



Risk Management and Accountability: A COVID-19 Case Study

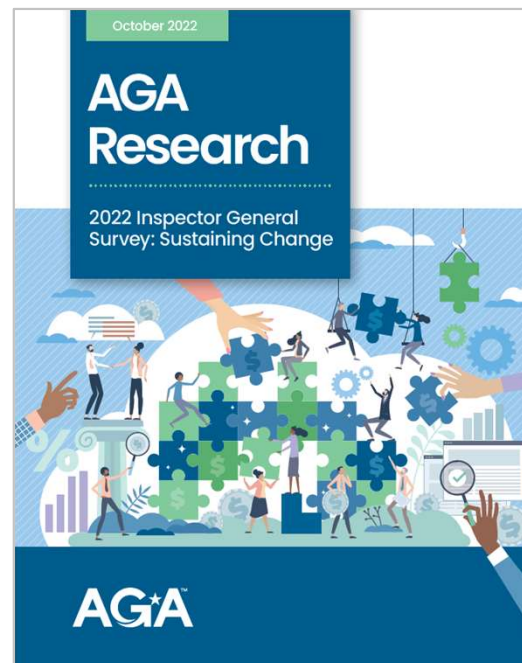
**KEARNEY &
COMPANY**

David Zavada, Senior Partner

- Background
- Onset of the Pandemic
- Initial Response
- Internal Controls
- Governance, Oversight, and Fraud
- Lessons Learned

Perspective based on a series of pandemic relief resources:

- AGA National Leadership Training in February 2022
- AGA Intergovernmental Forum in July 2022
- AGA Internal Control and Fraud Prevention Training in September 2022



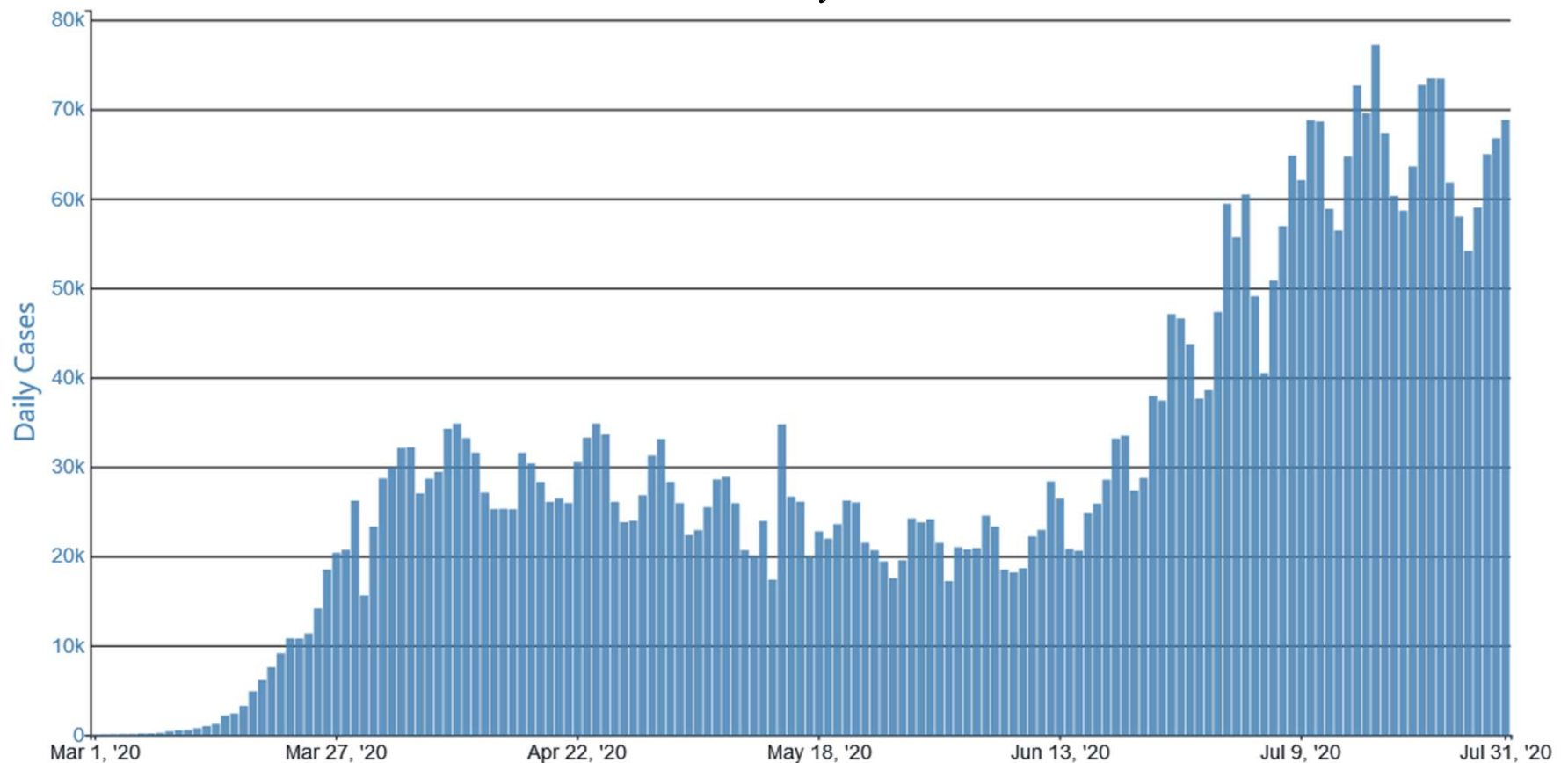
- March 13, 2020 – the President declares a nationwide emergency – Federal workers sent home
- Healthcare uncertainty
 - Cases rising – 97 million cases/1 million deaths
 - Economic uncertainty – businesses closing
 - Empty cities and office buildings



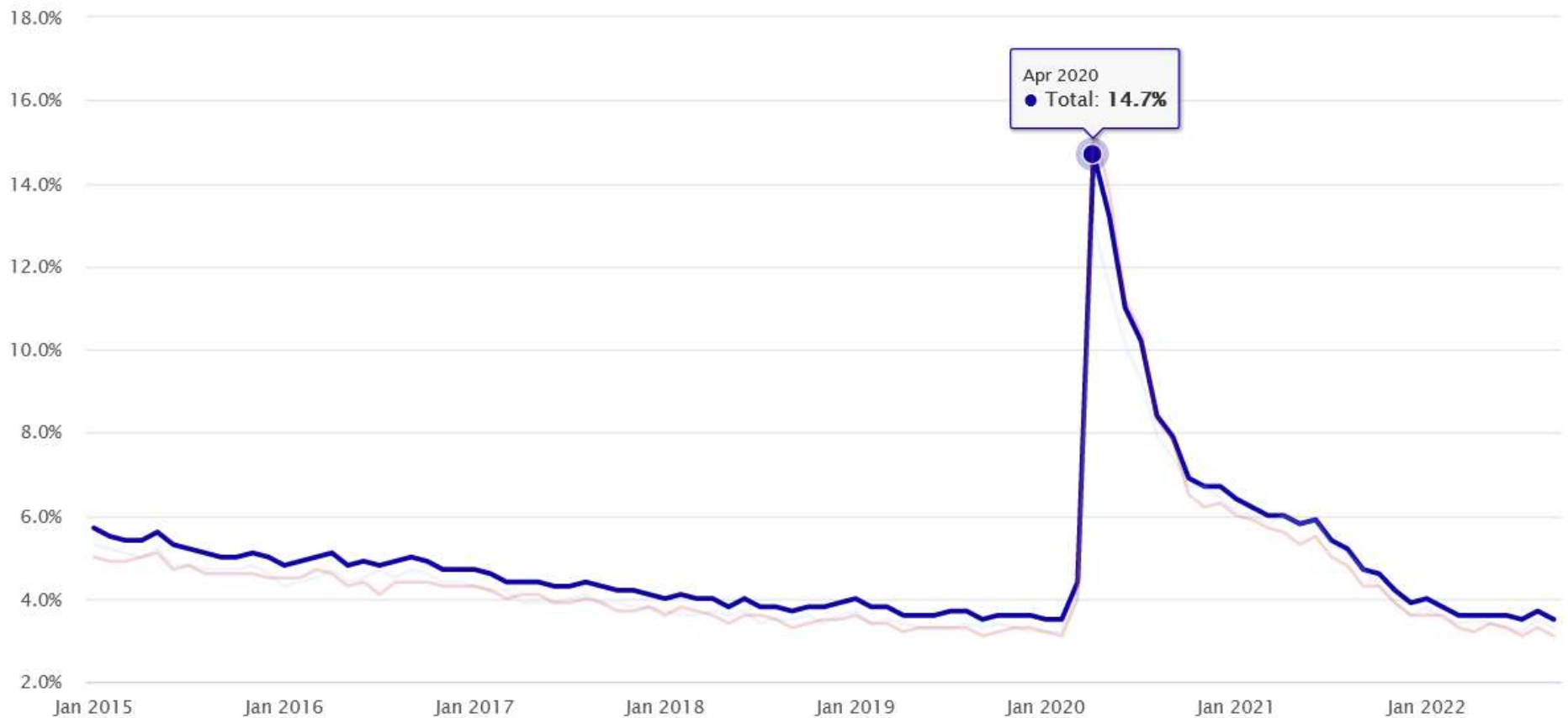
A U.S. public health crisis of scale not seen since the Spanish Flu in 1918

Daily Coronavirus Disease 2019 (COVID-19) cases in the U.S. reported to the Centers for Disease Control and Prevention (CDC)

March – July 2020



Civilian Unemployment Tracked by the Bureau of Labor Statistics *January 2015 – September 2022*



March 6, 2020 — **\$7.8 Billion** ■
The Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020

provided emergency funding to the Department of Health and Human Services, the State Department and the Small Business Administration (SBA).

March 18, 2020 — **\$15.4 Billion** ■
The Families First Coronavirus Response Act

provided paid sick leave, tax credits and free COVID-19 testing, while also expanding food assistance programs and unemployment benefits.

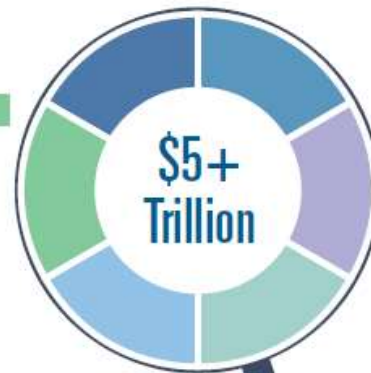
March 27, 2020 — **\$2.1 Trillion** ■
The Coronavirus Aid, Relief and Economic Security Act (CARES Act)

created the PPP, provided tax rebates to individuals and provided relief to federal agencies.

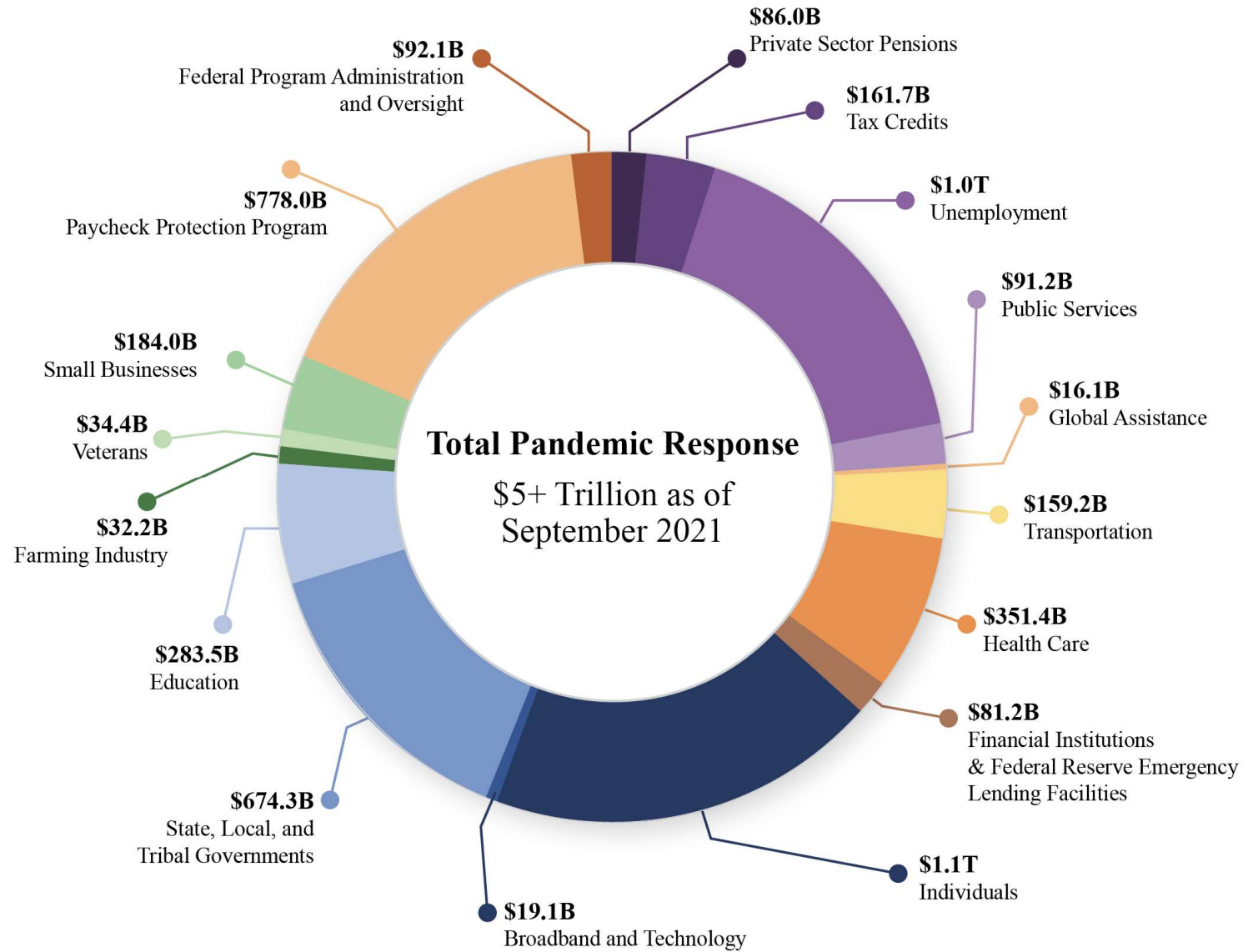
■ **\$483 Billion** — April 24, 2020
Paycheck Protection Program and Health Care Enhancement Act
added funds to PPP and other SBA programs.

■ **\$900 Billion** — Dec. 27, 2020
The Coronavirus Response and Relief Supplemental Appropriations Act, 2021
extended federal unemployment benefits, provided direct payments to individuals, and started a second round of PPP loans.

■ **\$1.9 Trillion** — March 11, 2021
American Rescue Plan Act of 2021
includes direct payments, unemployment benefits, tax provisions, and support for small businesses and schools.



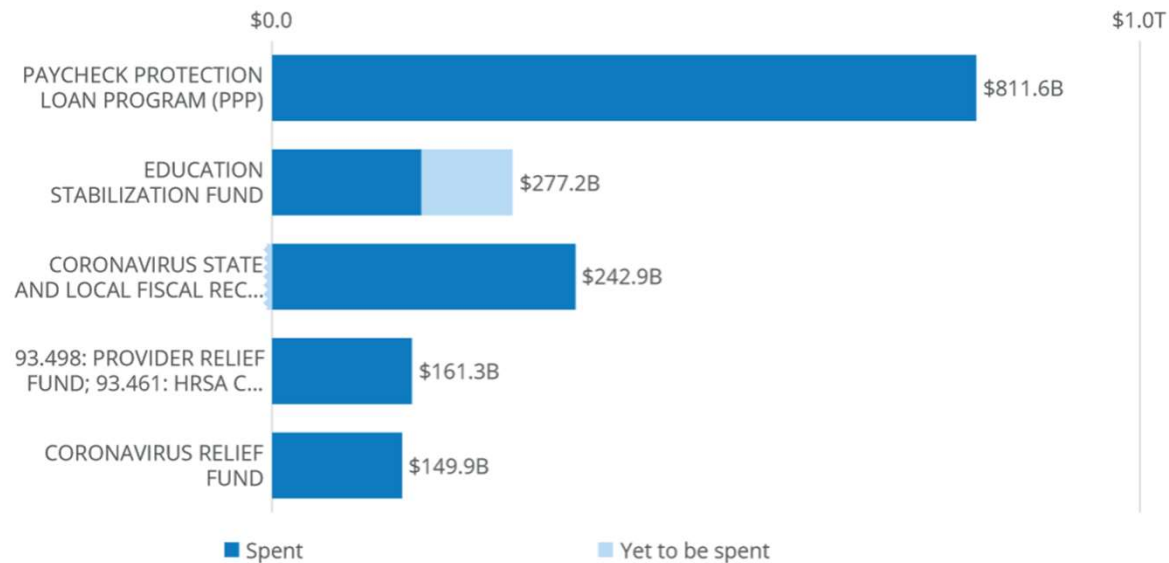
Initial Response: Broadly Focused Relief Programs



Total Funding Data for all Agencies



Top Agency Programs



Within 3 weeks of the onset of the pandemic, funding in excess of \$2 trillion was signed into law:

“ The speed at which funds were disbursed last year, and the sheer amount of money involved, put the funds at high risk of fraud and misuse, making the work of oversight entities like the PRAC and IGs essential to a successful national recovery. ”

Michael E. Horowitz, Chair

PRAC

Inspector General, U.S. Department of Justice

- \$5 trillion in assistance exceeds the U.S. Government's (USG) 2019 budget
- The Paycheck Protection Program (PPP) ran out of money in its first 14 days, after approving 1.7 million loans totaling \$340 billion
- \$778 billion in PPP loans/grants is greater than the USG's response to the financial crisis in 2008/2009
- The Small Business Administration (SBA) approved over 4 million pandemic disaster loans totaling \$378 billion. Since its founding in 1953, it had approved 2 million loans totaling \$67 billion
- Unemployment Insurance (UI) claims jumped from 7 million in January to 110 million in May; 5% unemployment rate ballooned to 13%
- Speed of benefits delivery was the priority
- Volume too great to keep up with

**I can do fast,
cheap, or
good...please
pick 2**



**Initial approach
included risk
assessments but
no time**



**Normally months,
not days, to set up
a program and
issue payments**



**Money sent
without guidance**



**Self-Certification
rather than controls**



**Taking a post-audit,
“pay and chase”
approach**



- SBA worked with the Department of the Treasury's (Treasury) Do Not Pay (DNP) system to screen new PPP loan applications to verify eligibility. This was first implemented for the third round of PPP distributions, starting in January 2021. Treasury also granted SBA expanded access to restricted DNP datasets in March 2021.
- The SBA Office of Inspector General (OIG) determined that PPP loans worth \$3.6 billion were issued to potentially ineligible recipients, prior to implementation.

**Lessons Learned
in Oversight of
Pandemic Relief
Funds**

PRAC

June 8, 2022

Several states are using additional tools to verify UI eligibility beyond self-certification...with the Social Security Administration (SSA), Department of Motor Vehicles (DMV)...the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 amended the CARES Act to require documentation for UI eligibility.

Lessons Learned
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PRAC
June 8, 2022

...established a dedicated implementation team that has held more than 25 “Gold Standard” meetings that bring together Federal agency officials, Federal watchdogs, the PRAC, and the Office of Management and Budget (OMB).

The meetings are a new model for proactive and coordinated oversight that enables agency officials to fine-tune pandemic relief programs before they launch, building in lessons learned that can reduce fraud and improve program effectiveness.

**Lessons Learned
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PRAC
June 8, 2022

Agency	Office	Description
U.S. Department of Health and Human Services (HHS)	Accountability Response Coordination and Data Integration Team (ARC)	<ul style="list-style-type: none"> • Focused project management office focused on emergency response and reporting • Integrates financial, program and other data to identify risks and monitor programs • Utilizes advanced data management technologies to analyze and present integrated business intelligence data for decision-making • Serves as a coordination point for response and oversight
Treasury	Office of Emergency Response Programs	<ul style="list-style-type: none"> • Focused grants management office for pandemic relief programs • Manage and oversee Treasury’s pandemic relief programs • Establish policies and data standards • Utilizes advanced data analytics and other technology to assess risk and compliance
U.S. Committee of Inspectors General for Integrity and Efficiency (CIGIE)	PRAC and PACE	<ul style="list-style-type: none"> • Focused oversight office to facilitate coordinated and collaborative oversight of government-wide pandemic relief programs • Coordinates with 21 IG offices, Government Accountability Office (GAO), and state and local oversight offices • Established new crosscutting advanced data analytics capability for risk assessment, monitoring and fraud prevention • Maintains spending data on pandemic relief programs at pandemicoversight.gov

- Established under the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act), the [Pandemic Response Accountability Committee's \(PRAC\)](#) missions include:
 - Promote transparency
 - Collaborate across the oversight community – led by 21 agency IGs
 - Use data to detect and prevent fraud, waste, and abuse, and mismanagement of relief spending
 - Hold wrongdoers accountable
- Modeled after the oversight approach to the American Recovery and Reinvestment Act of 2009 (ARRA)
 - Recovery Operations Center vs. Pandemic Analytics Center of Excellence (PACE)
- Initially no data available from which to perform responsibilities



- Unprepared for the volume
- Increased risk levels hit three programs the hardest

Three Areas of Concern

- “All or Nothing” is a false choice
- Self-certification of eligibility
- Data to assess program effectiveness?

“Riverside County Man Pleads Guilty to Federal Criminal Charges for Fraudulently Obtaining \$6.6 Million in COVID-Relief Business Loans”

“Indictment Charges Former State Rep, 3 Others, with Stealing West Haven’s COVID Relief Funds”

“National Health Care Fraud Enforcement Action Results in Charges Involving over \$1.4 Billion in Alleged Losses”

“Four Maryland Residents Facing Federal Indictment for CARES Act COVID-19 Unemployment Fraud Scheme with More Than \$3 Million in Losses”

“Salt Lake City Man Charged in \$1.8 Million CARES Act Loan Fraud Scheme”

“Hyattsville Man Pleads Guilty to His Role in a Cares-Act and Unemployment Insurance Fraud Scheme Involving Over 600 Victims and Caused a Loss of at Least \$2.7 Million”

“Former Claims Manager for Michigan Unemployment Insurance Agency Sentenced In COVID-19 Fraud Scheme”

Communication and Collaboration

- Communication and collaboration across the organization, between financial and program managers, involve auditors upfront and be between levels of Government.

An Organizational Capacity to Respond

- Maintaining a state of preparedness to involve and engage in this way is critical. Capability to ramp up and down as needed, maintain relevant data, work across organizational silos, and be prepared as a central point of contact (POC) for the next mission-critical need or crisis.
- Leverage and integrate existing systems and processes.
- Meet regularly to practice and stay prepared.

Be Intentional About Risk

Be intentional about risk - risks need to be taken in these situations, being risk adverse or blind to risk will not work – there is a “middle ground” where targeted basic controls can mitigate some overall risk.

Integrate Data and Analysis

Data is needed to monitor, track and oversee programs. This is multi-faceted: first having an agile capacity to identify, integrate, translate and curate relevant data, second have a data reporting capability to track spending to the subrecipient level.

Systems and Technology

Out of crisis comes reform – for example, UI, SBA and IRS systems overwhelmed and outdated; use of paper warrants in CA. Invest in systems and technology.

Data Sharing

This includes access to data and technology and policies to analyze and standardize data so it can be better used across and between Government (e.g., same social in 29 states).

PRAC's *Lessons Learned in Oversight of Pandemic Relief Funds*

<https://www.pandemicoversight.gov/media/file/prac-lessons-learned-update-june-2022pdf>



AGA 2022 IG Survey: Sustaining Change

<https://www.flipsnack.com/FCAA7CF569B/aga-ig-survey-2022.html>



AGA Research Paper: 2022 Professional Development Training (PDT) Intergovernmental Grants Forum

<https://www.flipsnack.com/FCAA7CF569B/aga-pdt-2022-intergovernmental-grants-forum-paper/full-view.html>



Federal News Network Interview: “Pandemic Broke Down Some, But Not All Barriers for IGs”

<https://federalnewsnetwork.com/agency-oversight/2022/09/pandemic-broke-down-some-but-not-all-barriers-for-igs/>

David Zavada

Senior Partner

703-504-8573

dzavada@kearneyco.com