

# GAO Highlights

Highlights of [GAO-24-107122](#), a testimony before the Subcommittee on Oversight, Committee on Ways and Means, House of Representatives

## Why GAO Did This Study

Since March 2020, Congress and the Administration have provided trillions of dollars in COVID-19 relief funding to help the nation respond to and recover from the pandemic. Agencies across the federal government acted quickly to stand up new programs and greatly scale up existing programs.

The unprecedented demand for benefits and the need to quickly implement or expand programs increased the risk of fraud during the pandemic. There have also been cases of funds paid to those who sought to defraud the government. For example, from March 2020 through June 2023, at least 1,399 individuals or entities were found guilty or liable for fraud-related charges in cases involving federal COVID-19 relief programs.

Managing fraud risk is the responsibility of program managers and includes assessing the potential for fraud and implementing strategies to appropriately mitigate related fraud risks. Better understanding the nature of federal fraud schemes and the resources available to combat them can enhance agency efforts to prevent, detect, and respond to fraud risk during normal operations and emergencies.

This testimony discusses (1) key elements of federal fraud schemes and examples of schemes involving COVID-19 relief funds and (2) actions agencies and Congress can take to better prevent fraud during normal operations and emergencies.

GAO reviewed its prior COVID-19 findings and recommendations on internal controls and fraud risk management practices.

View [GAO-24-107122](#). For more information, contact Rebecca Shea at (202) 512-6722 or [shear@gao.gov](mailto:shear@gao.gov).

October 19, 2023

## COVID-19

### Key Elements of Fraud Schemes and Actions to Better Prevent Fraud

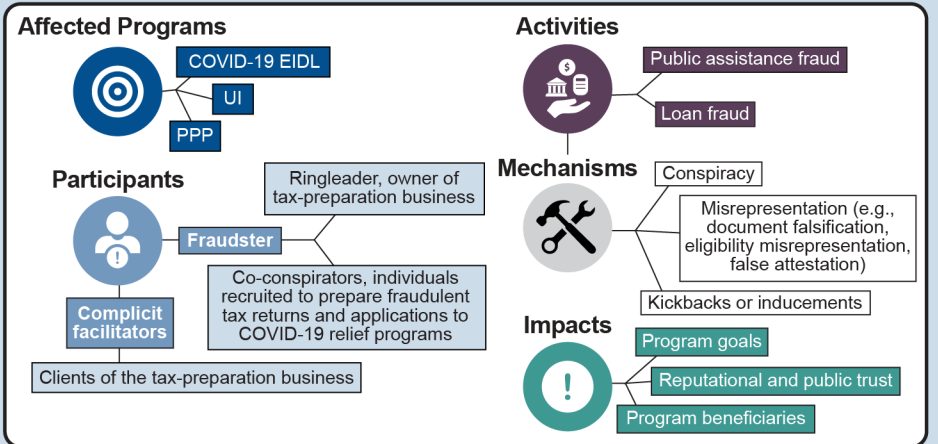
## What GAO Found

Most COVID-19 relief funds went to the intended recipients in the intended amounts. In other instances, significant funds went to those who engaged in fraud schemes. Federal fraud schemes consist of five key elements: (1) affected program, (2) participants, (3) types of fraud activities, (4) mechanisms to execute fraudulent activities, and (5) impacts. These elements represent the highest-level components in GAO's Conceptual Fraud Model. The model provides a common language and structure for describing fraud schemes—including those affecting COVID-19 relief programs—to support agency efforts to combat fraud.

#### Key Elements of an Example of a Fraud Scheme Involving Multiple COVID-19 Relief Programs

##### Four defendants were sentenced for conspiracy to defraud several COVID-19 relief programs.

Through her tax-preparation business, the ringleader recruited at least five people to prepare fraudulent tax returns and applications to COVID-19 relief programs for clients. She charged her clients up to 50 percent of the fraudulent COVID-19 Economic Injury Disaster Loan (COVID-19 EIDL) program proceeds, paying her employees a flat fee for each fraudulent application that received funding. She also submitted fraudulent COVID-19 EIDL applications in her own name. In addition, she defrauded the Paycheck Protection Program (PPP) by obtaining a fraudulent PPP loan of \$3,548. Finally, she also claimed more than \$33,000 in unemployment insurance (UI) payments to which she was not entitled.



Source: GAO analysis of court documentation; GAO (icons). | GAO-24-107122

Federal agencies did not strategically manage fraud risks and were not adequately prepared to prevent fraud when the pandemic began. While eliminating all fraud is not a realistic goal, resources and requirements exist to support strategic fraud risk management. For example, GAO's [Fraud Risk Framework](#) and [Antifraud Resource](#) provide leading practices and interactive tools, respectively, to help agencies combat fraud. GAO's 142 recommendations to agencies to align their efforts with fraud risk management leading practices also provide a roadmap for action. GAO has also suggested actions Congress can take, such as reinstating agencies' reporting on fraud risk management and enhancing data analytic capabilities. These congressional actions and agencies' use of GAO resources to strategically manage fraud risk would position them to better prevent fraud in both normal operations and in emergencies.