Trends and Challenges in Government Accountability

Gene L. Dodaro
Comptroller General of the United States

AICPA Keynote
August 15, 2022
Table of Contents

• Pandemic Work
• Improper Payments
• Actions Needed to Improve Oversight
• High-Risk List Updates
• Strategic Plan and Foresight
• Infrastructure Oversight: Intergovernmental Coordination
Pandemic Work
7-Day Averages of Reported COVID-19 Cases in the U.S.

Mar. 1, 2020 – Aug. 3, 2022

7-day average of COVID-19 cases (in thousands)

Source: Centers for Disease Control and Prevention (CDC).
Age-Adjusted Rates of COVID-19-Associated Hospitalizations by Vaccination Status

Jan. 2021 – June 2022, Adults Aged 18 Years and Older

Rate per 100,000 population

Source: Centers for Disease Control and Prevention (CDC).
Employment-to-Population Ratio

Percent of population employed

Source: GAO, Department of Labor, | GAO-22-105397
Number of FEMA Projects and Amounts Obligated for Public Assistance for COVID-19

Data as of Feb. 28, 2022
## Advance Payments of Child Tax Credit (CTC)

<table>
<thead>
<tr>
<th>Advance Child Tax Credit Payments</th>
<th>JULY 2021 TO DECEMBER 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average number of monthly payments&lt;sup&gt;a&lt;/sup&gt;</td>
<td>36.1 million</td>
</tr>
<tr>
<td>Total cost of advance payments</td>
<td>$93.5 billion</td>
</tr>
<tr>
<td>Total number of advance payment opt-outs&lt;sup&gt;b&lt;/sup&gt;</td>
<td>2.1 million</td>
</tr>
<tr>
<td>Average number of monthly children beneficiaries&lt;sup&gt;c&lt;/sup&gt;</td>
<td>61.2 million</td>
</tr>
</tbody>
</table>

Source: GAO.  | GAO-22-105367

Data as of April 6, 2022
Percentage of COVID-19 Relief Funding Obligated and Expended

July 31, 2020 – June 30, 2022

<table>
<thead>
<tr>
<th>Date</th>
<th>Obligated</th>
<th>Expended</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 31</td>
<td>$2.6 trillion</td>
<td></td>
</tr>
<tr>
<td>Nov 30</td>
<td>$2.7 trillion</td>
<td></td>
</tr>
<tr>
<td>May 31</td>
<td>$4.3 trillion</td>
<td></td>
</tr>
<tr>
<td>July 31</td>
<td>$4.6 trillion</td>
<td></td>
</tr>
<tr>
<td>Sept 30</td>
<td>$4.6 trillion</td>
<td></td>
</tr>
<tr>
<td>Dec 31</td>
<td>$4.6 trillion</td>
<td></td>
</tr>
<tr>
<td>Feb 28</td>
<td>$4.6 trillion</td>
<td></td>
</tr>
<tr>
<td>Apr 30</td>
<td>$4.6 trillion</td>
<td></td>
</tr>
<tr>
<td>June 30</td>
<td>$4.5 trillion</td>
<td></td>
</tr>
</tbody>
</table>

Source: GAO analysis of data from the Department of the Treasury.
Top COVID-19 Funding and Spending Areas

1. Economic Impact Payments (Department of the Treasury)
2. Business Loan Programs (Small Business Administration)
3. Unemployment Insurance (Department of Labor)
4. Coronavirus State and Local Fiscal Recovery Funds (Department of the Treasury)
5. Public Health and Social Services Emergency Fund (Department of Health and Human Services)
6. Education Stabilization Fund (Department of Education)
7. Coronavirus Relief Fund (Department of the Treasury)
8. Supplemental Nutrition Assistance Programs (Department of Agriculture)
9. Disaster Relief Fund (Department of Homeland Security)
# Selected GAO Pandemic Reporting Areas

## Public Health

<table>
<thead>
<tr>
<th>Area</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursing Homes</td>
<td></td>
</tr>
<tr>
<td>Medical Supplies</td>
<td>(Drug/Medical Supply Chain, Domestic Medical Supply Manufacturing, Strategic National Stockpile)</td>
</tr>
<tr>
<td>COVID-19 Testing</td>
<td>(Data, Guidance, Funding)</td>
</tr>
<tr>
<td>Vaccine and Therapeutics</td>
<td>(Vaccine Development, Vaccine Distribution and Administration, FDA Oversight of COVID-19 Vaccine Manufacturing Quality, DOD Vaccination Efforts for Civilians and Servicemembers)</td>
</tr>
<tr>
<td>Health Disparities</td>
<td></td>
</tr>
<tr>
<td>Medicaid</td>
<td>(Enrollment, Financing, Spending, Flexibilities and Waivers)</td>
</tr>
<tr>
<td>Medicare Waivers</td>
<td></td>
</tr>
<tr>
<td>HHS COVID-19 Funding</td>
<td></td>
</tr>
<tr>
<td>Behavioral Health</td>
<td></td>
</tr>
<tr>
<td>Health Insurance during COVID-19</td>
<td></td>
</tr>
<tr>
<td>Defense Production Act</td>
<td></td>
</tr>
<tr>
<td>Emergency Use Authorizations for Medical Devices</td>
<td></td>
</tr>
<tr>
<td>Public Health Data Collection and Standardization</td>
<td></td>
</tr>
</tbody>
</table>

## Economy

<table>
<thead>
<tr>
<th>Area</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Business Programs, State Small Business Credit Initiative</td>
<td></td>
</tr>
<tr>
<td>Paycheck Protection Program</td>
<td></td>
</tr>
<tr>
<td>Federal Reserve Emergency Lending Programs</td>
<td></td>
</tr>
<tr>
<td>Department of Commerce</td>
<td></td>
</tr>
<tr>
<td>Support for Industries and the Economy</td>
<td></td>
</tr>
<tr>
<td>Fraud Risks, Federal Fraud-Related Cases</td>
<td></td>
</tr>
<tr>
<td>Economic Injury Disaster Loan Program</td>
<td></td>
</tr>
<tr>
<td>Single Audits, Single Audit Compliance Supplement</td>
<td></td>
</tr>
<tr>
<td>Shuttered Venue Operators Grants</td>
<td></td>
</tr>
<tr>
<td>Restaurant Revitalization Fund</td>
<td></td>
</tr>
<tr>
<td>COVID-19 Spending Payment Integrity</td>
<td></td>
</tr>
<tr>
<td>Child Care, Child Welfare, Child Nutrition, Head Start, K-12 Education</td>
<td></td>
</tr>
<tr>
<td>Coronavirus Relief Fund, Coronavirus State and Local Relief and Recovery Funds, COVID-19 Relief Funding to States and Localities</td>
<td></td>
</tr>
</tbody>
</table>

## Taxes – Business

- (Tax Relief for Businesses, Tax Relief for Employers, Payroll Tax Deferrals)
- (Deduction for Charitable Contributions, 2020 and 2021 Tax Filing Seasons, Advanced Child Tax Credit, Employee Payroll Tax Deferrals)

## Economic Impact Payments

- Housing Protections, Eviction Moratoriums, Emergency Rental Assistance, Homeowner Assistance Fund
- FEMA’s COVID-19 Funeral Assistance and Public Assistance Program
- Transit Industry, Amtrak Grants, Coronavirus Economic Relief for Transportation Services
- FEMA Disaster Relief Fund, Assistance to State, Local, Tribal, and Territorial Governments
- Unemployment Insurance Programs, UI Fraud Risk Management

Source: GAO.
GAO’s Work on COVID-19, by the Numbers

March 1, 2020 – August 5, 2022

Comprehensive reports on the federal COVID-19 response: 10
Reports on specific aspects of the federal response: 126
Congressional testimonies: 26
Science and technology spotlights: 12

Products issued: 174
Recommendations for agencies and Congress: 354

Source: GAO.
# Status of GAO Recommendations

<table>
<thead>
<tr>
<th>Agency</th>
<th>Closed - addressed</th>
<th>Open - partially addressed</th>
<th>Open - not addressed</th>
<th>Closed - not addressed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Health and Human Services</td>
<td>14</td>
<td>17</td>
<td>49</td>
<td>1</td>
</tr>
<tr>
<td>Department of the Treasury</td>
<td>11</td>
<td>5</td>
<td>23</td>
<td>40</td>
</tr>
<tr>
<td>Department of Homeland Security</td>
<td>5</td>
<td>5</td>
<td>17</td>
<td>28</td>
</tr>
<tr>
<td>Department of Defense</td>
<td>4</td>
<td>2</td>
<td>18</td>
<td>24</td>
</tr>
<tr>
<td>Department of Labor</td>
<td>6</td>
<td>4</td>
<td>9</td>
<td>21</td>
</tr>
<tr>
<td>Department of Agriculture</td>
<td>3</td>
<td>10</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Small Business Administration</td>
<td>5</td>
<td>7</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td>Department of State</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Office of Management and Budget</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Department of Justice</td>
<td>2</td>
<td>6</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Department of Veterans Affairs</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Department of Commerce</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Department of the Interior</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Department of Housing and Urban Development</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Department of Transportation</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Department of Education</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Election Assistance Commission</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>General Services Administration</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>International Development Finance Corporation</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Office of Personnel Management</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Securities and Exchange Commission</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Social Security Administration</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>U.S. Agency for International Development</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

Number of recommendations

Source: GAO.
Improper Payments
Cumulative Government-wide Improper Payment Estimates Totaled $2.2 Trillion (Fiscal Years 2003-2021)

Source: GAO.
Number of Programs Reporting Annual Improper Payment Rates Higher than Ten Percent (Fiscal Years 2017-2021)

Source: GAO. | GAO-22-105715
Components of GAO’s Fraud Risk Framework

GAO’s Fraud Risk Management Framework includes leading practices in four components:

- **Commit** to combating fraud by creating an organizational structure and culture conducive to fraud risk management.
- **Assess** fraud risks and document the assessment in a fraud risk profile.
- **Evaluate** fraud risk management activities and adapt them for continuous improvement.
- **Design and Implement** a strategy with control activities to mitigate fraud risks.

The Framework emphasizes using a risk-based approach and focusing on fraud prevention. The practices may be tailored to a program’s operations, including environmental factors and the program’s risks.

Source: GAO | GAO-22-1057T
Number of Individuals That Have Pleading Guilty to or Were Convicted at Trial of Federal Fraud-Related Charges by COVID-19 Relief Program

Data as of Jul. 31, 2022
Actions Needed to Improve Oversight
Matters for congressional consideration to enhance the transparency and accountability of federal spending

- **Program improper payment reporting.** (1) Designate all new federal programs distributing more than $100 million in any one fiscal year as “susceptible to improper payments,” and, thus, subject to more timely improper payment reporting requirements; and (2) require agencies to report improper payment information in their annual financial reports.

- **Chief Financial Officer (CFO) authorities.** Clarify that agency CFOs have oversight responsibility for internal controls over financial reporting and key financial information; and require agency CFOs to (1) certify the reliability and validity of improper payment risk assessments and estimates and monitor associated corrective action plans, and (2) approve improper payment estimate methodology in certain circumstances.
Matters for congressional consideration to enhance the transparency and accountability of federal spending

• **Fraud risk management reporting.** Reinstate the requirement that agencies report on their antifraud controls and fraud risk management efforts in their annual financial reports. Such reporting will increase congressional oversight to better ensure fraud prevention during normal operations and emergencies.

• **Fraud analytics.** Establish a permanent analytics center of excellence to aid the oversight community in identifying improper payments and fraud.

• **Internal control plans.** Require the Office of Management and Budget (OMB) to provide guidance for agencies to develop internal control plans that can then be put to immediate use for future emergency funding and require agencies to report such plans to OMB and Congress.
Matters for congressional consideration to enhance the transparency and accountability of federal spending

• **USAspending.gov.** (1) Clarify the responsibilities and authorities of OMB and Treasury for ensuring the quality of federal spending data available on USAspending.gov, and (2) extend the previous requirement for agency inspectors general to review agency data submissions on a periodic basis.

• **Data sharing.** Amend the Social Security Act to accelerate and make permanent the requirement for the Social Security Administration to share its full death data with Treasury’s Do Not Pay working system.
High-Risk List Updates
High-Risk Area: Drug Misuse

Drug overdose deaths per 100,000 people

Source: GAO analysis of Centers for Disease Control and Prevention (CDC) National Center for Health Statistics data.
High-Risk Area: HHS’s Leadership and Coordination of Public Health Emergencies

Through our work, we have found persistent deficiencies in HHS’s preparedness and response efforts in these areas:

1. **Establishing clear roles and responsibilities** for the wide range of key federal, state, local, tribal, territorial, and nongovernmental partners;

2. **Collecting and analyzing complete and consistent data** to inform decision-making — including any midcourse changes necessary — as well as future preparedness;

3. **Providing clear, consistent communication** to key partners and the public;

4. **Establishing transparency and accountability** to help ensure program integrity and build public trust; and

5. **Understanding key partners’ capabilities and limitations.**
High-Risk Area: SBA Emergency Loans for Small Businesses

• Between March and December 2020, the Small Business Administration (SBA) made or guaranteed more than 14.7 million loans and grants totaling about $744 billion.

• Key findings include:
  
  • Lack of safeguards and finalized oversight plans.
  
  • Risk of improper payments and fraud.
  
  • Inability to support its accounting and related controls.

  • Independent auditor issued disclaimer for years ending Sept. 30, 2021 and 2020, as SBA was unable to provide adequate documentation.
High-Risk Area: SBA Emergency Loans for Small Businesses

• Since June 2020, we have made 8 recommendations to SBA regarding PPP and EIDL. SBA should
  • Develop and implement plans to identify and respond to risks in PPP to ensure program integrity, achieve program effectiveness, and address potential fraud, including in loans of $2 million or less; (closed)
  • Estimate improper payments and report estimates and error rates for PPP; and
  • Develop and implement portfolio-level data analytics across EIDL loans and advances made in response to COVID-19 as a means to detect potentially ineligible and fraudulent applications.
  • Conduct and document a fraud risk assessment for PPP and EIDL (two separate recommendations);
  • Develop a strategy that outlines specific actions to monitor and manage fraud risks in PPP and EIDL (two separate recommendations); and
  • Implement a comprehensive oversight plan to identify and respond to risks in the EIDL program to help ensure program integrity, achieve program effectiveness, and address potential fraud.
High-Risk Area: Unemployment Insurance (UI) System

Timeliness of Nationwide First Payments of Regular Unemployment Insurance (UI) Benefits

Percentage of regular UI first benefits paid within 21 days (nationwide)

In 6 states, at least 87% of regular UI claimants were first paid within 3 weeks of initial eligibility.

In 15 states, at least half of regular UI claimants had been waiting longer than 3 weeks for first payments.

In 20 states, at least 87% of regular UI claimants were first paid within 3 weeks of initial eligibility.

In 4 states, at least half of regular UI claimants had been waiting longer than 3 weeks for first payments.

Source: GAO analysis of Department of Labor data on timeliness of first benefits paid for regular UI.
Factors Contributing to Fraud Risk in CARES Act UI Programs

- Reliance on self-certification
- Waiver of waiting period
- Low staffing levels
- Legacy IT systems
- Variation in data analysis across states
UI Programs – Recommendations

• GAO has made 21 recommendations to the Dept. of Labor to improve the UI system. 5 are ones GAO considers priority recommendations.

• There are 5 new recommendations and 16 earlier recommendations that have not been fully implemented by Labor.

• The newest recommendations are:

  1) Labor should develop and execute a transformation plan that meets GAO’s high risk criteria for transformation

  • The plan should outline coordinated and sustained actions to address issues related to providing effective service and mitigating financial risk, including ways to demonstrate improvements.
UI Programs – Recommendations

2) Labor should study and advise the Congress and other policymakers on the costs, benefits, and risks of various options to systematically support self-employed and contingent workers during periods of involuntary unemployment outside of declared disasters, including considering options’ feasibility and approach to fraud prevention.

3) Labor should ensure the Office of Unemployment Insurance examines and publicly reports on the extent of and potential causes of racial and ethnic inequities in the receipt of Pandemic Unemployment Assistance (PUA) benefits. The report should also address whether there is a need to examine racial, ethnic, or other inequities in regular UI benefit receipt, based on the PUA findings.
UI Programs – Recommendations

4) Labor should ensure the Office of Unemployment Insurance review the **customer service challenges** that states faced during the pandemic; identify comprehensive information on **customer service best practices**; and **provide states with this information** to assist them in improving service delivery.

5) Labor should ensure the Office of Unemployment Insurance assesses **lessons learned** from the pandemic to inform its future disaster response efforts and support the Congress on ways to address future emergencies.
Strategic Plan and Foresight
GAO Strategic Plan: Trends Affecting Government and Society

- National Security: Global and Domestic Threats
- Fiscal Sustainability and Debt
- Preparing for Catastrophic Biological Incidents
- Racial and Ethnic Disparities
- Science, Technology, and the Innovation Economy
- Security Implications for an Increasingly Digital World
- Changes to How and Where We Work
- Future of Global Supply Chains
- Online Learning and Technology in Education
- Evolving Health Technologies
- Sustainable Development
- Evolving Space Environment
Debt Held by the Public Projected to Grow Faster Than GDP

![Graph showing debt as a percentage of GDP over time with key events labeled: World War I, World War II (Historical high = 106% in 1946), Great Depression, 2007-2009 Financial Crisis, COVID-19.]

Source: GAO analysis of Congressional Budget Office historical data and GAO simulation. | GAO-22-105376
Primary Deficit and Total Budget Deficit
Debt Limit Impasses Disrupt Treasury Markets and Increase Interest Costs

Average Secondary Market Yields on Treasury Bills Maturing in Oct.-Nov. 2021

Source: GAO analysis of Bloomberg data. | GAO-22-105376
Infrastructure Oversight: Intergovernmental Coordination
Snapshot of IIJA’s GAO Mandates

IIJA includes 35 mandates, mostly focusing on transportation issues:

- Transportation: 24 mandates
- Environmental: 3 mandates
- Telecommunications: 2 mandates
- Energy: 2 mandates
- Cybersecurity: 2 mandates
- Contracting & Minority Business: 1 mandate

Total mandates: 35
Transportation Mandates

24 mandates focused on transportation programs:

- 9 on discretionary transportation grants
- 8 on transportation safety
- 4 on passenger and freight rail
- 2 on roads and bridges
- 1 on DOT operations

10 on-going mandates, including:

- Highway Removal and Capping
- Crash Test Dummies
- FTA Capital Investment Grants
- Motor Carrier Complaints

GAO plans to initiate 7 additional mandates by the end of 2022.