pandemic, Congress provided funding to assist small businesses through SBA's PPP and COVID-19 EIDL programs. Congress also created four temporary DOL UI programs to support workers adversely affected by the pandemic. The demand for these programs and the need to deliver aid quickly increased the risk of improper payments, including overpayments. Effective post-payment control processes help agencies to identify and recover overpayments after they have occurred.

The CARES Act includes a provision for GAO to monitor COVID-19 pandemic relief funds. This report (1) examines the extent to which SBA and DOL have developed processes for identifying and recovering COVID-19 overpayments and (2) analyzes the success of agency efforts in recovering COVID-19 overpayments.

GAO analyzed SBA and DOL documentation regarding overpayment identification and recovery efforts, reviewed relevant laws and guidance, analyzed public datasets, and interviewed federal officials.

What GAO Recommends

GAO is making five recommendations. Three are to SBA, including that it expand and document overpayment review procedures and expand its tracking process; two are to DOL to update its recovery rate reporting and guidance. SBA partially agreed to all recommendations, and DOL disagreed with both recommendations. GAO continues to believe all recommendations are warranted.

What GAO Found

Early in the pandemic, federal agencies prioritized swiftly distributing funds and implementing new programs to help businesses and individuals adversely affected by COVID-19. While this swift response helped meet urgent needs, it involved trade-offs that put billions of dollars at increased risk for improper payments, including overpayments.

Small Business Administration (SBA) and Department of Labor (DOL) programs accounted for a large portion of COVID-19 relief funding and experienced heightened improper payment risks. SBA provided more than $1 trillion in loans and grants, primarily through the Paycheck Protection Program (PPP) and COVID-19 Economic Injury Disaster Loans (EIDL). DOL's Unemployment Insurance (UI) program expenditures totaled about $900 billion. For fiscal year 2023, SBA reported an estimated 40.5 percent of PPP loan forgiveness and 49.2 percent of PPP guarantee purchase payments were improper. DOL estimated 35.9 percent of Pandemic Unemployment Assistance payments were improper.

SBA loan review processes. For both the PPP and COVID-19 EIDL, SBA loan review processes are not effectively identifying overpayments. Further, SBA could not demonstrate how it accounted for overpayment risks associated with new PPP lenders in its review processes. Including lenders in the financial technology sector helped the PPP reach borrowers. However, it also increased the risk of overpayments as SBA relied on these lenders' processes and controls as part of review and approval of borrower loan applications.

DOL guidance and procedures. Pandemic-related UI programs generally follow guidance in DOL's regular UI program letters. This guidance lists three administrative functions to help ensure UI program integrity. States must (1) detect benefits paid through error, (2) deter claimants from obtaining benefits through willful misrepresentation, and (3) recover overpaid benefits under certain circumstances. DOL provides resources to states to assist with recoveries of pandemic-related UI overpayments. This includes training on updated guidance and procedures, funding opportunities to help states ensure timely benefit payments, and tools to facilitate more effective identity verification processes.

Overpayment recovery efforts. SBA tracks certain data related to PPP and COVID-EIDL improper payments, but it does not have a sufficient process for tracking identified overpayments and subsequent recoveries. Without these data, SBA cannot ensure that it is maximizing the potential of certain recovery methods, which may limit recoveries. DOL's UI recovery rate calculation does not include all identified overpayments. DOL subtracts waived overpayments from its calculation, which may inflate the recovery rate. States have had little success in recovering overpayments. As of April 2024, states recovered approximately $3.7 billion of the $55.2 billion overpayments identified in the pandemic-related UI programs from March 2020 through September 2023. Further, DOL did not set an overpayment recovery rate baseline for states to meet. Including a measurement of success in guidance to State Workforce Agencies could better position DOL to monitor states' efforts to recover overpayments from future temporary programs.

United States Government Accountability Office