



January 2022

COVID-19

Significant Improvements Are Needed for Overseeing Relief Funds and Leading Responses to Public Health Emergencies

GAO Highlights

Highlights of [GAO-22-105291](#), a report to congressional committees

Why GAO Did This Study

At the beginning of January 2022, the U.S. had about 56 million reported cases of COVID-19 and over 830,000 reported deaths, according to CDC. The country also experiences lingering economic repercussions related to the pandemic, including rising inflation and ongoing supply chain disruptions.

Six relief laws, including the CARES Act, have been enacted to address the public health and economic threats posed by COVID-19. As of November 30, 2021 (the most recent date for which data were available), the federal government had obligated a total of \$4 trillion and expended \$3.5 trillion, 88 and 77 percent, respectively, of the total COVID-19 relief funds provided by these six laws.

The CARES Act includes a provision for GAO to report on its ongoing monitoring and oversight efforts related to the COVID-19 pandemic. This report, GAO's ninth, examines the federal government's continued efforts to respond to, and recover from, the COVID-19 pandemic.

GAO reviewed federal data and documents. GAO also interviewed federal and state officials and other stakeholders.

What GAO Recommends

GAO is making five new recommendations for agencies that are detailed in this Highlights and in the report.

View [GAO-22-105291](#). For more information, contact Jessica Farb, (202) 512-7114 or farbj@gao.gov.

January 2022

COVID-19

Significant Improvements Are Needed for Overseeing Relief Funds and Leading Responses to Public Health Emergencies

What GAO Found

New U.S. COVID-19 cases and virus variants continue to challenge the nation. New daily reported cases increased sharply from December 21, 2021 to January 3, 2022 due primarily to the emergence of the Omicron variant. Cases during this time generally exceeded 380,000, surpassing the daily case rate reported during the emergence of the Delta variant in summer 2021, according to Centers for Disease Control and Prevention (CDC) data. Hospitalizations of individuals with confirmed COVID-19 also increased almost twofold at the end of 2021—from an average of 50,000 daily in late November 2021 to 93,000 daily.

According to CDC data, as of January 3, 2022, about 62 percent of the total U.S. population had been fully vaccinated. In late 2021, FDA expanded COVID-19 vaccine eligibility in multiple ways, including authorizing vaccines for children 5 through 11 years old, and authorizing booster shots for vaccinated individuals 12 years and older. In addition, the federal government and private businesses began requiring COVID-19 vaccination for certain employees.

Reported COVID-19 Vaccinations by Age Group in U.S., as of Jan. 3, 2022

	Percentage of population	Percentage of fully vaccinated population
	Fully vaccinated	Booster dose
5 years of age and older	66.1	Not applicable
12 years of age and older	71.2	Not available
18 years of age and older	72.9	37.2
65 years of age and older	87.7	58.8
Total	62.1	34.3

Source: Centers for Disease Control and Prevention (CDC). | [GAO-22-105291](#)

Note: CDC counts individuals as being fully vaccinated if they received two doses on different days of the two-dose vaccines or received one dose of the single-dose vaccine.

GAO's COVID-19 reports have provided analyses of broad federal efforts to respond to the pandemic and support U.S. businesses and residents, resulting in 246 total recommendations for improving federal operations. Agencies have fully or partially addressed 38 percent as of December 31, 2021, fully addressing 16 percent (40 recommendations) and partially addressing another 22 percent (54 recommendations). Fully addressing GAO's recommendations will enhance the quality and accountability of federal COVID-19 pandemic response and recovery efforts. GAO also raised four matters for congressional consideration, three of which remain open.

In this report, GAO makes five new recommendations in the areas of emergency rental assistance, nutrition assistance, and tax relief for businesses. GAO is also designating the Department of Health and Human Services' (HHS) leadership and coordination of a range of public health emergencies as high risk. This designation is in keeping with long-standing efforts to identify federal programs needing transformation, and to help ensure sustained executive branch and congressional attention so the nation is prepared for future emergencies.

United States Government Accountability Office

Emergency Rental Assistance

As of November 30, 2021, the Department of the Treasury had disbursed nearly \$38 billion of the \$46.55 billion it was appropriated for Emergency Rental Assistance (ERA) programs. These programs provide funds to grantees to administer programs to assist eligible renter households that are unable to pay rent, utilities, or other expenses due, directly or indirectly, to the COVID-19 pandemic. Treasury disburses ERA funds to grantees, such as states, local governments, and tribal governments, which make payments to landlords, households, and others eligible to receive the funds.



Source: Vitalis83.stock.adobe.com. | GAO-22-105291

Treasury has not yet designed processes to identify and recover overpayments made by grantees, such as post-payment reviews or recovery audits. Such reviews could verify the eligibility for and accuracy of ERA payments. Without a process for conducting effective post-payment reviews or recovery audits for the ERA programs, Treasury's ability to consistently identify and recover overpayments made by grantees may be delayed or impossible.

The Single Audit Act establishes requirements for audits of states, local governments, and other nonfederal entities that receive funding from federal awards (e.g., grants) when their expenditures meet a certain dollar threshold. The Office of Management and Budget (OMB) is responsible for developing government-wide guidance for performing audits to comply with the act. OMB guidance includes issuing an annual Compliance Supplement—a tool to help auditors identify compliance requirements that could have a direct and material effect on major programs. Auditors who conduct single audits follow guidance in the Compliance Supplement and agency guidance specific to their programs.

In its 2021 Compliance Supplement, OMB listed the ERA programs as “higher risk” programs, but did not include guidance for auditing grantee compliance with ERA. Without this guidance, auditors might not consistently and effectively identify deficiencies in grantees' compliance with the requirements of the programs, limiting Treasury's ability to identify and mitigate risks, including risks to payment integrity.

GAO recommends that Treasury design and implement processes, such as post-payment reviews or recovery audits, to help ensure timely identification and recovery of overpayments made by grantees to households, landlords, or utility providers in the ERA programs. Treasury agreed with this recommendation and stated that it is working to establish post-payment reviews and recovery audit activities.

GAO also recommends that OMB, in consultation with Treasury, issue guidance now or in the near future on the ERA programs in OMB's Compliance Supplement for single audits to help ensure that auditors consistently and timely identify deficiencies in grantees' compliance with the programs' requirements. OMB neither agreed nor disagreed with this recommendation.

Nutrition Assistance

The Food and Nutrition Service (FNS), within the Department of Agriculture, administers multiple federal nutrition assistance programs, including the Pandemic Electronic Benefits Transfer (Pandemic EBT) program—which provides food assistance for children attending schools closed due to COVID-19—and the Supplemental Nutrition Assistance Program, among others.

COVID-19 Funding and Expenditures for Selected Federal Nutrition Assistance Programs as of Nov. 30, 2021

Program	Description	Total COVID-19 funding (\$)	COVID-19 expenditures as of Nov. 30, 2021 (\$)
SNAP	Provides low-income individuals and households with benefits to purchase allowed food items and achieve a more nutritious diet.	16.8 billion	15.6 billion
		Indefinite appropriation	15.0 billion
Pandemic EBT	Provides households with children who would have received free or reduced-price school meals if not for school closures due to COVID-19, as well as eligible children in childcare, with benefits to purchase food.	Indefinite appropriation	42.4 billion
WIC	Provides eligible low-income women, infants, and children up to age 5 who are at nutrition risk with nutritious foods to supplement diets, information on healthy eating, and referrals to health care.	1.4 billion	710.5 million
TEFAP	Provides low-income individuals with groceries through food banks.	1.25 billion	1.1 billion

Legend: Pandemic EBT = Pandemic Electronic Benefits Transfer; SNAP = Supplemental Nutrition Assistance Program; TEFAP = the Emergency Food Assistance Program; WIC = Special Supplemental Nutrition Program for Women, Infants, and Children.

Source: GAO analysis of relevant provisions of the Families First Coronavirus Response Act; the CARES Act; the Consolidated Appropriations Act, 2021; and the American Rescue Plan Act of 2021 as well as information from the Food and Nutrition Service (FNS), within the Department of Agriculture. | GAO-22-105291

Note: Amounts shown reflect amounts appropriated specifically for COVID-19 response and relief and do not include annual appropriations. SNAP received both specific amounts of funding, as well as an indefinite appropriation—an appropriation that, at the time of enactment, is for an unspecified amount—for certain purposes, including a SNAP benefit increase of 15 percent through September 2021.

FNS does not have a comprehensive strategy for how its nutrition assistance programs should respond during emergencies. As part of this, FNS’s pandemic plans are outdated, and FNS efforts to identify and incorporate lessons learned from COVID-19 into its nutrition programs are incomplete. Developing a strategy for how its programs should respond to emergencies would benefit FNS’s response to both the current pandemic and future emergencies. Such a strategy could help FNS ensure that individuals and households maintain food security in times of heightened need and that FNS does not miss opportunities to coordinate with vendors across the country.

FNS has also not provided sufficient assistance to state and local agencies to facilitate their efforts to obtain reliable and comprehensive eligibility data for the Pandemic EBT program. According to FNS officials, state agencies reported various challenges collecting such data, including relying on manual tracking of thousands of participants. Reliable and comprehensive data can help state Supplemental Nutrition Assistance Program agencies ensure they have issued Pandemic EBT benefits to all eligible students in the correct benefit amounts.

GAO recommends that the Department of Agriculture ensure that FNS (1) develops a comprehensive strategy for the agency’s nutrition assistance programs to respond to emergencies that includes lessons learned during the COVID-19 pandemic and a mechanism to periodically review and update the strategy and (2) shares timely information with states and other stakeholders during development of the strategy to help inform their ongoing response to COVID-19.

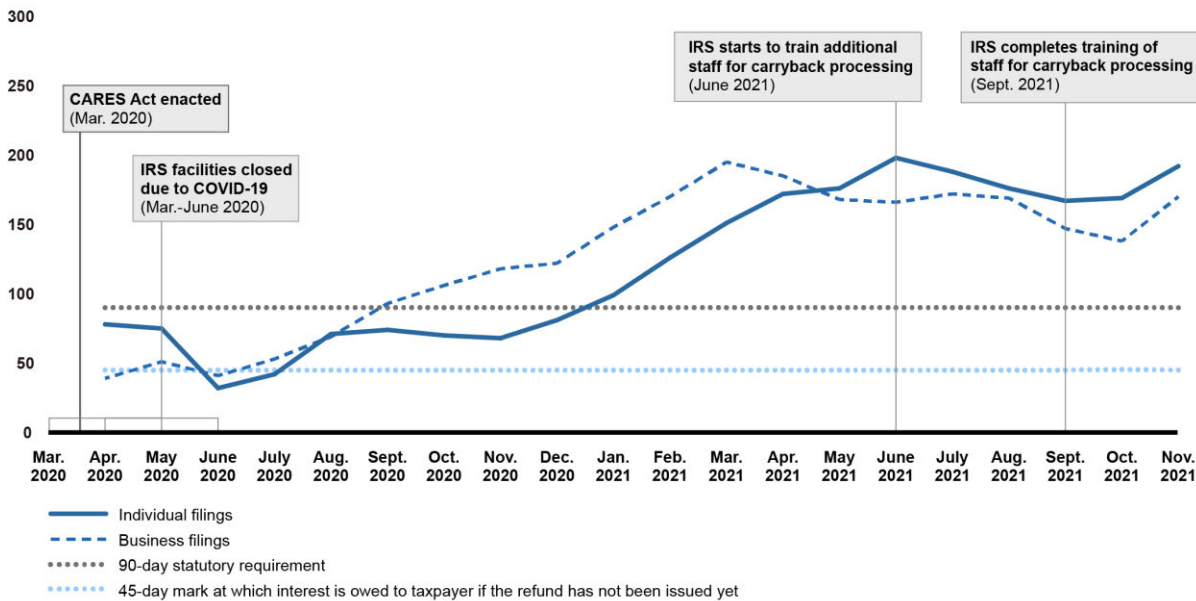
GAO also recommends that the Department of Agriculture ensure that FNS further assists state and local agencies in their efforts to obtain reliable and comprehensive eligibility data for the Pandemic EBT program in order to determine eligibility and benefits amounts accurately. The Department of Agriculture agreed with both recommendations.

Tax Relief for Businesses

To provide liquidity to businesses during the COVID-19 pandemic, the CARES Act and other COVID-19 relief laws included tax measures to help businesses by reducing certain tax obligations, which, in some cases, led to cash refunds. These tax measures included expanded carrybacks for net operating losses—that is, when a taxpayer’s allowable deductions exceed the gross income for a tax year—and the acceleration of alternative minimum tax (AMT) credit refunds. According to officials from the Internal Revenue Service (IRS), the CARES Act changes contributed to the agency receiving 276 percent more filings for carryback refunds—which include applications for tentative refunds for net operating loss carrybacks and AMT credit refunds—in fiscal year 2021 than in fiscal year 2020.

IRS has been unable to process this backlog consistent with its statutory time frames for processing applications for tentative refunds, which businesses submit through IRS Forms 1045 and 1139. The Internal Revenue Code and the CARES Act generally require IRS to issue certain refunds within a 90-day period. IRS data show that the agency started to miss the 90-day statutory requirement for applications in September 2020 and missed it throughout 2021. As of November 2021, the average time for IRS to process all carryback refunds was 165 days (see figure).

Average Monthly Processing Times for Carryback Applications and Claims Filed with the Internal Revenue Service (IRS), Apr. 2020–Nov. 2021



Source: GAO analysis of IRS data. | GAO-22-105291

Note: These data include all carryback cases, including those filed as “claims” on other IRS forms and those filed as “applications” on Forms 1045 and 1139. Forms 1045 are represented in the individual line and Forms 1139 are represented in the business line. Forms 1139 may also contain refund claims for the alternative minimum tax refund. IRS officials said the reported times do not include the additional time—up to 2 weeks—it may take for IRS to finalize production and distribute the refund to the taxpayer. The figure does not represent all of the work that IRS did throughout the year, but focuses on actions specific to the processing times for carryback cases. The Consolidated Appropriations Act, 2021 and American Rescue Plan Act of 2021 were also enacted in December 2020 and March 2021 respectively, and contained provisions that also required IRS action.

While IRS took some remedial actions, it did not have effective preventative control activities or mitigation plans in place to detect or address growing processing times for tentative refunds submitted on IRS Forms 1139 and 1045, such as an average processing time threshold to trigger activities to avoid missing refund deadlines. As such, IRS did not take actions to reduce the carryback backlog until April 2021—7 months after the agency began missing its statutory requirement.

Until effective preventative control activities and mitigation plans are put in place, IRS remains at risk of continuing to exceed its 90-day statutory requirement to issue tentative refunds for net operating loss carrybacks and AMT credit refunds. Failure to meet processing deadlines not only causes some taxpayers to face delays in receiving their refunds, but also increases the cost to the federal government in terms of interest paid on such refunds. According to IRS data for fiscal year 2021, these interest payments amounted to approximately \$61 million on all carrybacks, of which applications for tentative refund made up roughly 80 percent of all carryback interest payments for the fiscal year.

GAO recommends that IRS establish mitigation plans—including indicators, such as a threshold to initiate mitigation activities—to timely address future challenges to processing times for applications for tentative refunds on Forms 1045 and 1139 within the 90-day statutory requirement. IRS neither agreed nor disagreed with this recommendation, but said that it will take the recommendation into consideration as it continues to make improvements to taxpayer services.

HHS COVID-19 Funding

HHS received approximately \$484 billion in COVID-19 relief appropriations from the six COVID-19 relief laws. These relief funds may be used for a range of purposes, such as assistance to health care or child care providers; testing, therapeutic, or vaccine-related activities; or procurement of critical supplies. Of the \$484 billion appropriated, HHS reported that it had obligated about \$387 billion and expended about \$226 billion—about 80 percent and 47 percent, respectively, as of November 30, 2021.

GAO previously recommended that HHS provide projected time frames for its spending of the remainder of its COVID-19 relief funds in the spend plans HHS submits to Congress. HHS partially agreed with the recommendation, but stated that the department would not be able to provide specific time frames for all relief funds as it needed to remain flexible in responding to incoming requests. Providing projected time frames would not affect HHS’s ability to be flexible in its spend plans, as these plans are not binding to the agency and can be revised. GAO will continue to examine HHS’s oversight of COVID-19 relief funds.

High-Risk Designation: HHS's Leadership and Coordination of Public Health Emergencies

For more than a decade, GAO has reported on HHS's execution of its lead role in preparing for, and responding to, a range of public health emergencies and has found persistent deficiencies in its ability to perform this role. These deficiencies have hindered the nation's response to the current COVID-19 pandemic and a variety of past threats, including other infectious diseases—such as the H1N1 influenza pandemic, Zika, and Ebola—and extreme weather events, such as hurricanes.

As devastating as the COVID-19 pandemic has been, more frequent extreme weather events, new viruses, and bad actors who threaten to cause intentional harm loom, making the deficiencies GAO has identified particularly concerning. Not being sufficiently prepared for a range of public health emergencies can also negatively affect the time and resources needed to achieve full recovery.

While HHS has taken some actions to address the 115 recommendations GAO has made related to its leadership and coordination of public health emergencies since fiscal year 2007, 72 remain open. For example, HHS has not addressed our September 2020 recommendation to work with the Federal Emergency Management Agency to develop plans to mitigate supply chain shortages for the remainder of the pandemic, thus contributing to the shortage of such supplies as of January 2022. Also, while HHS began to procure additional tests in the latter part of 2021 and into 2022, and the White House recently appointed a new testing coordinator, HHS had not issued a comprehensive and publicly available testing strategy, which we recommend it do in January 2021. Such a strategy is needed to ensure more timely proactive action in the future and the efficient use of billions of dollars in unobligated funds.

GAO's prior work has identified persistent deficiencies in HHS's preparedness and response efforts in several areas, including (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 necessary midcourse changes—as well as future preparedness; (3) providing clear and 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.

GAO is adding this area to the high-risk list to help ensure the executive branch and Congress pay sustained attention in order to make additional progress in implementing GAO's open recommendations and strengthen HHS's leadership and coordination role for future public health emergencies.

Contents

Recommendations for Executive Action	1
Introduction	2
Background	7
Public Health and Economic Effects of the COVID-19 Pandemic	7
Federal COVID-19 Funding and Spending	16
Executive Summary	24
Overview	24
Emergency Rental Assistance	24
Nutrition Assistance	26
Tax Relief for Businesses	27
HHS COVID-19 Funding	28
Designation of New High-Risk Area: HHS's Leadership and Coordination of Public Health Emergencies	29
Conclusions	31
Closing	32
Congressional Addressees	33
Appendixes and Enclosures	35
Appendix I: Enclosures	35
Economic Indicators	35
HHS COVID-19 Funding	42
Enhanced Medicaid Funding	51
Nutrition Assistance	63
Unemployment Insurance Programs	76
Emergency Rental Assistance	91
Student Loan Repayment	98
Economic Injury Disaster Loan Program	107
Tax Relief for Businesses	116
Paycheck Protection Program	125
State Small Business Credit Initiative	136
Federal Office Space	143
Coronavirus State and Local Fiscal Recovery Funds	148
Federal Contracts and Agreements for COVID-19	163
International Trade	174
Federal Fraud-Related Cases	180
Appendix II: New High-Risk Designation: HHS and Public Health Emergencies	189

Appendix III: Highlights Pages from Recently Issued GAO COVID-19 Products	202
Aviation Industry Recovery	202
Federal Workplace Reentry	204
Hiring Authorities	205
Emergency Relief to Tribes	206
State Department Repatriation Effort	207
Vaccine Distribution and Communication	208
Election Assistance Commission Grants	209
Vaccine Development	210
Defense Production Act Loans	212
VA Supply Chain	213
Behavioral Health and COVID-19	214
Services for Older Adults	215
Improving USAspending.gov	216
Defense Production Act Authorities	217
Housing Finance Vulnerabilities	218
HHS-DOD COVID-19 Countermeasures Acceleration Group	220
International Humanitarian Assistance	221
Appendix IV: List of Ongoing GAO Work Related to COVID-19 as of December 28, 2021	222
Appendix V: Comments from the Internal Revenue Service	224
Appendix VI: Comments from the Department of the Treasury	226

Contacts	227
-----------------	-----

Tables	
Reported COVID-19 Vaccinations by Age Group in U.S., as of Jan. 3, 2022	H1
COVID-19 Funding and Expenditures for Selected Federal Nutrition Assistance Programs as of Nov. 30, 2021	H3
Table 1: Reported COVID-19 Vaccinations by Age Group in the U.S., as of Jan. 3, 2022	12
Table 2: COVID-19 Relief Funding and Spending as of Nov. 30, 2021	19
Table 3: COVID-19 Relief Funding for Federal Programs and Funds Receiving \$10 Billion or More in Aid for States, the District of Columbia, Localities, U.S. Territories, and Tribes, as of Nov. 30, 2021	21
HHS-Reported COVID-19 Relief Appropriations, Obligations, and Expenditures, by Relief Law, as of Nov. 30, 2021	44
HHS-Reported Allocations, Obligations, and Expenditures of COVID-19 Relief Funding, by Agency or Key Fund, as of Nov. 30, 2021	45
HHS-Reported Allocations, Obligations, and Expenditures by Selected COVID-19 Response Activity, as of Nov. 30, 2021	47
Prior GAO Recommendation Related to Department of Health and Human Services (HHS) COVID-19 Funding	50
Overview of Selected Changes to the Federal Medical Assistance Percentage (FMAP) during the COVID-19 Public Health Emergency (PHE), as of Oct. 2021	53

Examples of Selected States' Proposed Home and Community-Based Services (HCBS) Activities, July 2021	59
Prior GAO Matter for Congressional Consideration Related to Medicaid Funding	62
COVID-19 Funding and Expenditures for Selected Federal Nutrition Assistance Programs as of Nov. 2021	65
Prior GAO Recommendation Related to COVID-19 Nutrition Assistance	75
Prior GAO Recommendations Related to Unemployment Insurance (UI) Programs	88
Summary of Funding for Emergency Rental Assistance (ERA) Appropriated, Disbursed, and Spent as of November 30, 2021 (dollars in billions)	93
Prior GAO Recommendations Related to the Economic Injury Disaster Loan Program	114
Prior GAO Recommendations Related to Tax Relief for Business	124
Prior GAO Recommendations Related to the Paycheck Protection Program	134
Number of States Receiving One or More 30-Day Extensions from Treasury for Distributing Coronavirus State and Local Fiscal Recovery Funds Payments to Non-Entitlement Units of Local Government, as of Jan. 3, 2022	154
Prior GAO Recommendations Related to Single Audits and Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	161
Prior GAO Recommendations Related to Federal Contracts and Agreements for COVID-19	171

Figures

Average Monthly Processing Times for Carryback Applications and Claims Filed with the Internal Revenue Service (IRS), Apr. 2020–Nov. 2021	H4
Figure 1: Report Enclosures by Topic Area	5
Figure 2: Status of Prior GAO Recommendations from COVID-19-Related Work, by Federal Department or Agency, as of Dec. 31, 2021	6
Figure 3: 7-Day Averages of Reported COVID-19 Cases in the U.S., Mar. 1, 2020–Jan. 3, 2022	8
Figure 4: Reported Daily Hospitalizations and 7-Day Averages of Patients with Confirmed COVID-19 in the U.S., Aug. 1, 2020–Jan. 6, 2022	9
Figure 5: Percent of People Fully Vaccinated by Jurisdiction, as Reported to the CDC, as of Jan. 3, 2022	14
Figure 6: Employment-to-Population Ratio, January 2019–December 2021	16
Figure 7: Percentage of COVID-19 Relief Funding Obligated and Expended, July 31, 2020–Nov. 30, 2021	18
Indicators for Areas of the Economy Supported by the Federal COVID-19 Pandemic Response, Sept.–Dec. 2021, Cumulative Changes since Feb. 2020	36
Employment-to-Population Ratio, Jan. 2019–Dec. 2021	37
Indicators of Inflation, Feb.–Nov. 2021, and Average Inflation Rates, 2000–2019	39
Percentage Change in Inflation Indicators from the Previous Month, Jan. 2019–Nov. 2021	40
HHS-Reported COVID-19 Relief Appropriations, Obligations, and Expenditures from COVID-19 Relief Laws, as of Nov. 30, 2021	43
Timeline of COVID-19 PHE, 6.2 Percentage Point FMAP Increase, and Medicaid Enrollment Requirements	56
Selected States' Estimates of Additional Federal Funding Attributable to Increased HCBS Federal Medicaid Assistance Percentage, July 2021	58

Weekly Continued Claims Submitted Nationwide for Regular UI, PEUC, and Extended Benefits, Mar. 1, 2020–Dec.18, 2021	79
Timeliness of First Payments of Regular Unemployment Insurance (UI) Benefits, Jan. 2020–Nov. 2021	81
Number and Type of Borrowers Affected by the Expiration of COVID-19 Emergency Relief for Federal Student Loans, as of November 2021	99
Average Monthly Processing Times for Taxpayer Carryback Applications and Claims Filed with the Internal Revenue Service (IRS), Apr. 2020–Nov. 2021	119
Status of SBA Loan Forgiveness Determinations on Paycheck Protection Program Loans, as of Sept. 30, 2021	130
Number of Paycheck Protection Program Loan Forgiveness Decisions Submitted by Lenders to SBA, Aug. 2020–Sept. 2021	131
State Small Business Credit Initiative Funding Allocations, 2010 and 2021	137
State Small Business Credit Initiative 2021 Preliminary Allocations to States and Territories	139
Number of Leases in the Federal Leasing Inventory, July 2011–July 2021	144
Examples of General Services Administration’s (GSA) Return to Workplace Planning Services for Federal Agencies	146
Coronavirus State and Local Fiscal Recovery Funds Allocations and Treasury Distributions as of Nov. 30, 2021, by Recipient Type	149
Treasury’s Reporting Requirements for the Coronavirus State and Local Fiscal Recovery Funds, by Recipient Type, as of Nov. 15, 2021	152
Percentage of States’ Planned Uses of Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) by Spending Category, Based on States’ Recovery Plan Performance Reports that Were Publicly Available as of Dec. 3, 2021	157
Contract Obligations in Response to COVID-19 by Federal Agency, as of Dec. 15, 2021	165
Government-wide COVID-19-Related Contract Obligations and Confirmed COVID-19 Cases by Month, Feb. 2020–Dec. 15, 2021	166
Contract Obligation Amounts for Top Five Goods and Services Procured in Response to COVID-19 by month, Feb. 2020–Dec. 15, 2021	167
Monthly Trends in U.S. Import Charges Relative to Value Imported from Jan. 2018–Aug. 2021	175
Monthly U.S. Imports of COVID-19-Related Products, by Product Type, Jan. 2019–Aug. 2021	176
Value of U.S. Exports of Vaccines for Human Use, Overall and to EU Member Countries and the United Kingdom, January 2019 through August 2021	178
Number of Individuals or Entities That Have Pleaded Guilty to Federal Fraud-Related Charges by COVID-19 Relief Program, as of Oct. 31, 2021	182
Number of Individuals Who Have Pleaded Guilty to Federal Fraud-Related Charges and Have Been Sentenced, as of Oct. 31, 2021	183
Number of Individuals or Entities That Have Pleaded Guilty to, Faced Federal Charges for, or Were Convicted for Consumer Fraud, as of Oct. 31, 2021	186

Abbreviations

AMT	alternative minimum tax
ARPA	American Rescue Plan Act of 2021
CDC	Centers for Disease Control and Prevention
COVID-19	Coronavirus Disease 2019
EBT	Electronic Benefits Transfer
ERA	Emergency Rental Assistance
FDA	Food and Drug Administration
FNS	Food and Nutrition Service
HHS	Department of Health and Human Services
IRS	Internal Revenue Service
OMB	Office of Management and Budget

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Copyright

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

Recommendations for Executive Action

Recommendations for Executive Action

We are making a total of five recommendations to federal agencies:

- The Secretary of the Treasury should design and implement processes, such as post-payment reviews or recovery audits, to help ensure timely identification and recovery of overpayments made by grantees to households, landlords, or utility providers in the Emergency Rental Assistance programs. See the [Emergency Rental Assistance enclosure](#). (Recommendation 1)
- The Director of the Office of Management and Budget, in consultation with the Secretary of the Treasury, should issue guidance now or in the near future on the Emergency Rental Assistance programs in the Office of Management and Budget's Compliance Supplement for single audits to help ensure that auditors consistently and timely identify deficiencies in grantees' compliance with the programs' requirements. See the [Emergency Rental Assistance enclosure](#). (Recommendation 2)
- The Secretary of Agriculture should ensure that the Administrator of the Food and Nutrition Service (1) develops a comprehensive strategy for the agency's nutrition assistance programs to respond to emergencies that includes lessons learned during the COVID-19 pandemic and a mechanism to periodically review and update the strategy, and (2) shares timely information with states and other stakeholders during development of the strategy to help inform their ongoing response to COVID-19. See the [Nutrition Assistance enclosure](#). (Recommendation 3)
- The Secretary of Agriculture should ensure that the Administrator of the Food and Nutrition Service further assists state and local agencies in their efforts to obtain reliable and comprehensive eligibility data for the Pandemic Electronic Benefits Transfer program in order to determine eligibility and benefits amounts accurately. See the [Nutrition Assistance enclosure](#). (Recommendation 4)
- The Commissioner of Internal Revenue should establish mitigation plans—including indicators, such as a threshold to initiate mitigation activities—to timely address any future challenges to processing applications for tentative refund on Forms 1045 and 1139 within the 90-day statutory requirement. See the [Tax Relief for Businesses enclosure](#). (Recommendation 5)

Introduction

January 27, 2022

Congressional Committees

A sharp increase in the number of new Coronavirus Disease 2019 (COVID-19) cases continues to challenge the nation's ongoing response and recovery efforts. Between December 21, 2021, and January 3, 2022, new reported U.S. COVID-19 cases generally exceeded 380,000 per day, according to the Centers for Disease Control and Prevention (CDC)—nearly four times the average number of cases in late November 2021. Hospitalizations of patients with confirmed COVID-19 have also increased. U.S. hospitals reported an average of more than 93,000 new patients admitted daily for the 7-day period from December 28, 2021, to January 3, 2022, an increase from the average of nearly 50,000 individuals admitted daily during a 7-day period in late November 2021, according to data from the Department of Health and Human Services (HHS).¹

As of January 3, 2022, more than 56 million cases of COVID-19 have been reported in the U.S. since COVID-19 was first identified in January 2020. According to CDC estimates as of January 1, 2022, the virus's Omicron variant was the dominant strain circulating in the U.S.² As of the week ending January 1, 2022, over 830,000 deaths attributed to COVID-19 have been reported in the U.S.

Much of the nation's recent response efforts have focused on mitigating COVID-19's health risks by making COVID-19 vaccines more widely available to the U.S. population, and expanding access to testing. The federal government has expanded vaccination eligibility by authorizing vaccines for children aged 5 and up. In addition, the CDC recently authorized COVID-19 booster shots for individuals aged 12 and up. As of January 3, 2022, about 62 percent of the total U.S. population—over 206 million individuals—had been fully vaccinated.³ In addition, nearly seven million children aged 5 to 11 have received at least one COVID-19 vaccine dose since October 29, 2021, when the Food and Drug Administration (FDA) authorized the Pfizer vaccine for this age group.⁴

¹HHS, "COVID-19 Reported Patient Impact and Hospital Capacity by State Timeseries," accessed January 6, 2022, <https://healthdata.gov/Hospital/COVID-19-Reported-Patient-Impact-and-Hospital-Capa/g62h-syeh>.

²According to CDC, viruses, such as COVID-19, constantly change through mutation, and new variants are expected to occur. Sometimes, new variants emerge and disappear, while at other times, new variants persist. First identified in the U.S. on December 1, 2021, the Omicron variant has superseded the Delta variant to become the dominant strain circulating in the U.S. Both the Omicron and Delta variants spread faster than previous variants. As of December 20, 2021, CDC reported that more research is needed to determine if Omicron causes more severe illness or death than infections caused by other variants and how well available vaccines and medications work against it.

³As of January 8, 2022, CDC counts individuals as being fully vaccinated if they received two doses on different days (regardless of time interval) of the two-dose vaccines or received one dose of a single-dose vaccine. See CDC, "COVID Data Tracker: COVID-19 Vaccinations in the United States," accessed January 10, 2022, https://covid.cdc.gov/covid-data-tracker/#vaccinations_vacc-total-admin-rate-total.

⁴CDC recommended use of the Pfizer COVID-19 vaccine for children aged 5 to 11 on November 2, 2021. We calculated the population aged 5 to 11 who received at least one COVID-19 vaccine dose by subtracting the population aged 5 and over from the population aged 12 and over who received at least one dose. These data do not include numbers from Idaho for vaccine recipients under age 18. Please see https://covid.cdc.gov/covid-data-tracker/#vaccinations_vacc-total-admin-rate-total, accessed January 10, 2022, for additional technical notes.

The pandemic has also had far reaching effects on the U.S. economy. The U.S. has continued to experience lower levels of employment relative to the prepandemic period and, more recently, rising U.S. consumer prices and widespread supply chain disruptions in multiple sectors.⁵ These disruptions, which have occurred amid growing demand, have resulted in fluctuating shortages for some critical products, such as computer chips—which are key inputs into many consumer goods—and ongoing shortages of medical supplies, including testing material and personal protective equipment for the COVID-19 response.⁶

In response to supply chain disruptions, in June 2021, the White House issued a report that intends to provide a framework for closing supply chain vulnerabilities.⁷ In addition, in September 2021, HHS—with the input of federal partners—released its National Strategy for a Resilient Public Health Supply Chain, as called for in Executive Order 14001.⁸ This strategy makes recommendations to support designing, building, and sustaining a resilient public health supply chain, including investing in domestic manufacturing of personal protective equipment and other medical supplies, building a more capable and robust Strategic National Stockpile, and maintaining end-to-end public health supply chain visibility.⁹

Since March 2020, Congress has provided about \$4.6 trillion through the CARES Act and other laws that were enacted to fund federal efforts to help the nation respond to and recover from the COVID-19 pandemic (COVID-19 relief laws).¹⁰ Ongoing implementation of the provisions in

⁵According to the Department of Labor’s consumer price index, which measures the prices of consumer goods and services, prices increased 6.8 percent between November 2020 and November 2021, with larger increases recorded in the prices for certain items, such as energy commodities and services as well as used vehicles.

⁶The White House noted in an October 13, 2021, press briefing that the COVID-19 pandemic contributed to key transportation and logistics disruptions domestically and abroad, such as congestion at ports, further disrupting supply chains.

⁷The White House, *Building Resilient Supply Chains, Revitalizing American Manufacturing, and Fostering Broad-Based Growth* (Washington, D.C.: June 2021). This report specifically examined the supply chains of four critical products: semiconductor manufacturing and advanced packaging, large capacity batteries, critical minerals and materials, and pharmaceuticals and active pharmaceutical ingredients.

⁸Department of Health and Human Services, *National Strategy for a Resilient Public Health Supply Chain* (Washington, D.C.: July 2021). This strategy aims to build a more resilient supply chain that would support the U.S.’s preparedness and response for future pandemics and biological threats. We plan to report on the strategy and its implementation in a future CARES Act report. *A Sustainable Public Health Supply Chain*, Exec. Order No. 14001, § 4, 86 Fed. Reg. 7,219, 7,220-21 (Jan. 26, 2021).

⁹The Strategic National Stockpile contains a multibillion dollar inventory of medical countermeasures—drugs, vaccines, and other medical supplies and materials—to respond to a broad range of public health emergencies.

¹⁰For the purposes of our review, we consider COVID-19 relief laws to include the six laws providing comprehensive relief across federal agencies and programs. These six laws are the American Rescue Plan Act of 2021 (ARPA), Pub. L. No. 117-2, 135 Stat. 4; Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, 134 Stat. 1182 (2020); Paycheck Protection Program and Health Care Enhancement Act, Pub. L. No. 116-139, 134 Stat. 620 (2020); CARES Act, Pub. L. No. 116-136, 134 Stat. 281 (2020); Families First Coronavirus Response Act, Pub. L. No. 116-127, 134 Stat. 178 (2020); and the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, Pub. L. No. 116-123, 134 Stat. 146. In our October 2021 report, we reported that, as of August 31, 2021, \$4.8 trillion in COVID-19 relief funds were provided by the six relief laws based on appropriation warrant information provided by Treasury. The total amount we are reporting as of November 30, 2021 decreased from the amount we reported as of August 31, 2021 mostly due to the return of unused indefinite appropriations to the Treasury at the end of fiscal year 2021 by the Internal Revenue Service and the Department of Labor. To account for this and other actions affecting funding amounts for each activity, we used total budgetary resources reported to Treasury’s Governmentwide Treasury Account Symbol Adjusted Trial Balance System

the COVID-19 relief laws, as well as the size and scope of these efforts—from distributing funding to implementing new programs—continue to demand strong accountability and oversight. Furthermore, the government must remain vigilant and agile to address additional potential challenges while it continues to respond to the evolving COVID-19 pandemic. For example, the current annual flu season could place further burdens on the already overtaxed health care, medical supply, and emergency management sectors.¹¹

The CARES Act includes a provision for us to report regularly on the federal response to the pandemic. Specifically, the act requires us to monitor and oversee the federal government’s efforts to prepare for, respond to, and recover from the COVID-19 pandemic.¹² This comprehensive report is our ninth recurring oversight report in response to this provision.¹³

This report includes 16 enclosures addressing a range of federal programs and activities across the government concerning public health and the economy (see [appendix I](#)). In these enclosures we are making five new recommendations to federal agencies in the areas of emergency rental assistance payments, nutrition assistance programs, and tax relief for businesses. Figure 1 lists these enclosures by topic area and highlights those with new recommendations. In addition, in this report, we are adding HHS’s leadership and coordination of a range of public health emergencies to GAO’s High-Risk List (see [appendix II](#)).

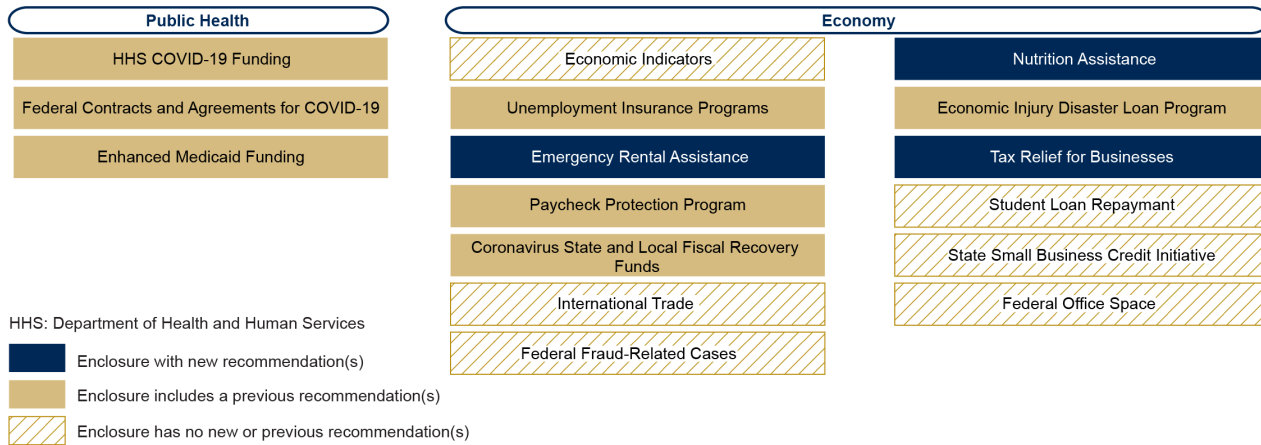
for this report. Total budgetary resources, as opposed to the previously reported appropriation warrant information provided by Treasury, reflect appropriations, as well as transfers, adjustments, recoveries, rescissions, and returns of unused indefinite appropriations at the end of fiscal year 2021.

¹¹According to CDC’s January 1, 2022, weekly influenza surveillance report, although the flu season is just beginning, data—including indicators that track hospitalizations—reflect increasing flu activity in the United States. In addition, these early data show lower flu vaccine uptake compared with last season. For additional information from CDC’s weekly influenza surveillance report, see <https://www.cdc.gov/flu/weekly/index.htm>.

¹²Pub. L. No. 116-136, § 19010, 134 Stat. at 579–81.

¹³Our recurring oversight reports are GAO, *COVID-19: Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response*, [GAO-22-105051](#) (Washington, D.C.: Oct. 27, 2021); *COVID-19: Continued Attention Needed to Enhance Federal Preparedness, Response, Service Delivery, and Program Integrity*, [GAO-21-551](#) (Washington, D.C.: July 19, 2021); *COVID-19: Sustained Federal Action Is Crucial as Pandemic Enters Its Second Year*, [GAO-21-387](#) (Washington, D.C.: Mar. 31, 2021); *COVID-19: Critical Vaccine Distribution, Supply Chain, Program Integrity, and Other Challenges Require Focused Federal Attention*, [GAO-21-265](#) (Washington, D.C.: Jan. 28, 2021); *COVID-19: Urgent Actions Needed to Better Ensure an Effective Federal Response*, [GAO-21-191](#) (Washington, D.C.: Nov. 30, 2020); *COVID-19: Federal Efforts Could Be Strengthened by Timely and Concerted Actions*, [GAO-20-701](#) (Washington, D.C.: Sept. 21, 2020); *COVID-19: Brief Update on Initial Federal Response to the Pandemic*, [GAO-20-708](#) (Washington, D.C.: Aug. 31, 2020); and *COVID-19: Opportunities to Improve Federal Response and Recovery Efforts*, [GAO-20-625](#) (Washington, D.C.: June 25, 2020).

Figure 1: Report Enclosures by Topic Area



Source: GAO. | GAO-22-105291

In addition to the eight previously issued recurring oversight reports, as of January 13, 2022, we have issued 130 targeted COVID-19-related reports, testimonies, and science and technology spotlights in areas such as behavioral health, veterans nursing homes, federal debt management, and vaccine development and distribution. We also have reviews ongoing in other areas. See [appendix III](#) for highlights pages from our recently issued work on COVID-19 and [appendix IV](#) for a list of our ongoing work related to COVID-19.

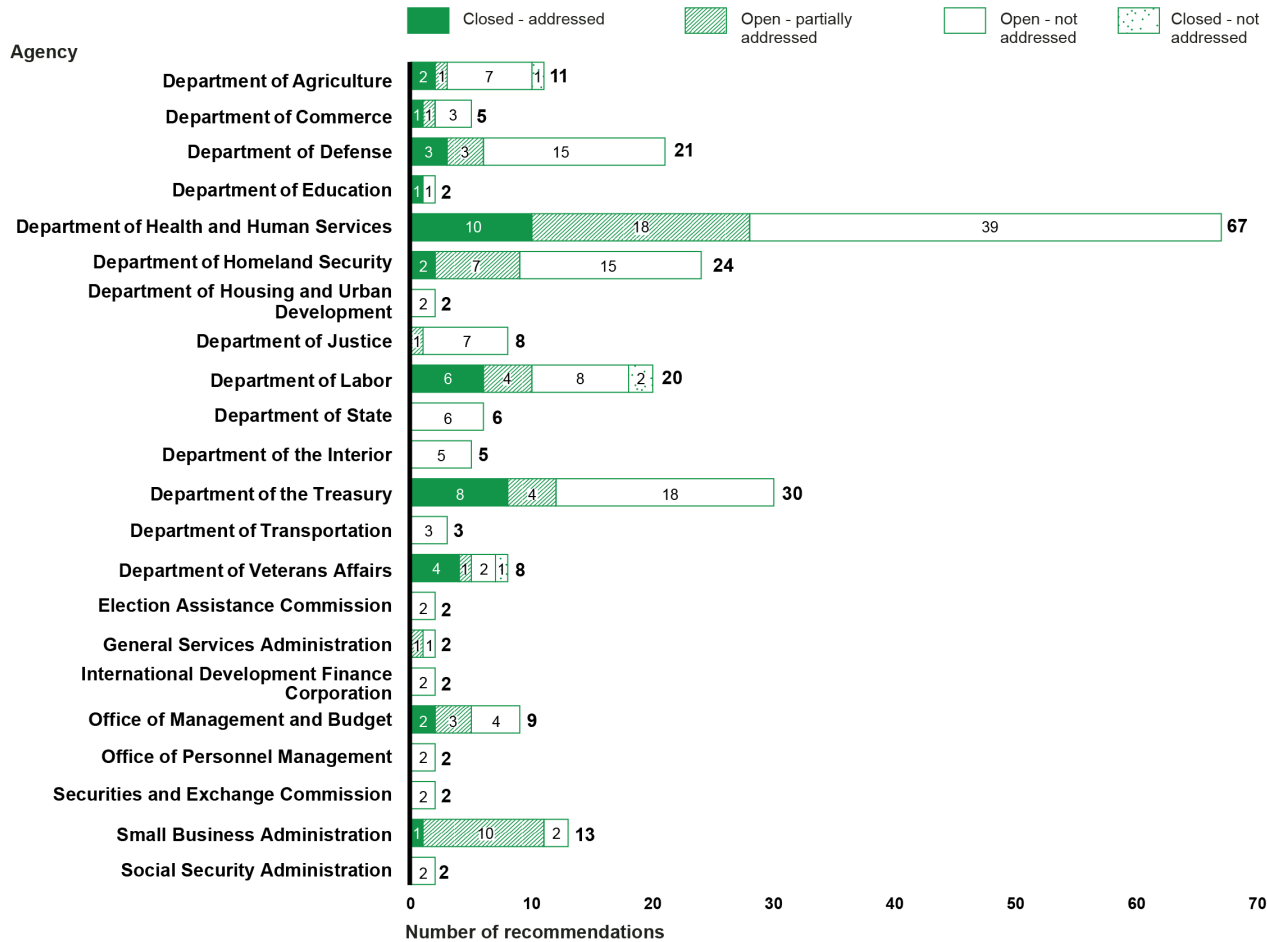
Across our body of COVID-19-related reports, we have made 246 recommendations to federal agencies and have raised four matters for congressional consideration to improve the federal government’s response efforts. As of December 31, 2021, agencies had fully or partially addressed 94 of our COVID-19-related recommendations (38 percent); of these, agencies had fully addressed 40 and partially addressed 54 of these recommendations.¹⁴ For example, in response to one of our recommendations, in December 2021 FDA issued draft guidance for industry and FDA staff to plan for the transition of medical device emergency use authorizations issued during the COVID-19 pandemic. The guidance outlines both a timeline for advance notice of termination of emergency use authorization declarations and recommendations for manufacturers to prepare marketing submissions for clearance or approval of devices when they wish to continue distributing devices previously allowed under emergency use authorizations. FDA is seeking comment from stakeholders on the draft guidance through March 23, 2022.¹⁵

See figure 2 for an overview of the status of our COVID-19-related recommendations by department. For a complete list of our COVID-related products, see <https://www.gao.gov/coronavirus>.

¹⁴We consider a recommendation to be addressed when the target agency has completed the implementation of the recommendation. We consider a recommendation to be partially addressed when the agency is in the process of developing an action, has started but not yet completed or has partially implemented an action, or has taken steps toward implementation.

¹⁵In March 2021, we recommended that, as FDA developed a transition plan for devices with emergency use authorizations, the agency specify a reasonable timeline and process for transitioning authorized devices to clearance, approval, or appropriate disposition that takes into account input from stakeholders. FDA’s actions fulfill the intent of our recommendation.

Figure 2: Status of Prior GAO Recommendations from COVID-19-Related Work, by Federal Department or Agency, as of Dec. 31, 2021



Source: GAO. | GAO-22-105291

Note: For this figure, recommendations made to the Internal Revenue Service are counted toward the total of recommendations made to the Department of the Treasury.

Given the government-wide scope of this report, we undertook a variety of methodologies to complete our work, including examining a wide range of data sources and conducting interviews and obtaining information from federal and state officials and related stakeholders, such as servicers of federal student loans and organizations that have implemented nutrition assistance programs during the pandemic. We also examined federal laws, agency documents, and guidance, among other information. In each enclosure, we include a summary of the methodology specific to the work conducted.

We conducted this performance audit from June 2021 to January 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Public Health and Economic Effects of the COVID-19 Pandemic

The COVID-19 pandemic continues to have devastating effects on public health and lingering effects on the economy. As of January 3, 2022, the U.S. had more than 56 million reported cases of COVID-19, according to CDC.¹⁶ CDC and HHS data show that, at the end of December 2021 and into January 2022, the number of new reported COVID-19 cases and hospitalizations for confirmed COVID-19 were increasing. As of the week ending January 1, 2022, the U.S. had more than 830,000 reported deaths attributed to COVID-19.¹⁷ The country also continues to experience lingering economic effects. While the labor market has shown signs of improvement in recent months, the employment-to-population ratio—which measures the share of the population employed—indicates that labor market conditions remain worse than in the prepandemic period, likely partially influenced by health concerns or family demands, among other factors.

The number of new reported daily COVID-19 cases in the U.S. began increasing at the end of November 2021, when the Delta variant of the virus was the dominant strain, following a decrease in the number of daily cases from a September 2021 peak. Between December 21, 2021 and January 3, 2022, new reported COVID-19 cases averaged about 380,000 per day—nearly double the average during the same period in 2020-2021.¹⁸ See figure 3 for 7-day U.S. case averages since March 2020. Between December 18 and December 31, 2021, reported new COVID-19 cases per day, on average, for 52 jurisdictions, increased in 49 jurisdictions, held steady in 2 jurisdictions, and decreased in 1 jurisdiction.¹⁹ The rise in cases in December 2021 coincides with the Omicron variant becoming the dominant strain, according to CDC estimates.

¹⁶Data on COVID-19 cases in the U.S. are based on aggregate case reporting to CDC and include probable and confirmed cases as reported by states and jurisdictions. CDC COVID-19 counts are subject to change due to delays or updates in reported data from states and jurisdictions. According to CDC, the actual number of COVID-19 cases is unknown for a variety of reasons, including that people who have been infected may have not been tested or may have not sought medical care. See CDC, “COVID Data Tracker: Trends in Number of COVID-19 Cases and Deaths in the US reported to CDC, by State/Territory,” accessed January 10, 2022, https://covid.cdc.gov/covid-data-tracker/#trends_dailycases.

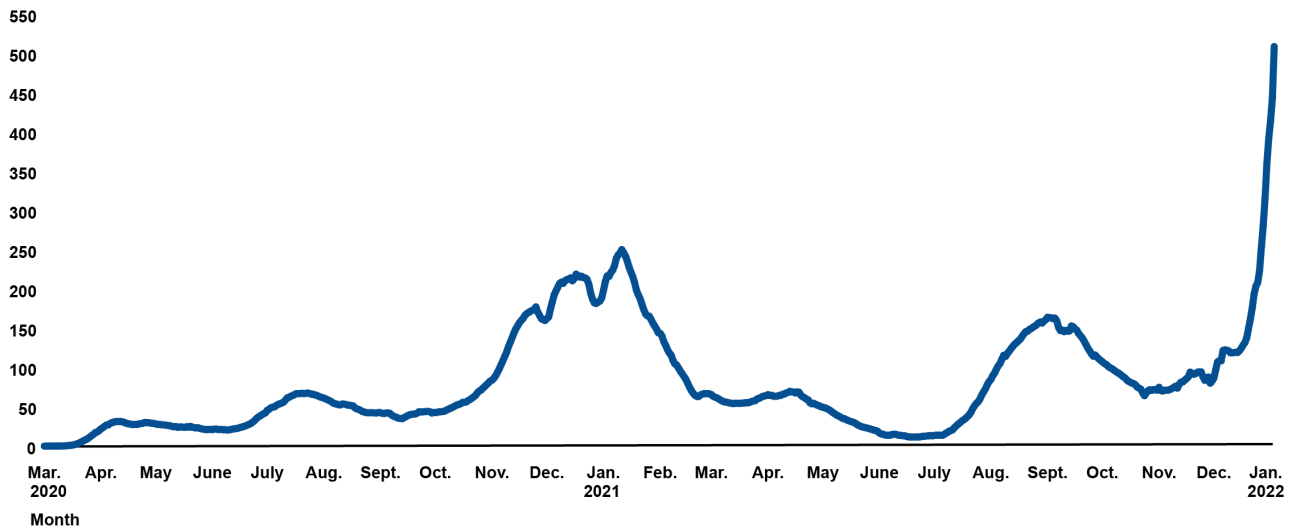
¹⁷CDC’s National Center for Health Statistics COVID-19 death counts in the U.S. are based on provisional counts from death certificate data, which do not distinguish between laboratory-confirmed and probable COVID-19 deaths. Data are provisional and subject to updates. In more recent weeks, the data are more likely to be incomplete due to an average delay of 2 weeks (a range of 1–8 weeks or longer) for death certificate processing. See CDC, National Center for Health Statistics, “Provisional Death Counts for Coronavirus Disease 2019 (COVID-19),” accessed January 10, 2022, <https://www.cdc.gov/nchs/nvss/vsrr/covid19/index.htm>.

¹⁸CDC COVID-19 case counts are subject to change based on any delays or updates in reported data from states and territories. We compared the relative difference between the average of new cases per day between December 21, 2020, and January 3, 2021, and the average of new cases per day between December 21, 2021, and January 3, 2022.

¹⁹The 52 states and jurisdictions include all 50 states; Washington, D.C.; and New York, N.Y. COVID-19 case counts for New York, N.Y., are reported separately from the state of New York. We defined states as holding steady if they had less than a 1 percent increase or decrease in average daily new cases over the time frame. The average percentage change in daily new cases was calculated as the average of the daily rates of change of the 7-day moving average between December 18 and December 31, 2021. CDC, “United States COVID-19 Cases and Deaths by State Over Time,” accessed on January 10, 2022, <https://data.cdc.gov/Case-Surveillance/United-States-COVID-19-Cases-and-Deaths-by-State-o/9mfq-cb36>. These COVID-19 case counts may change as new or updated data are reported by states.

Figure 3: 7-Day Averages of Reported COVID-19 Cases in the U.S., Mar. 1, 2020–Jan. 3, 2022

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



Source: Centers for Disease Control and Prevention (CDC). | GAO-22-105291

Note: COVID-19 cases reported from states and territories include confirmed and probable cases. Beginning April 14, 2020, states could include probable as well as confirmed COVID-19 cases in their reports to CDC. Previously, counts included only confirmed cases. According to CDC, the actual number of cases is unknown for a variety of reasons, including that people who have been infected may not have been tested or may not have sought medical care. See CDC, “COVID Data Tracker: Trends in Number of COVID-19 Cases and Deaths in the U.S. Reported to CDC, by State/Territory,” accessed January 10, 2022, https://covid.cdc.gov/covid-data-tracker/#trends_dailycases

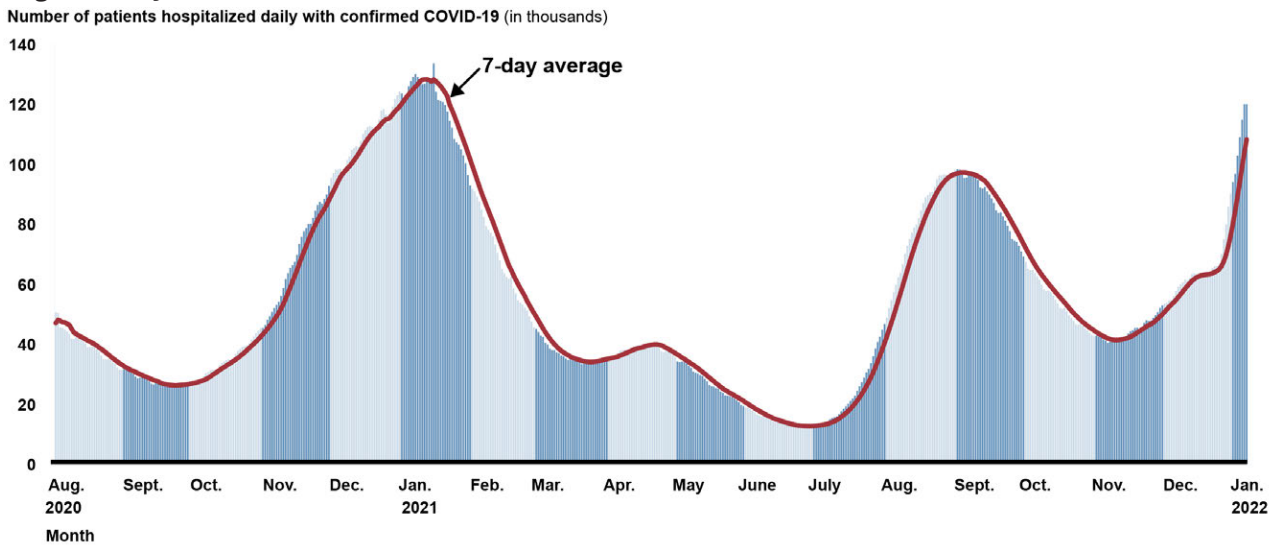
HHS data show that, at the end of December 2021 and into January 2022, COVID-19 hospitalizations were again increasing, after decreases in September and October 2021 (see figure 4).²⁰ During this same period, a record proportion of emergency department visits were related to COVID-19—nearly 12 percent of patient visits had an accompanying COVID-19 diagnosis, according to CDC data.²¹ This increase in hospitalizations and emergency department utilization has strained health care systems, requiring multiple state governments to declare states of emergency.²²

²⁰HHS, “COVID-19 Reported Patient Impact and Hospital Capacity by State Timeseries,” accessed January 6, 2022, <https://healthdata.gov/Hospital/COVID-19-Reported-Patient-Impact-and-Hospital-Capa/g62h-syeh>.

²¹CDC, “Percentage of Emergency Department visits with Diagnosed COVID-19 in United States, All Ages,” accessed January 10, 2022, <https://covid.cdc.gov/covid-data-tracker/#ed-visits>. Data are from the National Syndromic Surveillance Program (NSSP). For insights into COVID-19 trends, CDC monitors a subset of emergency department in 50 states to identify visits that have a COVID-19 diagnosis associated with them.

²²For example, in response to the rapid increases in hospitalizations due to COVID-19, on January 4, 2022, the Governor of Maryland declared a 30-day state of emergency to take actions to help health care providers in the state manage the surge in cases and hospitalizations by expanding the potential health care workforce, allowing new hospital-adjacent facilities to act as alternate sites of care, and mobilizing National Guard troops to help with testing and other pandemic response actions.

Figure 4: Reported Daily Hospitalizations and 7-Day Averages of Patients with Confirmed COVID-19 in the U.S., Aug. 1, 2020–Jan. 6, 2022



Source: GAO analysis of COVID-19 hospitalizations data. | GAO-22-105291

Note: We included only hospitalizations with confirmed COVID-19 cases (rather than confirmed and suspected COVID-19) to be consistent with CDC’s COVID data tracker page on hospitalizations. August 2020 was the first full month following HHS’s transition to its current hospital data collection process. We calculated the 7-day average as the average number of the adult and pediatric hospitalizations on a given date and each of the six previous days. See HHS, “COVID-19 Reported Patient Impact and Hospital Capacity by State Timeseries,” accessed January 6, 2022, <https://healthdata.gov/Hospital/COVID-19-Reported-Patient-Impact-and-Hospital-Capa/g62h-syeh>.

According to provisional data from CDC’s National Center for Health Statistics, the number of deaths in the U.S. has been higher during the pandemic than the expected number of deaths based on previous years’ data. From early February 2020 through December 18, 2021, it was estimated that at least 748,000 more deaths occurred from COVID-19 and other causes than would normally be expected.²³

As case numbers and hospitalizations have risen again, the federal government has put more resources into increasing the availability of COVID-19 tests. Since our last comprehensive report issued in October 2021, HHS, in partnership with the Department of Defense, has invested more than half a billion dollars from the American Rescue Plan Act of 2021 (ARPA) to boost manufacturing of key products needed to increase the domestic COVID-19 testing supply and make tests more widely available. These investments include the National Institutes of Health’s investment of \$70 million to help bring more high-quality, at-home tests onto the U.S. market, in coordination with FDA.²⁴ In October 2021, the White House announced a plan to purchase \$1

²³This number represents the number of deaths from all causes reported in the U.S. in a given week from February 2020 through December 18, 2021, that exceeded the upper-bound threshold of expected deaths calculated by CDC’s National Center for Health Statistics on the basis of variation in mortality in prior years. Since our October report, the National Center for Health Statistics has updated the methodology used to estimate the number of excess deaths, using 6 years instead of 4 years of prior data on which to base these estimates. As in prior reports, GAO continues to report excess deaths based on the more conservative upper bound estimate of expected deaths. For further details of CDC’s methodology, see CDC, National Center for Health Statistics, “Excess Deaths Associated with COVID-19,” accessed January 10, 2022, https://www.cdc.gov/nchs/nvss/vsrr/covid19/excess_deaths.htm.

²⁴On December 29, 2021, FDA authorized the 13th over-the-counter COVID-19 test.

billion worth of rapid, at-home COVID-19 tests to address ongoing shortages and accelerate test production by the end of 2021. In December 2021 and January 2022, the White House announced plans to purchase and distribute 1 billion at-home, rapid tests for free to Americans as part of a larger effort to respond to the Omicron variant, with initial delivery starting in January 2022.²⁵ Increasing testing is a positive step, though, as we have previously reported, improved test result reporting is needed, especially for rapid tests, for effective surveillance.²⁶

We previously reported on the inadequacy of federal efforts to ensure sufficient testing supplies and sound testing strategies dating back to September 2020, when we identified challenges with testing supply availability and recommended that HHS develop plans outlining specific actions the federal government could take to help mitigate remaining shortages of testing and other medical supplies for the remainder of the pandemic. In January 2021, we also recommended that HHS develop and make publicly available a comprehensive national COVID-19 testing strategy. HHS disagreed with the first recommendation, noting the work that had been done to manage the medical supply chain and increase supply availability. We maintain that taking the recommended actions could, among other things, help entities better plan for ongoing and future supply needs. Although HHS agreed with the second recommendation, it expressed concern about the potential burden of developing an efficient testing strategy. In May 2021, HHS told us that such a document was forthcoming and would speak to both the country's short-term COVID-19 needs and the long-term needs associated with the country's broader biopreparedness. However, to date, HHS has not provided this document. We maintain that developing an effective national testing strategy—and making it publicly available—remains warranted, especially given that, of the \$58 billion HHS reported that it allocated for testing-related activities—such as procuring and distributing testing supplies, expanding community-based testing programs, and providing testing in high-risk and underserved populations—HHS had only spent about \$16 billion, as of November 30, 2021 (the most recent date for which data was available), and \$23 billion remains unobligated.

In addition to increasing testing to provide valuable information for individual and government decision-making, providing the public with safe and effective vaccines to protect people from becoming critically ill with COVID-19 is crucial to mitigating the public health and economic impacts of the virus and ending the pandemic. As of January 3, 2022, over 511 million doses of COVID-19 vaccine had been administered in the U.S., according to CDC.

As of January 7, 2022, three COVID-19 vaccines—manufactured by Pfizer, Janssen, and Moderna—were available in the U.S. The Pfizer vaccine is licensed by FDA for individuals aged 16 and older and is also available for individuals aged 5 through 15 years under an emergency use authorization.²⁷ The Janssen and Moderna vaccines are authorized for individuals aged 18

²⁵In addition to plans to increase access to free testing, the White House also outlined its plans to support vaccinations and increase hospital capacity, such as by sending military medical professionals to hospitals throughout the U.S.

²⁶In our October 2021 recurring report, we reported that if rapid antigen testing continues to expand, especially with the increasing availability of over-the-counter tests, the ongoing limited reporting of antigen test results could reduce the ability of public health officials to more comprehensively monitor and effectively respond to the COVID-19 pandemic. These issues highlight the importance of HHS and CDC efforts aimed at improving reporting and surveillance.

²⁷Pfizer's two-dose COVID-19 vaccine was first authorized for emergency use for individuals aged 16 and older on December 11, 2020. FDA has amended the emergency use authorization multiple times, including to authorize use for individuals aged 12 through 15 on May 10, 2021, and to authorize a lower dose for individuals aged 5 through 11 on October 29, 2021. Pfizer's COVID-19 vaccine was developed in collaboration with BioNTech.

and older.²⁸ FDA has also authorized booster doses for all three available COVID-19 vaccines. Specifically, as of January 3, 2022, FDA had authorized a booster dose of the Pfizer vaccine for individuals aged 12 and older and booster doses of the Janssen and Moderna vaccines for individuals aged 18 and older.²⁹ See table 1 for U.S. COVID-19 vaccinations by age group. Additionally, FDA authorized two new COVID-19 antiviral drugs in December 2021.³⁰

²⁸Moderna's two-dose COVID-19 vaccine was authorized for emergency use on December 18, 2020, and Janssen's one-dose COVID-19 vaccine was authorized on February 27, 2021. Both vaccines were authorized for individuals aged 18 and older. Janssen Pharmaceutical Companies are a part of Johnson & Johnson.

²⁹As of January 7, 2022, the Pfizer and Moderna booster doses were authorized to be administered at least 5 months after completion of the two-dose primary regimen, and the Janssen booster dose was authorized to be administered at least 2 months after administration of the one-dose regimen. FDA also authorized a "mix and match" booster approach for eligible individuals following completion of primary vaccination with a different available COVID-19 vaccine. For additional information on vaccine distribution, see GAO, *COVID-19: HHS Agencies' Planned Reviews of Vaccine Distribution and Communication Efforts Should Include Stakeholder Perspectives*, [GAO-22-104457](#) (Washington, D.C.: Nov. 4, 2021).

³⁰On December 22 and 23, 2021, FDA authorized two antiviral drugs for use in individuals aged 18 and older that meet certain health criteria: molnupiravir, developed by Merck and Ridgeback Biotherapeutics, and Paxlovid, developed by Pfizer, which can reduce the risk of hospitalization and death in high-risk adults with COVID-19.

Table 1: Reported COVID-19 Vaccinations by Age Group in the U.S., as of Jan. 3, 2022

	Percentage of population	Percentage of fully vaccinated population
	Fully vaccinated ^a	Booster dose ^b
5 years of age and older	66.1	Not applicable
12 years of age and older	71.2	Not available ^c
18 years of age and older	72.9	37.2
65 years of age and older	87.7	58.8
Total	62.1	34.3^c

Source: Centers for Disease Control and Prevention (CDC). | [GAO-22-105291](#)

Note: See CDC, “COVID Data Tracker: COVID-19 Vaccinations in the United States,” accessed January 10, 2022, https://covid.cdc.gov/covid-data-tracker/#vaccinations_vacc-total-admin-rate-total.

^aAs of January 8, 2022, CDC counts individuals as being fully vaccinated if they received two doses on different days (regardless of time interval) of the two-dose vaccines or received one dose of the single-dose vaccine. FDA authorized Pfizer’s two-dose COVID-19 vaccine for emergency use for individuals aged 16 and older on December 11, 2020. FDA amended the emergency use authorization to authorize use for individuals aged 12 to 15 on May 10, 2021, and to authorize a lower dose for individuals aged 5 to 11 on October 29, 2021.

^bThe count of people who received a booster dose includes anyone who is fully vaccinated and has received a third dose of the two-dose COVID-19 vaccine or a second dose of the one-dose vaccine since August 13, 2021.

^cOn December 9, 2021 and January 3, 2022, FDA amended the Pfizer emergency use authorization to allow booster doses for individuals 16 and 17 years of age, and for individuals aged 12 to 15, respectively. CDC recommended Pfizer booster doses for those aged 12 to 15 on January 5, 2022; data on the percentage of the population under 18 years of age who received a booster dose is therefore not available as this population was not eligible as of January 3, 2022.

The federal government has also issued requirements for vaccinating certain populations against COVID-19. For example, on September 9, 2021, the White House issued executive orders requiring COVID-19 vaccination for all federal government executive branch employees and federal contractors.³¹ On November 5, 2021, the Department of Labor’s Occupational Safety and Health Administration published an emergency temporary standard that requires employers with 100 or more employees to develop, implement, and enforce a mandatory COVID-19 vaccination policy, with an exception for employers that instead create a system requiring covered employees who are not fully vaccinated to provide proof of regular testing for COVID-19 and, in certain

³¹ *Requiring Coronavirus Disease 2019 Vaccination for Federal Employees*, Exec. Order No. 14043, 86 Fed. Reg. 50,989 (Sept. 14, 2021). Federal guidance implementing the order required federal executive branch employees to be fully vaccinated against COVID-19 by November 22, 2021, with some exceptions. The executive order applicable to federal contractors calls for covered contracts to include a clause that requires compliance with all guidance for contractor or subcontractor workplace locations published by the Safer Federal Workforce Task Force for which the Director of the Office of Management and Budget has determined that adherence “will promote economy and efficiency in Federal contracting.” *Ensuring Adequate COVID Safety Protocols for Federal Contractors*, Exec. Order No. 14,042, 86 Fed. Reg. 50,985 (Sept. 14, 2021). A federal district court issued a nationwide injunction to prohibit enforcement of “the vaccine mandate for federal contractors and subcontractors in all covered contracts.” *Georgia v. Biden*, No. 1:21-cv-163, 2021 WL 5779939, at *12 (S.D. Ga. Dec. 7, 2021).

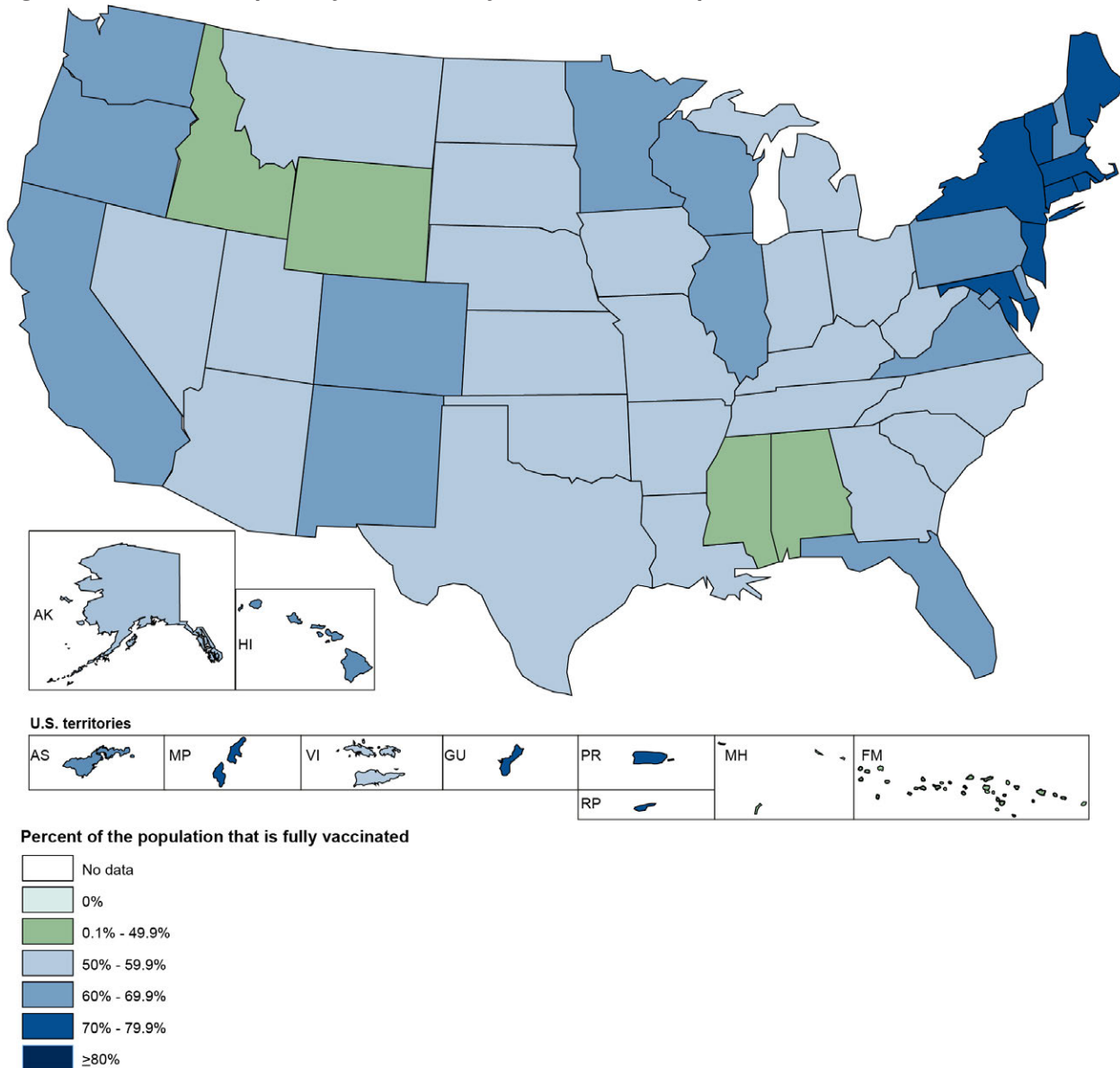
circumstances, wear a face covering.³² Since the emergency temporary standard was issued, it has faced a number of legal challenges, including, most recently, a stay issued by the U.S. Supreme Court.³³ State and local governments and individual businesses have independently implemented employee vaccine requirements. For example, certain school districts and airlines have required employee vaccination against COVID-19 as a condition of continued employment.

Although the percentage of the population vaccinated against COVID-19 has steadily increased, COVID-19 vaccination rates across the U.S. have varied. See figure 5 for the percentage of the population that is fully vaccinated by jurisdiction, according to CDC data.

³²COVID-19 Vaccination and Testing; Emergency Temporary Standard, 86 Fed. Reg. 61,402 (Nov. 5, 2021). The Secretary of Labor shall issue an “emergency temporary standard” without going through the normal rulemaking process if the Secretary determines that “employees are exposed to grave danger from exposure to substances or agents determined to be toxic or physically harmful or from new hazards,” and that such a standard “is necessary to protect employees from such danger.” 29 U.S.C. § 655(c)(1).

³³On January 13, 2022, agreeing that challenges to the emergency temporary standard were likely to prevail, the U.S. Supreme Court stayed the emergency temporary standard until final disposition is reached on the petitions for review of the emergency temporary standard that were consolidated in the 6th Circuit Court of Appeals. *Nat'l Fed'n of Indep. Bus. v. Dep't of Lab., Occupational Safety & Health Admin.*, No. 21A244, 2022 WL 120952, at *1, *5 (U.S. Jan. 13, 2022).

Figure 5: Percent of People Fully Vaccinated by Jurisdiction, as Reported to the CDC, as of Jan. 3, 2022



Source: Centers for Disease Control and Prevention (CDC). | GAO-22-105291

Note: Data are for the number of fully vaccinated residents of a jurisdiction as a percent of the total population of the jurisdiction. CDC determines the number of people who are fully vaccinated based on vaccine dose information (e.g., dose number, dose manufacturer) that state, territorial, tribal, and local public health agencies and federal entities report to CDC. People are “fully vaccinated” if they received two doses on different days (regardless of time interval) of the two-dose vaccine or received one dose of a single-dose vaccine, according to CDC as of January 8, 2022. When the vaccine manufacturer is not reported, the recipient is considered fully vaccinated with two doses. See CDC, “COVID Data Tracker: COVID-19 Vaccinations in the United States,” accessed January 10, 2022, https://covid.cdc.gov/covid-data-tracker/#vaccinations_vacc-people-fully-percent-total.

HHS is the federal agency responsible for leading and coordinating all matters related to federal preparedness for, and response to, medical and public health emergencies. HHS and its component agencies, such as CDC, have coordinated with federal, state, local, tribal, and territorial governments, as well as public and private partners, to deliver services to the American people to

aid in response and recovery. These COVID-19-related services include developing diagnostic tests; collecting and reporting of testing and other COVID-19 indicator data; developing, manufacturing, and distributing vaccines and therapeutics to prevent and treat COVID-19; and overseeing the deployment of the Strategic National Stockpile, among others.

However, HHS's overall response to the COVID-19 pandemic has underscored longstanding concerns we have raised about its ability to execute its role leading federal public health and medical preparedness for, and response to, a range of public health emergencies, including extreme weather events, infectious disease outbreaks, pandemics, and intentional acts.³⁴ Throughout the COVID-19 pandemic, the Federal Emergency Management Agency—within the Department of Homeland Security—has provided significant support to HHS, including addressing medical supply shortages and assisting in vaccine distribution efforts.³⁵

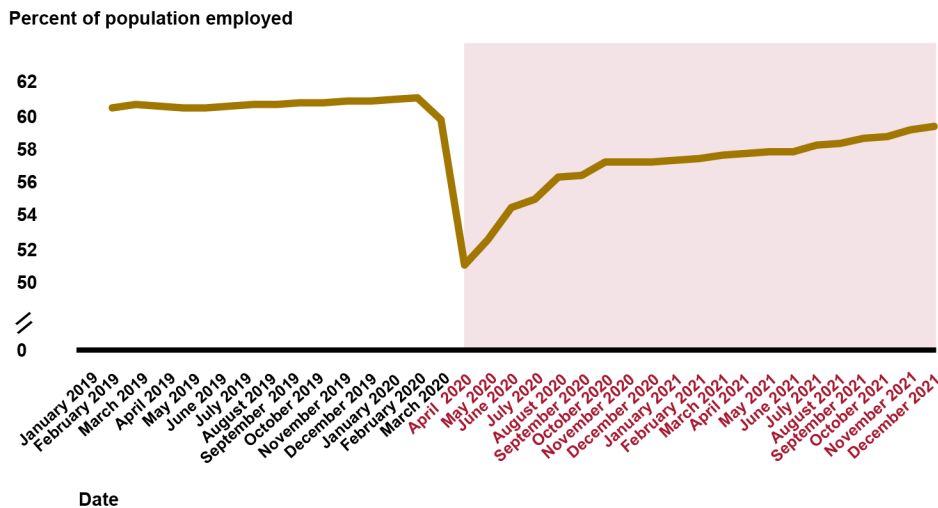
In addition to its devastating effects on public health, the pandemic presents lingering economic challenges. For example, indicators of inflation have generally increased in recent months, suggesting that inflation could be somewhat higher, and for somewhat longer, than previously expected. However, certain areas of the economy saw some improvement in recent months based on data available in January 2022. For example, the labor market has shown signs of improvement in recent months. Weekly initial claims for regular unemployment insurance benefits were generally similar to prepandemic levels in November and December 2021. Moreover, in December 2021 the employment-to-population ratio, which measures the share of the population employed, was 59.5 percent—an increase from the previous month. However, this ratio was 1.7 percentage points lower than in the prepandemic period, indicating that labor market conditions remain worse than in the prepandemic period (see fig. 6).³⁶ See the [Economic Indicators enclosure](#) in appendix I for more information.

³⁴In March 2021, we identified HHS's leadership and coordination of public health emergencies as an emerging issue meriting close attention. *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas*, [GAO-21-119SP](#) (Washington, D.C.: Mar. 2, 2021).

³⁵While HHS is the lead agency for the public health and medical response, the Federal Emergency Management Agency leads the overall federal response during emergencies and disasters. The Federal Emergency Management Agency began assisting with vaccine distribution efforts in February 2021, in line with the White House's COVID-19 response strategy.

³⁶The employment-to-population ratio represents the number of employed people as a percentage of the civilian noninstitutional population 16 years and older. The ratio is subject to misclassification errors with respect to consistently identifying workers as employed and absent from work or unemployed on temporary layoff.

Figure 6: Employment-to-Population Ratio, January 2019–December 2021



Source: GAO, Department of Labor. | GAO-22-105291

Although the effects on labor have been present since the start of the pandemic, the U.S. has faced more recent challenges to the economy, such as disruptions in global supply chains as demand for goods has increased rapidly during the economic recovery, which has contributed to higher inflation. The extent to which higher inflation will persist for a longer period of time will depend on many factors, which remain uncertain, such as how quickly capacity increases help alleviate global supply chain issues or whether changes in the severity of the pandemic influence consumer demand across the economy.

The federal government’s response to these evolving economic challenges continue. In addition to the supply chain plans released by the White House and HHS, the administration announced on October 13, 2021, that business, port, and union leaders committed to moving towards 24 hours a day, 7 days a week operations at the California Ports of Los Angeles and Long Beach—the points of entry for 40 percent of containers with goods coming into the U.S.—to help reduce existing bottlenecks.³⁷ More recently, the Infrastructure Investment and Jobs Act—enacted November 2021—includes funding to improve infrastructure at coastal ports, inland ports and waterways, and land ports of entry.³⁸

Federal COVID-19 Funding and Spending

As of November 30, 2021, about \$4.6 trillion in relief funds had been provided to fund response and recovery efforts for—as well as to mitigate the public health, economic, and homeland

³⁷The Port of Long Beach expanded operations in mid-September 2021. Containers at these ports contain such consumer goods as toys, appliances, bicycles, and furniture. *Biden Administration Efforts to Address Bottlenecks at Ports of Los Angeles and Long Beach, Moving Goods from Ship to Shelf*, Fact Sheet (Oct. 13, 2021), <https://www.whitehouse.gov/briefing-room/statements-releases/2021/10/13/fact-sheet-biden-administration-efforts-to-address-bottlenecks-at-ports-of-los-angeles-and-long-beach-moving-goods-from-ship-to-shelf/>.

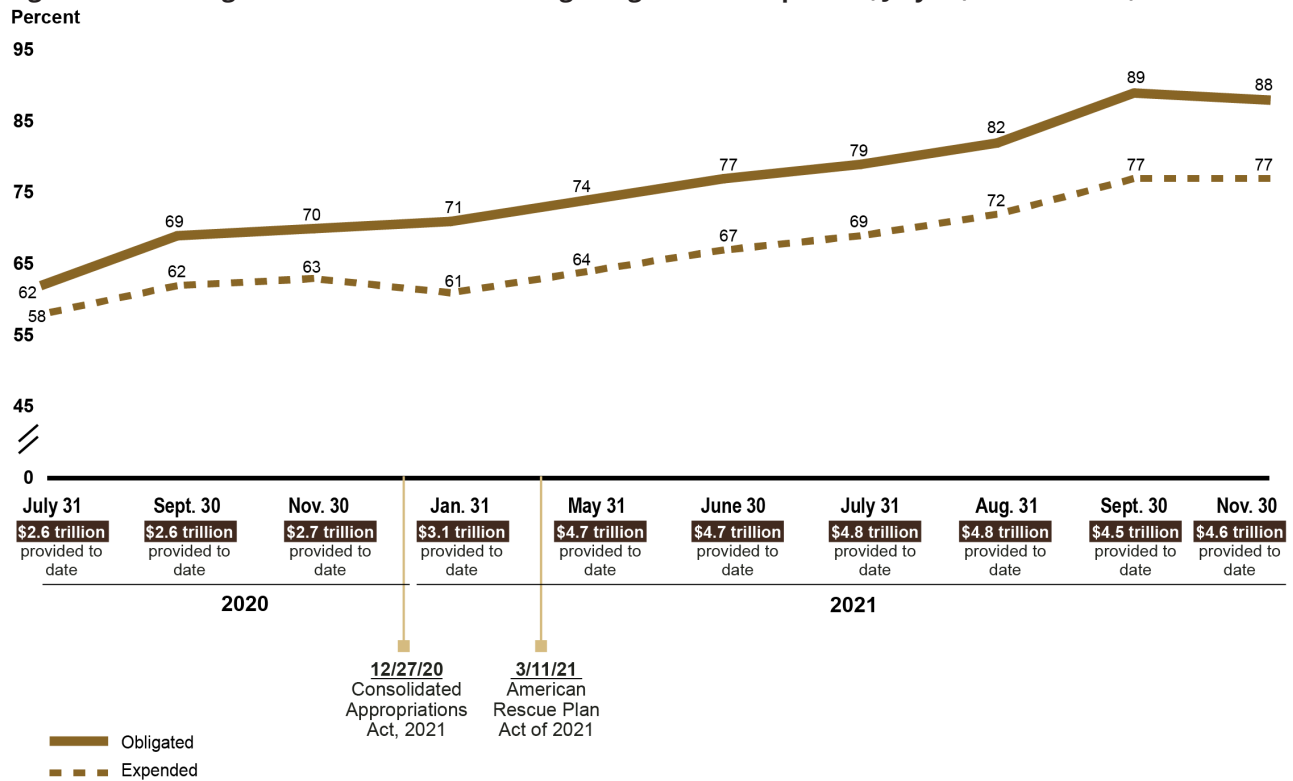
³⁸Pub. L. No. 117-58, 135 Stat. 429 (2021).

security effects of—the COVID-19 pandemic from the six COVID-19 relief laws.³⁹ As of November 30, 2021, the most recent date for which government-wide information was available at the time of our analysis, the federal government had obligated a total of \$4.0 trillion and expended \$3.5 trillion of those funds, as reported by federal agencies to the Department of the Treasury’s Governmentwide Treasury Account Symbol Adjusted Trial Balance System.⁴⁰ Obligations and expenditures relative to the amounts provided through COVID-19 relief laws have varied over time, as new relief laws have provided additional relief funds and as the federal government has obligated and expended those funds (see fig. 7).

³⁹In our October 2021 report, we reported that, as of August 31, 2021, \$4.8 trillion in COVID-19 relief funds were provided by the six relief laws based on appropriation warrant information provided by Treasury. The total amount we are reporting as of November 30, 2021 decreased from the amount we reported as of August 31, 2021 mostly due to the return of unused indefinite appropriations to the Treasury at the end of fiscal year 2021 by the Internal Revenue Service and the Department of Labor. To account for this and other actions affecting funding amounts for each activity, we used total budgetary resources reported to Treasury’s Governmentwide Treasury Account Symbol Adjusted Trial Balance System for this report. Total budgetary resources, as opposed to the previously reported appropriation warrant information provided by Treasury, reflect appropriations, as well as transfers, adjustments, recoveries, rescissions, and returns of unused indefinite appropriations at the end of fiscal year 2021.

⁴⁰An obligation is a definite commitment that creates a legal liability of the U.S. government for the payment of goods and services ordered or received, or a legal duty on the part of the U.S. government that could mature into a legal liability by virtue of actions on the part of another party that are beyond the control of the U.S. government. An expenditure is the actual spending of money, or an outlay. Expenditures include some estimates, such as estimated subsidy costs for direct loans and loan guarantees. Increased spending in Medicaid and Medicare is not accounted for in the funding provided by the COVID-19 relief laws. Federal agencies use the Governmentwide Treasury Account Symbol Adjusted Trial Balance System to report proprietary financial reporting and budgetary execution information to Treasury.

Figure 7: Percentage of COVID-19 Relief Funding Obligated and Expended, July 31, 2020–Nov. 30, 2021



Source: GAO analysis of data from the Department of the Treasury. | GAO-22-105291

Notes: Funding and spending amounts shown are based on trial balance information reported to the Department of the Treasury’s Governmentwide Treasury Account Symbol Adjusted Trial Balance System. The percentages shown represent the portions of funds available as of each date shown that had been obligated and expended. Data as of October 31, 2021 was not available because agencies are not required to report October trial balance information. Funding has generally increased over time and could increase in the future for programs with indefinite appropriations (i.e., appropriations that, at the time of enactment, are for an unspecified amount). In our prior reports, we reported appropriations based on appropriation warrant information provided by Treasury. The total amount we are reporting as of November 30, 2021 decreased from the amount we reported as of August 31, 2021 mostly due to the return of unused indefinite appropriations to the Treasury at the end of fiscal year 2021 by the Internal Revenue Service and the Department of Labor. To account for this and other actions affecting funding amounts for each activity, we used total budgetary resources reported to Treasury’s Governmentwide Treasury Account Symbol Adjusted Trial Balance System for this report. Total budgetary resources, as opposed to the previously reported appropriation warrant information provided by Treasury, reflect appropriations, as well as transfers, adjustments, recoveries, rescissions, and returns of unused indefinite appropriations at the end of fiscal year 2021.

An obligation is a definite commitment that creates a legal liability of the U.S. government for the payment of goods and services ordered or received, or a legal duty on the part of the U.S. government that could mature into a legal liability by virtue of actions on the part of another party that are beyond the control of the U.S. government. An expenditure is the actual spending of money, or an outlay. Expenditures reflected in the percentages shown include some estimates, such as estimated subsidy costs for direct loans and loan guarantees. Increased spending in Medicaid and Medicare is not accounted for in the funding provided by the COVID-19 relief laws. Under Office of Management and Budget guidance, federal agencies were not directed to report COVID-19 related obligations and expenditures until July 2020.

The nine major spending areas shown in table 2 represent \$3.7 trillion, or 82 percent, of the total amounts provided. For these nine spending areas, agencies reported obligations totaling \$3.4 trillion and expenditures totaling \$3.1 trillion as of November 30, 2021. Table 2 provides additional details on budgetary resources, obligations, and expenditures of government-wide COVID-19 relief funds, including the nine major spending areas as of November 30, 2021.

Table 2: COVID-19 Relief Funding and Spending as of Nov. 30, 2021

Major spending area	Total budgetary resources (\$ in billions)	Total obligations (\$ in billions)	Total expenditures (\$ in billions)
Economic Impact Payments (Department of the Treasury)	871.5	848.5	848.5
Business Loan Programs (Small Business Administration)	838.0	828.3	827.6 ^a
Unemployment Insurance (Department of Labor)	724.1	677.0	670.9
Coronavirus State and Local Fiscal Recovery Funds (Department of the Treasury)	350.0	245.2	245.2
Public Health and Social Services Emergency Fund (Department of Health and Human Services)	345.7	273.0	194.5
Education Stabilization Fund (Department of Education)	278.1	272.4	73.4
Coronavirus Relief Fund (Department of the Treasury)	150.0	150.0	149.9
Disaster Relief Fund (Department of Homeland Security) ^b	97.0	72.1	19.8
Supplemental Nutrition Assistance Programs (Department of Agriculture)	91.8	75.8	74.4
Other areas ^c	825.5	584.5	437.3
Total^d	4,571.7	4,026.8	3,541.5

Source: GAO analysis of data from the Department of the Treasury and applicable agencies. | [GAO-22-105291](#)

Note: Total budgetary resources, obligations, and expenditure data shown for the major spending areas are based on data reported by applicable agencies to Treasury’s Governmentwide Treasury Account Symbol Adjusted Trial Balance System. Each spending area may include multiple programs. Total budgetary resources reflect the amount of funding made available for the COVID-19 response under the American Rescue Plan Act of 2021 (ARPA), Pub. L. No. 117-2, 135 Stat. 4; Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, 134 Stat. 1182 (2020); Paycheck Protection Program and Health Care Enhancement Act, Pub. L. No. 116-139, 134 Stat. 620 (2020); CARES Act, Pub. L. No. 116-136, 134 Stat. 281 (2020); Families First Coronavirus Response Act, Pub. L. No. 116-127, 134 Stat. 178 (2020); and Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, Pub. L. No. 116-123, 134 Stat. 146. In our October 2021 report, we reported that, as of August 31, 2021, \$4.8 trillion in COVID-19 relief funds were provided by the six relief laws based on appropriation warrant information provided by Treasury. The total amount we are reporting as of November 30, 2021 decreased from the amount we reported as of August 31, 2021 mostly due to the return of unused indefinite appropriations to the Treasury at the end of fiscal year 2021 by the Internal Revenue Service and the Department of Labor. To account for this and other actions affecting funding amounts for each activity, we used total budgetary resources reported to Treasury’s Governmentwide Treasury Account Symbol Adjusted Trial Balance System for this report. Total budgetary resources, as opposed to the previously reported appropriation warrant information provided by Treasury, reflect appropriations, as well as transfers, adjustments, recoveries, rescissions, and returns of unused indefinite appropriations at the end of fiscal year 2021.

An obligation is a definite commitment that creates a legal liability of the U.S. government for the payment of goods and services ordered or received, or a legal duty on the part of the U.S. government that could mature into a legal liability by virtue of actions on the part of another party that are beyond the control of the U.S. government. An expenditure is the actual spending of money, or an outlay. Expenditures shown include some estimates, such as estimated subsidy costs for direct loans and loan guarantees.

^aThe Small Business Administration's Business Loan Program account includes activity for the Paycheck Protection Program loan guarantees and certain other loan subsidies. These expenditures relate mostly to the loan subsidy costs (i.e., the loan's estimated long-term costs to the U.S. government).

^bFunding provided to the Disaster Relief Fund is generally not specific to individual disasters. Therefore, Treasury's methodology for determining COVID-19-related obligations and expenditures does not capture obligations and expenditures for the COVID-19 response based on funding other than what was provided in the COVID-19 relief laws. Further, Treasury's methodology includes all obligations and expenditures based on funding in the COVID-19 relief laws, including those for other disasters. In its Disaster Relief Fund Monthly Report dated December 7, 2021, the Department of Homeland Security reported COVID-19-related obligations totaling \$84.0 billion and expenditures totaling \$65.9 billion as of November 30, 2021.

^cSeveral provisions in the Families First Coronavirus Response Act and ARPA authorized increases in Medicaid payments to states and U.S. territories. The Congressional Budget Office estimated that federal expenditures from these provisions would be approximately \$76.9 billion through fiscal year 2030. The largest increase to federal Medicaid spending is based on a temporary formula change rather than a specific appropriated amount. Some of the estimated costs in this total are for the Children's Health Insurance Program, permanent changes to Medicaid, and changes not specifically related to COVID-19. This increased spending is not accounted for in the funding provided by the COVID-19 relief laws and therefore not included in this table.

^dBecause of rounding, amounts shown in columns may not sum to the totals.

The COVID-19 relief laws provided more than \$1 trillion to federal agencies to provide assistance related to the COVID-19 pandemic to states, the District of Columbia, localities, U.S. territories, and tribes through existing and newly created programs and funds.⁴¹ Table 3 lists programs and funds that each received \$10 billion or more—exclusively or primarily for states, the District of Columbia, localities, U.S. territories, and tribes—in at least one of the six laws. It also provides obligations and expenditures for these programs and funds as of November 30, 2021.

⁴¹This total is based on (1) an analysis of the appropriated amounts in ARPA, Divisions M and N of the Consolidated Appropriations Act, 2021, the Paycheck Protection Program and Health Care Enhancement Act, the CARES Act, the Families First Coronavirus Response Act, and the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 that are available to agencies for assistance to states, the District of Columbia, localities, U.S. territories, and tribes; and (2) the Congressional Budget Office's estimated outlays for Medicaid resulting from authorized increases in payments to states and U.S. territories under those laws.

Table 3: COVID-19 Relief Funding for Federal Programs and Funds Receiving \$10 Billion or More in Aid for States, the District of Columbia, Localities, U.S. Territories, and Tribes, as of Nov. 30, 2021

Program fund/description	Appropriations (\$ in billions)	Obligations (\$ in billions)	Expenditures (\$ in billions)
<p>Coronavirus State and Local Fiscal Recovery Funds Administered by the Department of the Treasury, these funds provide payments to states, the District of Columbia (D.C.), U.S. territories, tribal governments, and localities to mitigate the fiscal effects stemming from the COVID-19 pandemic, among other things.</p>	350	245.2	245.2
<p>Elementary and Secondary School Emergency Relief Fund Administered by the Department of Education, this fund generally provides formula grants to states (including D.C. and Puerto Rico) for education-related needs to address the impact of the COVID-19 pandemic.</p>	190.3	186	26
<p>Coronavirus Relief Fund Administered by Treasury, this fund provides payments to states, D.C., localities, U.S. territories, and tribal governments to help offset costs of their response to the COVID-19 pandemic.</p>	150	150	149.9
<p>Disaster Relief Fund Administered by the Federal Emergency Management Agency, this fund provides federal disaster recovery assistance for state, local, tribal, and territorial governments when a major disaster occurs.</p>	95 ^a	34 ^b	22 ^b
<p>Medicaid Administered by states and U.S. territories according to plans approved by the Centers for Medicare & Medicaid Services, which oversees Medicaid at the federal level. This program finances health care for certain low-income and medically needy individuals through federal matching of states' and U.S. territories' health care expenditures. The Families First Coronavirus Response Act and American Rescue Plan Act of 2021 temporarily increased federal Medicaid matching rates under specified circumstances, among other changes.</p>	76.9 ^c	60.4 ^d	60.4 ^d
<p>Transit grants Administered by the Federal Transit Administration, these funds are distributed through existing grant programs to provide assistance to states, localities, U.S. territories, and tribes to prevent, prepare for, and respond to the COVID-19 pandemic.</p>	69.5	40	27.3

Program fund/description	Appropriations (\$ in billions)	Obligations (\$ in billions)	Expenditures (\$ in billions)
Child Care and Development Fund Administered by the Department of Health and Human Services (HHS), this program provides funds to states, D.C., territories, and tribes to subsidize the cost of child care for low-income families. COVID-19 relief funds have supported assistance to health care and other essential workers without regard to income eligibility requirements. Additional child care stabilization funding was provided for subgrants to eligible child care providers to support the stability of the child care sector during and after the COVID-19 pandemic. ^e	52.5	52.4	10.3
Emergency Rental Assistance Administered by Treasury, these programs provide grants to states, D.C., U.S. territories, localities, and tribes to provide assistance to eligible households for rent and utility payments.	46.6	37.7	37.7 ^f
Public Health and Social Services Emergency Fund Administered by HHS, this fund provides for grants to states, U.S. territories, localities, and tribal governments to support COVID-19 testing, surveillance, and contact tracing, among other uses.	33.4	32.8	9.3
Airport grants Administered by the Federal Aviation Administration, these grants provide funds for eligible airports to prevent, prepare for, and respond to the effects of the COVID-19 pandemic. ^g	20	17.3 ^h	9 ^h
Highway infrastructure programs Administered by the Federal Highway Administration, these programs provide funds to states, D.C., U.S. territories, and tribes for highway construction and authorize the use of these funds for maintenance, personnel, and other purposes to prevent, prepare for, and respond to the COVID-19 pandemic.	10	4.5 ^h	2.1 ^h
Coronavirus Capital Projects Fund Administered by Treasury, this fund provides payments to states, D.C., U.S. territories, and tribal governments for critical capital projects that directly enable work, education, and health monitoring, in response to the COVID-19 pandemic. ⁱ	10	0	0
State Small Business Credit Initiative	10	0	0

Program fund/description	Appropriations (\$ in billions)	Obligations (\$ in billions)	Expenditures (\$ in billions)
Administered by Treasury, this program provides funds to states, D.C., U.S. territories, tribal governments, and eligible localities to fund small business credit support and investment programs. ^j			

Source: GAO analysis of federal laws, data from the Congressional Budget Office, and obligations and expenditures data from the Department of the Treasury and applicable agencies. | [GAO-22-105291](#)

Notes: The COVID-19 relief laws providing the appropriations shown are the American Rescue Plan Act of 2021 (ARPA), Pub. L. No. 117-2, 135 Stat. 4 (2021), the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, div. M and N, 134 Stat. 1182 (2020), the Paycheck Protection Program and Health Care Enhancement Act, Pub. L. No. 116-139, 134 Stat. 620 (2020), the CARES Act, Pub. L. No. 116-136, 134 Stat. 281 (2020), and the Families First Coronavirus Response Act, Pub. L. No. 116-127, 134 Stat. 178 (2020). The Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, Pub. L. No. 116-123, 134 Stat. 146, did not provide any specified amounts for these programs or funds for states, D.C., localities, territories, or tribes. The amounts shown are the cumulative amounts for each program or fund under the other five laws. Some appropriation amounts include an amount available for administration expenses or for the relevant inspectors general. Numbers are rounded to the nearest hundred million.

We did not independently verify obligations and expenditures amounts.

^aFunding provided to the Disaster Relief Fund is generally not specific to individual disasters and may be used for various disaster assistance programs, including the Public Assistance program, which provides assistance to state, local, territorial, and tribal governments.

^bThe obligations and expenditures listed in the table are for the Public Assistance program for the COVID-19 response.

^cSeveral provisions in the Families First Coronavirus Response Act and ARPA authorized increases in Medicaid payments to states and U.S. territories. The Congressional Budget Office estimated that federal expenditures from these provisions would be approximately \$76.9 billion through fiscal year 2030. The largest increase to federal Medicaid spending is based on a temporary funding formula change rather than a specific appropriated amount. Some of the estimated costs in this total are for the Children's Health Insurance Program, permanent changes to Medicaid, and changes not specifically related to the COVID-19 pandemic.

^dMedicaid obligations and expenditures are as of September 30, 2021. COVID-19 related obligation and expenditure amounts for Medicaid only reflect provisions in the Families First Coronavirus Response Act. Obligation and expenditure amounts for COVID-19 related Medicaid provisions in ARPA are not currently available from the Centers for Medicare & Medicaid Services.

^eThe Child Care and Development Fund is made up of two funding streams: mandatory and matching funding authorized under section 418 of the Social Security Act, and discretionary funding authorized under the Child Care and Development Block Grant Act of 1990, as amended. See 42 U.S.C. §§ 618 and 9858m.

^fExpenditures represent funding disbursed to grantees by Treasury for distribution to renters, landlords, and utility providers, as well as associated administrative costs and certain housing stability services.

^gFunds are available to eligible sponsors of airports. Nearly all of these airports are under city, state, county, or public-authority ownership.

^hObligations and expenditures for these funds are as of November 29, 2021.

ⁱTreasury issued implementing guidance in September 2021 that provides that the application deadline for requesting allocations of the Coronavirus Capital Projects Fund from Treasury was (1) December 27, 2021, for states, D.C., and U.S. territories; and is (2) June 1, 2022, for tribal governments.

^jStates, D.C., territories, and tribal governments were required to initiate applications for the State Small Business Credit Initiative program with Treasury by December 11, 2021. Eligible jurisdictions must submit completed applications by February 11, 2022.

Executive Summary

Overview

As we enter a new year, the COVID-19 pandemic continues to challenge the federal government's ability to respond to and recover from the ongoing public health and economic problems facing the nation. This report provides key updates on the federal government's pandemic response. We are making five new recommendations aimed at improving the integrity and effectiveness of the federal response. In addition, in this report, we are designating HHS's leadership and coordination of a range of public health emergencies as high risk, in order for it to receive sustained attention from the executive branch and Congress.⁴²

In our prior CARES Act reports and other targeted COVID-19-related reports, we have made a total of 246 recommendations to federal agencies, which have addressed or partially addressed 94 (38 percent).⁴³ As of December 31, 2021, agencies had addressed 40 of these recommendations, resulting in wide-ranging improvements such as the collection of data to assess the long-term outcomes of persons with COVID-19, by race and ethnicity, and improved communication with taxpayers. Agencies have also partially addressed an additional 54 recommendations. Fully addressing our previous recommendations as well as the new recommendations we are making in this report will enhance the quality, value, and accountability of the federal government's investments in the response to and recovery from the COVID-19 pandemic.

Emergency Rental Assistance

Treasury was appropriated a total of \$46.55 billion for Emergency Rental Assistance (ERA) programs to provide assistance, through grants to specified grantees, to eligible renter households that are unable to pay rent, utilities, or other expenses due, directly or indirectly, to the COVID-19 pandemic.⁴⁴ As of November 30, 2021, Treasury had disbursed \$37.68 billion of these ERA funds to grantees, such as states, local governments, and tribal governments, who had expended about \$17 billion in payments to landlords, renter households, and utility providers, including related administrative costs.⁴⁵

⁴²Since the early 1990s, our high-risk program has focused attention on government operations with greater vulnerabilities to fraud, waste, abuse, and mismanagement, or that are in need of transformation to address economy, efficiency, or effectiveness challenges. Every 2 years, we report on our High-Risk List. We issued our most recent high-risk report in March 2021, in which we listed HHS's leadership and coordination of public health emergencies as an emerging issue but did not designate it as a high-risk area at that time because we had ongoing work that had not yet been completed.

⁴³This number includes recommendations from our June 2020, September 2020, November 2020, January 2021, March 2021, July 2021, and October 2021 CARES Act reports as well as other targeted COVID-19-related reports in areas such as Department of State's repatriation of U.S. citizens during the pandemic and federal vaccine distribution and communication efforts. For a complete list of our COVID-related products, see <https://www.gao.gov/coronavirus>.

⁴⁴These appropriations to Treasury consisted of about \$25 billion in December 2020, provided under the Consolidated Appropriations Act, 2021, and about \$21.55 billion in additional funding in March 2021, provided under ARPA. Under the first appropriation, the other housing-related expenses, as defined by the Secretary of the Treasury, must have been incurred due, directly or indirectly, to the COVID-19 pandemic.

⁴⁵The additional ERA funding from ARPA did not include additional funds for Indian tribes or the Department of Hawaiian Home Lands. Treasury guidance provides that grantees, in disbursing assistance, may make payments directly

Treasury has not yet designed processes to identify and recover ERA overpayments made by grantees, such as post-payment reviews or recovery audits. According to officials, the department is designing processes to gather data about recipients and overcome challenges in data access and data gathering and plans to implement a recovery audit process. However, Treasury has not yet designed a post-payment review process to validate ERA eligibility claims and payments made by grantees. Post-payment reviews can verify, for example, that households were eligible to receive ERA funds and that grantees made ERA payments in the correct amount. In addition, under the Payment Integrity Information Act of 2019, programs and activities that expend \$1 million or more in a fiscal year are required to perform recovery audits—control processes designed to identify and recapture overpayments—if conducting such audits is cost-effective. Without a process for conducting effective post-payment reviews or recovery audits for the ERA programs, Treasury’s ability to consistently identify and recover overpayments made by grantees—including those resulting from potential fraud—may be delayed or impossible.

We are recommending that the Secretary of the Treasury design and implement processes, such as post-payment reviews or recovery audits, to help ensure timely identification and recovery of overpayments made by grantees to households, landlords, or utility providers in the ERA programs. Treasury agreed with this recommendation and stated that it is working to establish post-payment reviews and recovery audit activities, among other actions.

In addition, the Single Audit Act establishes requirements for audits of states, local governments, and other non-federal entities that receive funding from federal awards (e.g., grants) when their expenditure of such assistance meets a certain dollar threshold.⁴⁶ Single audits help federal agencies such as Treasury identify deficiencies in grantees’ compliance with applicable provisions of laws, regulations, contracts, or grant agreements and in grantees’ financial management and internal controls. Correcting such deficiencies can help ensure the appropriate use of federal funds and reduce the likelihood of federal improper payments.

The Office of Management and Budget (OMB) develops government-wide guidance on performing audits to comply with the act. OMB’s guidance includes issuing an annual Compliance Supplement that identifies the compliance requirements that could have a direct and material effect on major programs. Auditors who conduct single audits follow guidance in the annual Compliance Supplement and agency guidance specific to their programs. In its 2021 Compliance Supplement, OMB listed the ERA programs as “higher risk” programs; therefore, auditors are likely to consider them major programs that must be audited as part of the single audit process. However, the 2021 Compliance Supplement did not include guidance for auditing grantee compliance with ERA. Without this guidance, auditors may not consistently and effectively identify deficiencies in grantees’ compliance with the requirements of the ERA programs, limiting Treasury’s ability to identify and mitigate risks, including risks to payment integrity.

to utility providers. Grantees are required to make reasonable efforts to obtain the cooperation of landlords and utility providers to accept certain ERA payments before they can be made directly to renter households. For other ERA funds, grantees can make payments directly to renter households.

⁴⁶The Single Audit Act is codified, as amended, at 31 U.S.C. §§ 7501-06, and implementing OMB guidance is reprinted in 2 C.F.R. part 200. Non-federal entities (states, the District of Columbia, U.S. territories, Indian tribes, local governments, or nonprofit organizations) that expend \$750,000 or more in federal awards in their fiscal year are required to undergo a single audit, which is an audit of an entity’s financial statements and federal awards (or a program-specific audit, in limited circumstances), for the fiscal year. 31 U.S.C. § 7502; 2 C.F.R. § 200.501.

We are recommending that the Director of OMB, in consultation with the Secretary of the Treasury, issue guidance now or in the near future on the ERA programs in OMB's Compliance Supplement for single audits to help ensure that auditors consistently and timely identify deficiencies in grantees' compliance with programs' requirements. OMB neither agreed nor disagreed with this recommendation.

See the [Emergency Rental Assistance enclosure](#) in appendix I for more information.

Nutrition Assistance

The Food and Nutrition Service (FNS), within the Department of Agriculture, administers nutrition assistance programs, which help individuals and households maintain food security in times of heightened need. FNS does not have a comprehensive strategy for how its programs should respond to emergencies, which would be beneficial to its response to the current pandemic and for future emergencies. As part of this, FNS's pandemic plans are outdated, and its efforts to identify and incorporate lessons learned from the COVID-19 pandemic into its nutrition assistance programs are incomplete. Developing a comprehensive response strategy could better position FNS to help individuals and households maintain food security both in the current pandemic and during future emergencies, as well as help ensure FNS does not miss opportunities to coordinate with vendors across the country.

Further, FNS has not provided sufficient assistance to state and local agencies to ensure they collect reliable and comprehensive eligibility data for the Pandemic Electronic Benefits Transfer (Pandemic EBT) program, which provides benefits for purchasing food to households with children who would have received free or reduced-price school meals—if not for COVID-19-related school closures—as well as children in childcare. State agencies reported various challenges to obtaining these data, according to FNS officials. For example, our review found that state educational agencies' capabilities in compiling students' eligibility data for the Pandemic EBT plans varied, with some states relying on antiquated systems requiring manual tracking of thousands of participating students. Reliable and comprehensive data can help state Supplemental Nutrition Assistance Program agencies ensure they have issued Pandemic EBT benefits to all eligible students in the correct benefit amounts.

We are recommending that the Secretary of Agriculture ensure that the Administrator of FNS (1) develops a comprehensive strategy for the agency's nutrition assistance programs to respond to emergencies that includes lessons learned during the COVID-19 pandemic and a mechanism to periodically review and update the strategy, and (2) shares timely information with states and other stakeholders during development of the strategy to help inform their ongoing response to COVID-19.

We are also recommending that the Secretary of Agriculture ensure that the Administrator of FNS further assists state and local agencies in their efforts to obtain reliable and comprehensive eligibility data for the Pandemic EBT program in order to determine eligibility and benefits amounts accurately.

The Department of Agriculture agreed with both recommendations.

See the [Nutrition Assistance enclosure](#) in appendix I for more information.

Tax Relief for Businesses

To provide liquidity to businesses during the COVID-19 pandemic, the CARES Act and other COVID-19 relief laws included tax measures to help businesses by reducing certain tax obligations, which, in some cases, led to cash refunds.⁴⁷ These tax measures included expanded net operating loss carrybacks and the acceleration of alternative minimum tax (AMT) credit refunds.⁴⁸ According to officials from the Internal Revenue Service (IRS), the CARES Act changes contributed to the agency receiving 276 percent more filings for carryback refunds—which include applications for tentative refunds for net operating loss carrybacks and AMT credit refunds—in fiscal year 2021 than in fiscal year 2020.

IRS has been unable to process this backlog consistent with its statutory time frames for processing applications for tentative refunds, which businesses submit through IRS Forms 1045 and 1139. The Internal Revenue Code and the CARES Act generally require IRS to issue certain refunds within a 90-day period.⁴⁹ IRS data show that the agency started to miss the 90-day statutory requirement for refund applications in September 2020 and missed it throughout 2021. As of November 2021, the average time for IRS to process all carryback refunds was 165 days.

While IRS took some remedial actions, it did not have effective preventative control activities or mitigation plans in place to detect or address growing processing times for tentative refunds submitted on IRS Forms 1139 and 1045, such as an average processing time threshold to trigger activities to avoid missing refund deadlines. As such, IRS did not take actions to reduce the carryback backlog until April 2021—7 months after the agency began missing its statutory requirement.

Large-scale staffing changes resulting from pandemic-related IRS facility shutdowns prevented the timely processing of paper returns, including those used to file for tentative refunds. Officials emphasized that the agency had to deal with many competing priorities as it worked through the backlog, such as managing the 2021 tax filing season and adapting to new legislation.

⁴⁷Pub. L. No. 116-136, §§ 2301–2307, 134 Stat. at 347–359 (2020). The other COVID-19 relief laws include the Consolidated Appropriations Act, 2021, and ARPA. Pub. L. No. 116-260, 134 Stat. 1182 (2020); Pub. L. No. 117-2, 135 Stat. 4 (2021).

⁴⁸A net operating loss occurs when a taxpayer's allowable deductions exceed its gross income for a tax year. The CARES Act generally requires, unless waived, carrybacks for 5 years for net operating losses arising in tax years beginning in 2018, 2019, and 2020, which may provide a cash refund for certain taxpayers. Tax years prior to 2018 generally had a higher tax rate, so the ability of businesses to carryback post-2018 net operating losses to earlier tax years tends to increase the relative value of the carryback amounts. In general, the AMT was an alternative tax regime which applied a lower tax rate to a broader tax base by limiting the use of tax preferences and disallowing credits and deductions. The corporate AMT was repealed in 2017, but most corporations could claim their remaining unused minimum tax credits as a refundable credit for tax years 2018 through 2021. Under the CARES Act, corporations with AMT credits may claim a refund for tax years beginning in 2018 and 2019.

⁴⁹IRS is generally required to issue certain refunds within a period of 90 days from the date on which a complete application for a tentative carryback adjustment is filed, or 90 days from the last day of the month in which the return is due, whichever is later. 26 U.S.C. § 6411(b), (d)(2); Pub. L. No. 116-136, § 2305(d)(1), 134 Stat. at 357.

Until effective preventative control activities and mitigation plans are put in place, IRS remains at risk of continuing to exceed its 90-day statutory requirement to issue refunds for net operating loss carrybacks and AMT credit refunds. Failure to meet its processing deadline not only causes some taxpayers to face delays in receiving their refunds, but also increases the cost to the federal government in terms of interest paid on such refunds. According to IRS data for fiscal year 2021, these interest payments amounted to approximately \$61 million on all carrybacks, of which applications for tentative refund made up roughly 80 percent of all carryback payments with interest for the fiscal year.⁵⁰

We are recommending that the Commissioner of Internal Revenue establish mitigation plans—including indicators, such as a threshold to initiate mitigation activities—to timely address any future challenges to processing applications for tentative refunds on Forms 1045 and 1139 within the 90-day statutory requirement. IRS neither agreed nor disagreed with our recommendation, but said that it will take the recommendation into consideration as it continues to make improvements to taxpayer services.

See the [Tax Relief for Businesses enclosure](#) in appendix I for more information.

HHS COVID-19 Funding

HHS received approximately \$484 billion in COVID-19 relief appropriations from the six COVID-19 relief laws enacted as of November 30, 2021. These relief funds may be used for a range of purposes, such as assistance to health care or child care providers, testing, therapeutic or vaccine-related activities, or procurement of critical supplies. Of the \$484 billion appropriated, HHS reported that it had obligated about \$387 billion and expended about \$226 billion—about 80 percent and 47 percent, respectively.

We previously recommended that HHS provide projected time frames for its spending of the remainder of its COVID-19 relief funds in the spend plans HHS submits to Congress. HHS partially agreed with the recommendation, but stated that the department would not be able to provide specific time frames for all relief funds as it needed to remain flexible in responding to incoming requests. Providing projected time frames would not affect HHS's ability to be flexible in its spend plans, as these plans are not binding to the agency and can be revised. As of December 2021, HHS has not taken steps to implement this recommendation. We will continue to examine HHS's oversight of COVID-19 relief funds.

See the [HHS COVID-19 Funding enclosure](#) in appendix I for more information.

⁵⁰26 U.S.C. § 6611(e), (f). Interest is owed when the refund is not issued within 45 days of the later of the: loss year return due date, delinquent loss year return received date, loss year return processable date, date the application is received by the IRS, or date the application is received by the IRS in processable form. IRS considers applications unprocessable for a number of reasons, including an incorrect taxpayer name or missing documentation.

Designation of New High-Risk Area: HHS's Leadership and Coordination of Public Health Emergencies

For more than a decade, we have reported on HHS's execution of its lead role in preparing for, and responding to, a range of public health emergencies and have found persistent deficiencies in its ability to perform this role. These deficiencies have hindered the nation's response to the current COVID-19 pandemic and a variety of past threats, including other infectious diseases—such as the H1N1 influenza pandemic, Zika, and Ebola—and extreme weather events, such as hurricanes.

In this report, we are adding HHS's leadership and coordination of a range of public health emergencies to our High-Risk List to help ensure sustained executive branch and Congressional attention so that our nation is adequately prepared for future threats.⁵¹ Threats from extreme weather are predicted to increase, according to the U.S. Global Change Research Program. In 2020 alone, HHS responded to wildfires, hurricanes, and an earthquake, while also in the throes of the response to the COVID-19 pandemic, which itself has resulted in catastrophic loss of life and substantial damage to the national economy. As devastating as the COVID-19 pandemic has been, more frequent extreme weather events, new viruses, and bad actors who threaten to cause intentional harm loom, making the deficiencies we have identified particularly concerning. Not being sufficiently prepared for a public health emergency can also negatively affect the time and resources needed to achieve full recovery.

This new high-risk designation is based on our findings from a body of related work—including 115 recommendations issued since fiscal year 2007, when the Office of the Assistant Secretary for Preparedness and Response was created within HHS, and includes recommendations made in our recurring CARES Act reports and standalone COVID-19 reports.⁵² The Office of the Assistant Secretary for Preparedness and Response serves as the principal advisor to the Secretary of Health and Human Services on all matters related to federal public health and medical preparedness and response to a range of public health emergencies.

While HHS has taken some actions to address the 115 recommendations we have made in this area, 72 remain open. Throughout our work over the years, we have identified broad principles of an effective national response. Based on these principles, 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;

⁵¹We designate federal programs and operations as "high risk" due to their vulnerabilities to fraud, waste, abuse, and mismanagement, or because they need transformation. We consider qualitative factors, such as whether the risk involves public health or safety. For information on how we determine which federal government programs and functions should be designated high risk, see GAO, *Determining Performance and Accountability Challenges and High Risks*, [GAO-01-159SP](#) (Washington, D.C.: November 2000). For more information on programs and operations on our High-Risk List, see <https://www.gao.gov/high-risk-list>.

⁵²Of the 115 recommendations we have made to HHS since fiscal year 2007, 58 recommendations were made in our recurring CARES and standalone COVID-19 reports, and the remaining 57 were made in reports that were issued either prior to the pandemic or did not focus on the pandemic response.

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 and 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.

See [Appendix II](#) for more on this new high-risk designation.

Conclusions

The federal government's efforts to respond to and recover from the COVID-19 pandemic continue. The ongoing cycle of decreases and increases in the number of cases as a result of new variants and lingering economic effects illustrate the challenges to the nation's response and recovery efforts and the work that remains. We are pleased that agencies have addressed 40 and partially addressed 54 of our 246 recommendations as of December 31, 2021. Fully addressing our recommendations, including the new recommendations we are making in this report, can help improve the federal response and recovery efforts. Central to the federal government's response is HHS's leadership and coordination of a range of public health emergencies, which we are designating as high risk in this report, so that it receives sustained attention from the executive branch and Congress.

Closing

We are sending copies of this report to the appropriate congressional committees, the Office of Management and Budget, and other relevant agencies. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-5500 or dodarog@gao.gov. Questions can also be directed to Orice Williams Brown, Chief Operating Officer, at (202) 512-5600; Jessica Farb, Managing Director, Health Care, at (202) 512-7114 or farbj@gao.gov; or A. Nicole Clowers, Managing Director, Congressional Relations, at (202) 512-4400 or clowersa@gao.gov. Contact points for our Offices of Public Affairs may be found on the last page of this report.

A handwritten signature in black ink that reads "Gene L. Dodaro". The signature is written in a cursive, flowing style with a long horizontal stroke extending to the right from the end of the name.

Gene L. Dodaro
Comptroller General of the United States

Congressional Addressees

The Honorable Patrick Leahy
Chairman
The Honorable Richard Shelby
Vice Chairman
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 Patty Murray
Chair
The Honorable Richard Burr
Ranking Member
Committee on Health, Education, Labor, and Pensions
United States Senate

The Honorable Gary C. Peters
Chairman
The Honorable Rob Portman
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

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

The Honorable Frank Pallone, Jr.
Chairman
The Honorable Cathy McMorris Rodgers
Republican Leader
Committee on Energy and Commerce
House of Representatives

The Honorable Bennie G. Thompson
Chairman
The Honorable John Katko
Ranking Member
Committee on Homeland Security

House of Representatives

The Honorable Carolyn B. Maloney
Chairwoman

The Honorable James Comer
Ranking Member
Committee on Oversight and Reform
House of Representatives

The Honorable Richard Neal
Chairman

The Honorable Kevin Brady
Republican Leader
Committee on Ways and Means
House of Representatives

Appendixes and Enclosures

Appendix I: Enclosures

Economic Indicators

Based on data available in the beginning of January 2022, the national economy has continued to recover from the COVID-19 pandemic, while areas of the economy we are monitoring saw mixed performance in recent months. Indicators of inflation have generally increased in recent months, suggesting that inflation could be somewhat higher, and for somewhat longer, than previously expected. Indicators for labor markets, household finances, and small business credit conditions generally improved from September through December 2021, while indicator of state and local government employment weakened (see table).⁵³

⁵³In previous work, we identified a number of economic indicators to facilitate ongoing and consistent monitoring of areas of the economy supported by the federal pandemic response, including labor markets, household finances, and small business credit and financial conditions. To the extent that federal pandemic responses are effective, we would expect to see improvements in outcomes related to these indicators. However, while trends in these indicators may be suggestive of the effect of provisions of the COVID-19 relief laws over time, those trends will not on their own provide definitive evidence of effectiveness.

Indicators for Areas of the Economy Supported by the Federal COVID-19 Pandemic Response, Sept.–Dec. 2021, Cumulative Changes since Feb. 2020

Underlined, red text indicates a deterioration from the previous month, or since February 2020

Indicator	September 2021	October 2021	November 2021	December 2021	Cumulative change since February 2020
Employment-to-population ratio ^a	58.8	58.9	59.3	59.5	<u>-1.7</u>
Changes in leisure and hospitality employment ^b	+108,000	+211,000	+41,000	+53,000	<u>-1,222,000</u>
Changes in state and local government employment ^b	<u>-43,000</u>	<u>-62,000</u>	<u>-25,000</u>	<u>-10,000</u>	<u>-944,000</u>
Consumer Credit Default Composite Index rate (not seasonally adjusted) ^c	0.39	0.38	0.37	N/A	-0.65
Federal Housing Administration serious delinquency rate (not seasonally adjusted) ^d	8.26	7.80	7.30	N/A	<u>+4.20</u>
Small business credit card delinquency index (not seasonally adjusted) ^e	<u>37.40</u>	37.41	42.28	N/A	+4.92

N/A = not available

Source: GAO analysis of data from Department of Labor, S&P/Experian, Federal Housing Administration, and Dun & Bradstreet. | GAO-22-105291

^aThe employment-to-population ratio represents the number of employed people as a percentage of the civilian noninstitutional population 16 years and over. The ratio is subject to a misclassification error with respect to identifying workers as employed and absent from work who are likely unemployed on temporary layoff.

^bState and local government and leisure and hospitality employment data from November and December 2021 are preliminary.

^cHigher levels in the Consumer Credit Default Composite Index rate indicate more defaults on consumer loans, including auto loans, bank cards, and mortgages. The Consumer Credit Default Composite Index could be subject to seasonal variation but is not seasonally adjusted.

^dSeriously delinquent loans are 3 months or more past due or in foreclosure, based on mortgages insured by the Federal Housing Administration (FHA). Decrease in serious delinquency rates on FHA loans may indicate improvement in the finances of the minority and low- to moderate-income households that disproportionately take out mortgages insured by FHA.

^eLower levels of the small business credit card delinquency index indicate more delayed payments on credit. The small business credit card delinquency index is published under license and with permission from Dun & Bradstreet, and no commercial use can be made of these data.

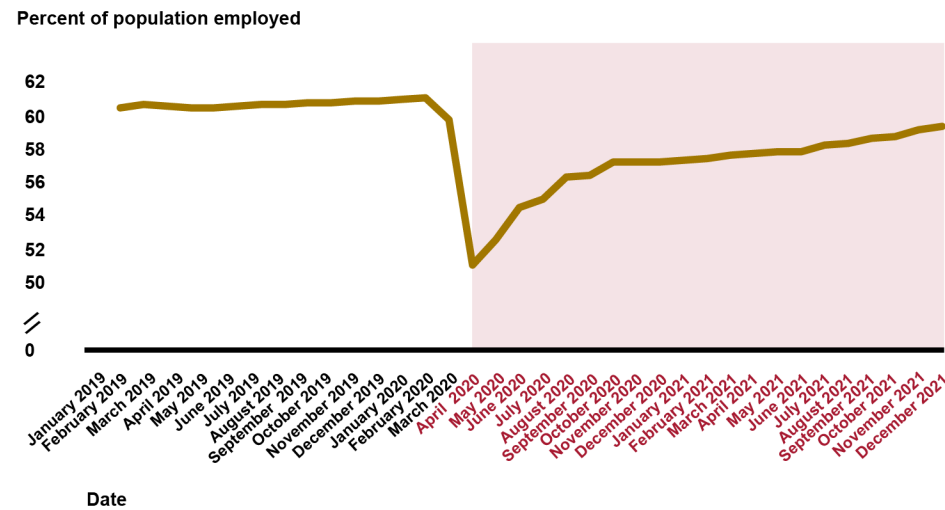
Gross domestic product (GDP) grew at a 2.3 percent annual rate in the third quarter of 2021, slowing from its second quarter growth rate of 6.7 percent. Housing investment, consumer spending on automobiles, and federal government spending, among other components of GDP, were notably lower in the third quarter.

Slower growth to some extent reflects the waning fiscal effects of the federal pandemic response, which the Congressional Budget Office projected would contribute to higher GDP growth in 2020

and 2021.⁵⁴ Some subsequent research found that certain federal pandemic response programs supported, for example, consumer spending and corporate credit markets, and thereby likely contributed to economic growth.⁵⁵ Federal efforts to facilitate vaccinations also likely contributed to faster economic growth in the first half of 2021. The strength of the economic recovery will continue to depend on the success of public health measures against the COVID-19 pandemic.

Key trends in economic indicators. Based on monthly and weekly data from the Department of Labor, the labor market showed improvement in October, November, and December 2021 but generally remained worse relative to the prepandemic period. Weekly initial unemployment insurance declined and were similar to prepandemic levels in November and December 2021 (see the [Unemployment Insurance Programs enclosure in app. I](#)). The employment-to-population ratio in December 2021 was 59.5 percent, which was 0.2 percentage points higher than the previous month but 1.7 percentage points lower than the prepandemic period (see figure).

Employment-to-Population Ratio, Jan. 2019–Dec. 2021



Source: GAO, Department of Labor. | GAO-22-105291

Changes in employment across sectors continue to reflect the differential impact of the pandemic on various sectors of the economy. For example, the leisure and hospitality sector experienced job growth in October, November, and December 2021, but employment in the leisure and hospitality sector was still 7.2 percent lower than it was in February 2020. State and local government employment declined for the fourth consecutive month in December 2021, and employment in these sectors remained 4.7 percent lower than in the prepandemic period.

Serious delinquency rates—loans that are 90 or more days past due or in foreclosure—for single-family mortgage loans insured by the Federal Housing Administration (FHA) decreased from March

⁵⁴See *The Effects of Pandemic-Related Legislation on Output*, Congressional Budget Office, September 2020 and *An Update to the Budget and Economic Outlook: 2021 to 2031*, Congressional Budget Office, July 2021.

⁵⁵See Cox et al., “Initial Impacts of the Pandemic on Consumer Behavior: Evidence from Linked Income, Spending, and Saving Data,” *Brookings Papers on Economic Activity*, Summer 2020 and Gilchrist et al., “The Fed Takes on Corporate Credit Risk: An Analysis of the Efficacy of the SMCCF,” *National Bureau of Economic Research Working Paper No. 27809*, September 2020.

through November 2021, to 7.3 percent of loans, but still remained much higher than rates prior to the pandemic. FHA loans disproportionately serve minority and low- to moderate-income borrowers, and therefore falling delinquencies may indicate some improvement in the finances of those households in recent months, including fewer borrowers relying on mortgage forbearance provisions of the CARES Act.⁵⁶

Key trends in inflation. Indicators of inflation have generally increased in recent months, suggesting that inflation could be somewhat higher, and for somewhat longer, than previously expected.⁵⁷ Some level of inflation on average can help promote stable economic conditions, but persistently high levels of inflation can cause financial challenges that are experienced more acutely by low-income households.

If demand grows considerably faster than supply for an extended period of time, for example, then consumer price inflation could meaningfully increase. The extent to which higher inflation will persist for a longer period of time will depend on many factors which remain uncertain, for example, how quickly capacity increases help alleviate global supply chain issues or whether changes in the severity of the pandemic influence consumer demand across the economy. The Federal Reserve System's Federal Open Market Committee (FOMC) aims for inflation of 2 percent on average over time and aims to achieve rates of inflation that are above 2 percent for some time after periods in which inflation is persistently below 2 percent.⁵⁸

In previous work, we identified a number of indicators of inflation to facilitate ongoing and consistent monitoring of the inflation experience of consumers to help assess the extent to which higher inflation may be transitory or persistent, including indicators of current consumer price inflation, as well as expectations of future inflation.⁵⁹ Based on data available in December 2021 covering price trends from February through November 2021, inflation has generally increased over the past several months (see table).

⁵⁶In fiscal year 2021, 32.8 percent of all FHA purchase and refinance borrowers were minorities, 52.6 percent of FHA forward mortgage borrowers were of low-to-moderate income, and 84.6 percent of home purchasers under the FHA forward mortgage insurance program were first-time homebuyers. See Department of Housing and Urban Development, *FHA Annual Management Report Fiscal Year 2021*. The CARES Act provided temporary protections for millions of households against foreclosure and eviction, as well as temporary forbearance, suspending mortgage payments for up to 360 days. In addition, FHA allowed mortgage servicers to initiate new forbearance through September 30, 2021, and it allowed borrowers who requested an initial forbearance on or before June 30, 2020, to request up to 6 months of forbearance extensions. Moreover, on July 23, 2021, FHA introduced additional COVID-19 recovery options to help borrowers transitioning out of forbearance to permanent sustainable payments. For example, FHA will require mortgage servicers to offer a no-cost option to eligible homeowners and enhance servicers' ability to provide all eligible borrowers that cannot resume their monthly mortgage with a 25 percent monthly principal and interest reduction.

⁵⁷Inflation is the increase in the price of goods and services over time, and is typically measured as the percentage change in those prices over a set period, often 1 year. For example, an inflation rate of 2 percent would mean that the prices of goods and services, on average, increased 2 percent over the last year.

⁵⁸See the FOMC's *2020 Statement on Longer-Run Goals and Monetary Policy Strategy*.

⁵⁹Higher levels of inflation over short periods—described as transitory—are not unusual and are less cause for concern. The prices of goods and services regularly shift in response to economic changes, and any impact on household finances is more limited because prices increase more rapidly for only a short period of time. In contrast, high levels of inflation that persist for long periods are more cause for concern, and can reduce the pace of economic growth.

Indicators of Inflation, Feb.–Nov. 2021, and Average Inflation Rates, 2000–2019

Underlined, red text indicates a higher rate of inflation than the previous month while black text indicates a lower rate of inflation than the previous month

Inflation indicators 2021		February	March	April	May	June	July	August	September	October	November	Average growth rate 2000–2019
Percentage change over past 12 months (year-over-year change)	Personal Consumption Expenditures (PCE) ^a Price Index	<u>1.63</u>	<u>2.45</u>	<u>3.58</u>	<u>3.97</u>	<u>4.03</u>	<u>4.16</u>	<u>4.24</u>	<u>4.44</u>	<u>5.11</u>	<u>5.73</u>	1.86
	Consumer Price Index (CPI) ^b	<u>1.68</u>	<u>2.62</u>	<u>4.16</u>	<u>4.99</u>	<u>5.39</u>	5.37	5.25	<u>5.39</u>	<u>6.22</u>	<u>6.81</u>	2.17
	Median CPI ^c	<u>2.07</u>	2.01	<u>2.10</u>	<u>2.11</u>	<u>2.21</u>	<u>2.28</u>	<u>2.42</u>	<u>2.78</u>	<u>3.14</u>	<u>3.52</u>	2.40
	16 percent trimmed-mean CPI ^d	<u>2.04</u>	<u>2.12</u>	<u>2.44</u>	<u>2.62</u>	<u>2.90</u>	<u>2.99</u>	<u>3.17</u>	<u>3.55</u>	<u>4.12</u>	<u>4.55</u>	2.13
Percentage change over previous month (month-over-month change)	PCE	0.27	<u>0.57</u>	0.57	0.53	<u>0.54</u>	0.40	0.38	0.35	<u>0.68</u>	0.61	0.15
	CPI	<u>0.35</u>	<u>0.62</u>	<u>0.77</u>	0.64	<u>0.90</u>	0.47	0.27	<u>0.41</u>	<u>0.94</u>	0.78	0.18
	Median CPI	<u>0.23</u>	0.15	<u>0.24</u>	<u>0.26</u>	0.24	<u>0.30</u>	<u>0.34</u>	<u>0.45</u>	<u>0.57</u>	0.45	0.20
	16 percent trimmed-mean CPI	<u>0.24</u>	<u>0.24</u>	<u>0.37</u>	<u>0.39</u>	<u>0.47</u>	0.43	0.41	<u>0.49</u>	<u>0.71</u>	0.52	0.18
Expectations of future inflation	10-year expected CPI inflation, from Treasury inflation-protected securities (TIPS) ^e	1.84	<u>1.99</u>	<u>2.00</u>	1.99	1.95	1.87	1.86	<u>1.89</u>	<u>1.93</u>	1.88	2.17
	Professional CPI forecast, 2022–2023 ^f	2.12	<u>2.19</u>	2.17	<u>2.23</u>	<u>2.31</u>	<u>2.42</u>	<u>2.53</u>	<u>2.63</u>	<u>2.73</u>	<u>2.91</u>	2.17

Source: GAO analysis of data from the Bureau of Economic Analysis, Department of Labor, Federal Reserve Bank of Cleveland, Board of Governors of the Federal Reserve System, and Bloomberg. | GAO-22-105291

Note: Underlined, red text indicates a higher rate of inflation than the previous month while black text indicates a lower rate of inflation than the previous month but with prices still rising overall. Deflation, or falling prices, would be indicated with a negative sign.

^aPCE is based on the PCE price index, which reflects changes in the prices of goods and services purchased by or on behalf of consumers in the U.S. The Federal Open Market Committee states its longer-run inflation goal in terms of PCE inflation and typically aims for inflation of 2 percent on average over time, including by aiming to achieve inflation rates above 2 percent for some time after periods in which inflation is persistently below 2 percent.

^bCPI is based on data from the Consumer Price Index for all urban consumers (CPI-U), in which year-over-year change is computed from the not-seasonally-adjusted series, and the month-over-month change is computed from the seasonally adjusted series.

^cMedian CPI is based on the 1-month inflation rate of the component whose expenditure weight is in the 50th percentile of price changes. By omitting outliers (small and large price changes) and focusing on the interior of the distribution of price changes, the median CPI may provide a better signal of the underlying inflation trend than the all-items CPI.

^dThe 16 percent trimmed-mean CPI is based on a weighted average of 1-month inflation rates of components whose expenditure weights fall below the 92nd percentile and above the 8th percentile of price changes. By omitting outliers (small and large price changes) and focusing on the interior of the distribution of price changes, the 16 percent trimmed-mean CPI may provide a better signal of the underlying inflation trend than the all-items CPI.

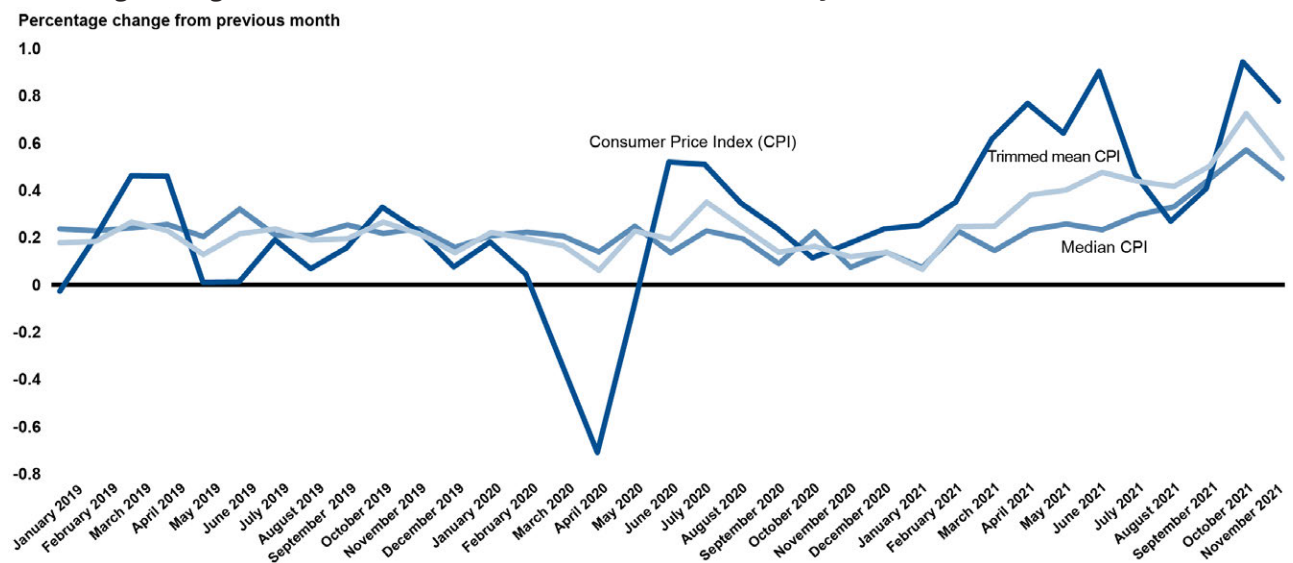
^eThe 10-year expected inflation rate comes from a model that decomposes the TIPS to nominal Treasury spread into three components: inflation expectations, the inflation risk premium, and a third component that may capture the TIPS liquidity premium or other factors that influence the relative demand for TIPS. See S. D'Amico, D. H. Kim, and M. Wei, "Tips from TIPS:

The Informational Content of Treasury Inflation-Protected Security Prices," *Journal of Financial and Quantitative Analysis*, vol. 53, no. 1 (2018): pp. 395–436.

^fProfessional forecast of inflation is an average forecast of expected CPI inflation in 2022–2023 (annualized) from forecasts collected by Bloomberg. Absent data for January 2021, we have used black text for February 2021 data based on the data for 10-year expected CPI inflation from TIPS.

Inflation remains higher than averages in recent decades, but indicators of more recent price pressures (measured relative to the previous month) decreased in November 2021 after several months of increases (see figure). The median and trimmed mean CPI measures, as well as professional forecasts and investor expectations of future inflation, are generally below the broader inflation measures, but the recent increase in these measures suggests that prices are rising across more goods and services in the economy and that inflation could remain elevated for a longer period of time. As we note above, the FOMC aims to achieve rates of inflation that are above 2 percent for some time after periods in which inflation has been persistently below 2 percent, as it was leading up to and during the early months of the pandemic.

Percentage Change in Inflation Indicators from the Previous Month, Jan. 2019–Nov. 2021



Source: Department of Labor and Federal Reserve Bank of Cleveland. | GAO-22-105291

Methodology

To identify indicators for monitoring areas of the economy supported by the federal response to the COVID-19 pandemic, in particular by the six COVID-19 relief laws, we reviewed a number of sources. Specifically, we used prior GAO work, data from federal statistical agencies, information from the Board of Governors of the Federal Reserve System (Federal Reserve) and relevant federal agencies responsible for the pandemic response and oversight of the health care system, data available on the Bloomberg Terminal, and input from internal GAO experts. We reviewed the most recent data from these sources as of December 2021 and January 2022, depending on availability.

To identify indicators for monitoring inflation, we reviewed data from federal statistical agencies, academic and other research literature, information from the Federal Reserve, the Federal Open

Market Committee, written responses to our questions provided by the Bureau of Labor Statistics and the Federal Reserve, data available on the Bloomberg Terminal, and input from internal GAO experts.

We assessed the reliability of the economic indicators we used through a number of steps, including reviewing relevant documentation, reviewing prior GAO work, and interviewing data providers. Collectively, we determined the indicators were sufficiently reliable to provide a general sense of (1) how the areas of the economy supported by the federal pandemic response were performing and (2) trends in the inflation experience of consumers.

Agency Comments

We provided the Department of Labor, the Department of the Treasury, the Federal Reserve, and the Office of Management and Budget (OMB) with a draft of this enclosure. The Departments of Labor and Treasury provided technical comments, which we incorporated as appropriate. The Federal Reserve and OMB did not provide comments on this enclosure.

GAO's Ongoing Work

We plan to monitor and report on changes in economic indicators, including developments in inflation, in future quarterly reports.

Contact information: Michael Hoffman, (202) 512-6445, hoffmanme@gao.gov

HHS COVID-19 Funding

The Department of Health and Human Services was appropriated approximately \$484 billion in COVID-19 relief funds. The department reported that it had obligated about \$387 billion and expended about \$226 billion of this amount—about 80 percent and 47 percent, respectively—as of November 30, 2021.

Entity involved: The Department of Health and Human Services

Background

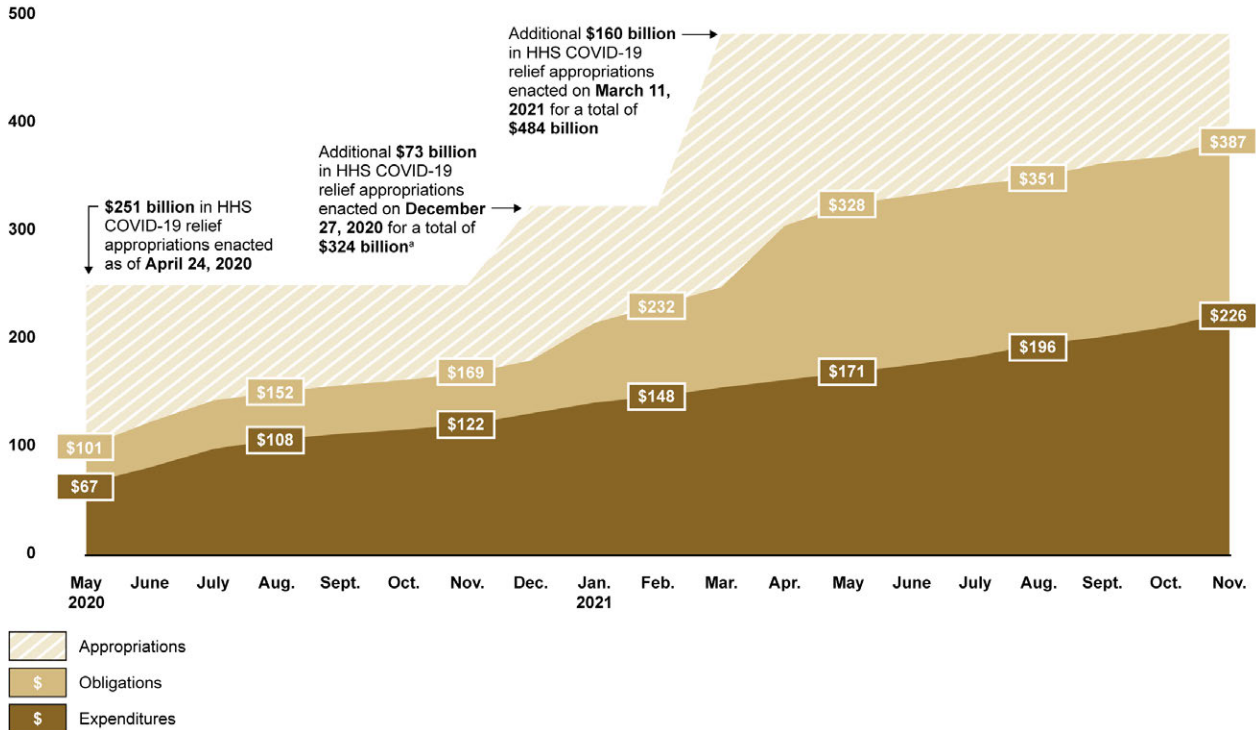
The Department of Health and Human Services (HHS) received approximately \$484 billion in COVID-19 relief appropriations from six COVID-19 relief laws enacted as of November 30, 2021. HHS COVID-19 relief funds may be used for a range of purposes, such as assistance to health care or child care providers, testing, therapeutic, or vaccine-related activities, or procurement of critical supplies. Many HHS COVID-19 relief funds are available for a multiyear period or are available until expended.

Overview of Key Issues

As of November 30, 2021, HHS reported that it had obligated about \$387 billion (80 percent) and expended about \$226 billion (47 percent) of the approximately \$484 billion in COVID-19 relief funds appropriated (see figure below).

HHS-Reported COVID-19 Relief Appropriations, Obligations, and Expenditures from COVID-19 Relief Laws, as of Nov. 30, 2021

HHS COVID-19 relief appropriations (dollars in billions)



Source: Department of Health and Human Services (HHS) data. | GAO-22-105291

^aThese amounts reflect appropriations provided in Divisions M and N of the Consolidated Appropriations Act, 2021 that are specifically designated for COVID-19 relief.

The table below shows HHS appropriations, obligations, and expenditures by COVID-19 relief law that HHS reported as of Nov. 30, 2021.

HHS-Reported COVID-19 Relief Appropriations, Obligations, and Expenditures, by Relief Law, as of Nov. 30, 2021

Legislation	Date of enactment	Appropriations (\$ in millions)	Obligations (\$ in millions (% obligated))	Expenditures (\$ in millions (% expended))
Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (Pub. L. No. 116-123)	March 6, 2020	6,497	5,820 (90)	3,983 (61)
Families First Coronavirus Response Act (Pub. L. No. 116-127)	March 18, 2020	1,314	1,308 (100) ^c	1,265 (96)
CARES Act (Pub. L. No. 116-136) ^a	March 27, 2020	142,833	138,017 (97)	122,592 (86)
Paycheck Protection Program and Health Care Enhancement Act (Pub. L. No. 116-139)	April 24, 2020	100,000	70,847 (71)	54,607 (55)
Consolidated Appropriations Act, 2021 (Pub. L. No. 116-260) ^b	December 27, 2020	73,175	63,107 (86)	17,925 (24)
American Rescue Plan Act of 2021 (Pub. L. No. 117-2)	March 11, 2021	160,494	108,398 (68)	26,003 (16)
Total		484,313	387,497 (80)	226,374 (47)

Source: Department of Health and Human Services (HHS) data. | [GAO-22-105291](#)

Note: The Department of Health and Human Services (HHS) reported that, of its total appropriations for COVID-19 relief, the agency transferred \$289 million to the Department of Homeland Security that is not included in the reported obligations or expenditures, and that \$300 million in appropriations are not available until HHS has taken certain actions.

^aHHS reported that it transferred \$289 million from CARES Act appropriations to the Department of Homeland Security; this amount is not included in HHS's reported obligations or expenditures.

^bThis amount reflects appropriations provided in Divisions M and N of the Consolidated Appropriations Act, 2021 that are specifically designated for COVID-19 relief. An additional \$638 million in COVID-19 relief funds were appropriated under Division H to the Administration for Children and Families, an agency within HHS, to prevent, prepare for, and respond to the coronavirus, for necessary expenses for grants to carry out a low-income household drinking water and wastewater emergency assistance program. These funds were not included in the HHS-reported data on HHS COVID-19 relief appropriations, obligations, and expenditures, as HHS noted that the funds were not considered COVID-19 relief funding for USAspending.gov reporting purposes.

^cThe percent obligated was 99.6 percent, which we show as 100 percent due to rounding.

The table below shows allocations, obligations, and expenditures of COVID-19 relief appropriations made to HHS under the six relief laws by HHS agency or key fund as of Nov. 30, 2021.

HHS-Reported Allocations, Obligations, and Expenditures of COVID-19 Relief Funding, by Agency or Key Fund, as of Nov. 30, 2021

Agency or key fund	Allocations (\$ millions)	Obligations (\$ millions)	Expenditures (\$ millions)
Administration for Children and Families	65,257.5	65,072.8	14,930.2
Administration for Community Living	3,200.0	2,994.8	1,109.8
Agency for Toxic Substances and Disease Registry	12.5	12.5	10.4
Centers for Disease Control and Prevention	27,225.9	19,357.2	5,499.9
Centers for Medicare & Medicaid Services ^a	935.0	180.6	90.2
Enhanced Use of Defense Production Act	10,000.0	881.7	54.1
Food and Drug Administration	718.0	256.3	79.8
Health Resources and Services Administration	11,729.8	10,408.7	3,422.3
Indian Health Service	7,980.0	5,199.4	4,777.9
National Institutes of Health	3,001.3	2,560.2	1,443.4
Office of Inspector General	17.0	5.2	4.6
Public Health and Social Services Emergency Fund (PHSSEF) ^b	346,001.4	272,957.5	194,470.8
<i>Office of the Assistant Secretary for Health^c</i>	<i>5,269.9</i>	<i>5,017.7</i>	<i>4,201.8</i>
<i>Office of the Assistant Secretary for Preparedness and Response^c</i>	<i>23,443.0</i>	<i>18,026.9</i>	<i>11,866.1</i>
<i>Biomedical Advanced Research and Development Authority^c</i>	<i>43,509.5</i>	<i>40,455.7</i>	<i>17,135.3</i>
<i>Provider Relief Fund^{c, d}</i>	<i>178,000.0</i>	<i>144,546.1</i>	<i>135,570.2</i>
<i>Other PHSSEF^c</i>	<i>95,779.0</i>	<i>64,911.1</i>	<i>25,697.4</i>
Substance Abuse and Mental Health Services Administration	8,235.0	7,609.7	480.1
Grand Total	484,313.4	387,496.6	226,373.5

Source: Department of Health and Human Services (HHS) data. | [GAO-22-105291](#)

Note: For the purpose of this table, the term allocation includes both direct appropriations and transfers between HHS agencies. For example, according to HHS, the agency transferred \$1,063.5 million to the Administration for Children and Families' Unaccompanied Children Program from National Institutes of Health appropriations provided in the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, 134 Stat. 1182, 1913 (2020), citing the Secretary's authorities under that act. HHS reported that of its total appropriation for COVID-19 relief, the agency transferred \$289 million to the Department of Homeland Security that is not included in the reported obligations or expenditures, and that \$300 million in appropriations are not available until HHS takes certain actions. With respect to the Consolidated Appropriations Act, 2021, the amounts reflect appropriations specifically designated for COVID-19 in Divisions M and N of the act.

^aThese amounts do not reflect Medicaid and Medicare expenditures that resulted from statutory changes to these programs under the COVID-19 relief laws.

^bPHSSEF is an account through which funding is provided to certain HHS offices, such as the Office of the Assistant Secretary for Preparedness and Response. Amounts have been appropriated to this fund for the COVID-19 response to support certain HHS agencies and response activities. Amounts appropriated to the PHSSEF and transferred to agencies within HHS listed in the table are included in the allocation amounts for the specified receiving agencies. For example, the National Institutes of Health (NIH) received transfers from the PHSSEF and this amount is included in the NIH allocation rather than in the PHSSEF total.

^cThe italicized amounts are subtotals of the PHSSEF and are already reflected in amounts listed for the PHSSEF.

^dThe Provider Relief Fund reimburses eligible health care providers for health care-related expenses or lost revenues that are attributable to COVID-19. Provider Relief Fund expenditures also may be referred to as disbursements.

HHS reported allocations, obligations, and expenditures of appropriations from the six COVID-19 relief laws for a variety of COVID-19 response activity categories (see table). When response activities had spending related to multiple categories, they were only assigned to one. For example, certain funds for testing and vaccine distribution were included in the response activity category for support to states, localities, territories, and tribal organizations rather than in the testing or vaccine activity categories.

HHS officials noted that allocations for COVID-19 response activities are determined by appropriations made by Congress in combination with approved spend plan decisions. The timing of obligations and expenditures of allocations for response activities can vary due to a variety of factors, including the timing of the appropriations and the planned uses of funds. For example, some research programs are planned in phases, which affects the timing of the release of the funds.

HHS-Reported Allocations, Obligations, and Expenditures by Selected COVID-19 Response Activity, as of Nov. 30, 2021

COVID-19 response activity	Description	Allocations (\$ in millions)	Obligations (\$ in millions)	Expenditures (\$ in millions)
Provider Relief Fund	Includes reimbursements to eligible health care providers for health care-related expenses or lost revenues that are attributable to COVID-19.	178,000.0	144,546.1	135,570.2
Testing	Includes procurement and distribution of testing supplies, community-based testing programs, testing in high-risk and underserved populations and in Indian Health Services' programs, screening in schools, Centers for Disease Control and Prevention (CDC) testing-related activities such as technical assistance, and other activities.	58,326.2	34,912.2	15,502.0
Child Care and Development Fund ^a	Includes funding for states and other governments for child care subsidies for eligible families and quality improvement activities, sub-grants to child care providers to stabilize the child care market, and payments for child care assistance.	52,450.0	52,432.9	10,302.6
Vaccines	Includes Biomedical Advanced Research and Development Authority (BARDA) funding for vaccine development and procurement; National Institutes of Health (NIH) research activities; and CDC vaccine distribution, administration, and technical assistance related activities.	40,681.7	34,954.7	13,395.4
Support to state, local, territorial, and tribal organizations' preparedness	Includes funding for states and other governments to support testing, contact tracing, and surveillance; vaccine distribution; and other activities.	40,116.6	39,541.3	11,841.9
Drugs and therapeutics	Includes BARDA funding for development and procurement of therapeutics and NIH research activities.	17,092.8	13,918.8	5,076.8
Strategic National Stockpile	Includes funds for acquiring, storing, and maintaining ventilators, testing supplies, and personal protective equipment (PPE) and increasing manufacturing capacity for certain PPE.	13,919.9	10,583.9	7,845.2
Health centers	Includes support for COVID-19-related activities—such as testing—at health centers, which provide health care services to individuals regardless of their ability to pay.	9,620.0	9,487.9	3,118.5
Rural provider payments	Includes assistance for rural providers and suppliers, administered using the same mechanism as the Provider Relief Fund.	8,500.0	6,627.5	6,627.5

COVID-19 response activity	Description	Allocations (\$ in millions)	Obligations (\$ in millions)	Expenditures (\$ in millions)
Mental health and substance use–related services	Includes substance abuse prevention and treatment, community-based mental health services, and other activities.	8,315.0	7,624.7	480.3
Diagnostics research and development	Includes BARDA diagnostic development programs and NIH projects, such as the Rapid Acceleration of Diagnostics Initiative.	2,333.0	1,930.2	1,115.6
Head Start	Includes grants to local programs for high-quality learning experiences and to respond to other immediate and ongoing consequences of COVID-19.	2,000.0	1,999.1	734.3
Testing for uninsured ^b	Includes reimbursements to eligible providers for COVID-19 testing for individuals who are uninsured.	2,000.0	1,998.4	1,973.4
Global disease detection and emergency response	Includes support to governments and other organizations to rapidly diagnose cases and to ensure readiness to implement vaccines and therapeutics.	1,550.0	707.4	264.3
Telehealth	Includes efforts to support safety-net health care providers transitioning to telehealth, telehealth access—especially for vulnerable maternal and child health populations—and a telehealth website.	284.2	175.0	145.5
Other response activities ^c	Includes additional activities such as activities conducted by the Administration for Community Living, certain CDC-wide activities and program support, and activities conducted by the Food and Drug Administration.	49,124.0	26,056.5	12,380.0
Total		484,313.4	387,496.6	226,373.5

Source: Department of Health and Human Services (HHS) data, written HHS responses, and GAO analysis of HHS spend plans. | [GAO-22-105291](#)

Notes: The selected response activities represent examples of certain targeted activities that fall within particular HHS agencies, such as funding for health centers or Head Start, as well as broader categories of response activities that may span HHS agencies, such as testing-, vaccine-, and therapeutics-related response activities.

HHS reported allocations, obligations, and expenditures for these activities based on the primary programmatic recipient organization of the funds, although some activities apply to multiple categories. For example, certain funds in the “support to state, local, territorial, and tribal organizations for preparedness” category were provided for testing but are not reflected in the “testing” category. However, HHS also noted that testing-related funding awarded to states or localities that was appropriated under the American Rescue Plan Act of 2021 (ARPA) was included in the “testing” category. HHS officials explained that the activity names align with how funds were appropriated under different COVID-19 relief laws.

According to HHS officials, the allocations reported for the key activities above are based on amounts appropriated for these activities in the COVID-19 relief laws, HHS transfers of funds, and approved spend plan decisions made by HHS in coordination with the Office of Management and Budget. According to HHS, the agency used about \$1.7 billion in appropriations provided under ARPA, including \$1.2 billion appropriated for COVID-19 testing, contact tracing, and mitigation activities, for the Administration for Children and Families’ Unaccompanied Children Program, citing the Secretary’s authorities under the Public Health Service Act and the Consolidated Appropriations Act, 2021. See Pub. L. No. 116-260, div. H, tit. II, § 204, 134 Stat. 1182,

1589 (2020); 42 U.S.C. 238j(a). With respect to the Consolidated Appropriations Act, 2021, the amounts reflect appropriations specifically designated for COVID-19 in Divisions M and N of the act. HHS reported that, of its total appropriation for COVID-19 relief, the agency transferred \$289 million to the Department of Homeland Security that is not included in the reported obligations or expenditures.

^aThe Child Care and Development Fund is made up of two funding streams: mandatory and matching funding authorized under section 418 of the Social Security Act, and discretionary funding authorized under the Child Care and Development Block Grant Act of 1990, as amended. See 42 U.S.C. §§ 618 and 9858m.

^bAccording to HHS officials, HHS has allocated an additional \$4.8 billion to the testing for the uninsured program from section 2401 of ARPA, which HHS included in the “testing” response activity category.

^cAccording to HHS officials, the agency transferred \$1,063.5 million from NIH appropriations for research and clinical trials related to long-term studies of COVID-19 and \$850 million from the Public Health and Social Services Emergency Fund, Strategic National Stockpile, to the Administration for Children and Families’ Unaccompanied Children Program citing authority provided in section 304 of the Consolidated Appropriations Act, 2021 for both transfers. See Pub. L. No. 116-260, div. M, tit. III, § 304, 134 Stat. at 1913, 1916, 1923 (2020).

Methodology

We requested, and HHS provided, data on appropriations, allocations, obligations, and expenditures of COVID-19 relief funds by HHS agency and by selected response activity, as of Nov. 30, 2021. We also reviewed appropriation warrant information provided by the Department of the Treasury as of Nov. 30, 2021. To assess the reliability of the data reported by HHS, we reviewed HHS documentation; Department of the Treasury appropriation warrant information; and other available information on HHS’s use of COVID-19 relief funds. We did not independently validate the data provided by HHS. We determined that the HHS-reported data were sufficiently reliable for the purposes of our reporting objective. We also reviewed the six COVID-19 relief laws to assist the response to COVID-19.

Agency Comments

We provided HHS and the Office of Management and Budget with a draft of this enclosure. Neither agency provided comments on this enclosure.

GAO’s Ongoing Work

We will continue to examine HHS’s use of COVID-19 relief appropriations contained in COVID-19 relief laws and HHS’s oversight of these funds.

GAO’s Prior Recommendation

The table below presents our recommendation related to HHS COVID-19 funding from a prior quarterly CARES Act report.

Prior GAO Recommendation Related to Department of Health and Human Services (HHS) COVID-19 Funding

Recommendation	Status
To communicate information about and facilitate oversight of the agency's use of COVID-19 relief funds, the Secretary of Health and Human Services should provide projected time frames for the planned spending of COVID-19 relief funds in the Department of Health and Human Services' spend plans submitted to Congress. (July 2021 report).	Open—not addressed. HHS partially concurred with the recommendation and as of December, 2021, stated that the department would aim to incorporate some time frames on planned spending where that information may be available such as time frames for select grants to states. However, HHS stated that the department would not be able to provide specific time frames for all relief funds since the evolving environment requires the department to remain flexible in responding to incoming requests for response activities. Providing projected time frames would not affect HHS's ability to be flexible in its spend plans, as spend plans are not binding to the agency and can be revised.

Source: GAO. | [GAO-22-105291](#)

Contact information: Carolyn L. Yocom, (202) 512-7114, yocomc@gao.gov

Enhanced Medicaid Funding

Selected states said that temporary increases in federal funds have helped support their Medicaid program operations during the COVID-19 public health emergency; however, (1) the 6.2 percentage point temporary funding increase will end while states work to resume normal enrollment operations, and (2) potential challenges exist for obtaining additional funds for home and community-based services.

Entities involved: Centers for Medicare & Medicaid Services, within the Department of Health and Human Services

Background

Medicaid is the nation's largest source of funding for health care services for low-income and medically needy individuals, covering an estimated 77 million people at an estimated cost of \$673 billion in total federal and state spending in fiscal year 2020.⁶⁰ Medicaid offers a wide range of benefits, including coverage for inpatient and outpatient hospital care, physician services, and laboratory testing. Medicaid also offers coverage for home and community-based services (HCBS), which provide individuals who are aged or have disabilities with various services, including assistance with daily activities, so that they may live in their homes and communities.

States administer their Medicaid programs within broad federal guidelines and according to state plans approved by the Centers for Medicare & Medicaid Services (CMS), the agency within the Department of Health and Human Services (HHS) that oversees Medicaid at the federal level.⁶¹ Among other responsibilities, states must determine eligibility and enroll beneficiaries, verify eligibility periodically, and promptly terminate coverage for individuals who are no longer eligible.

The federal government matches states' spending for Medicaid services according to a statutory formula known as the Federal Medical Assistance Percentage (FMAP). Each state has an FMAP that is calculated based on its per capita income relative to national per capita income.⁶² In fiscal year 2021, states' regular FMAPs ranged from 50 percent in 13 states to about 78 percent in Mississippi.

In response to previous economic downturns, legislation was enacted to provide states with an increased FMAP to provide fiscal relief and to maintain states' Medicaid programs.⁶³ Most recently,

⁶⁰Department of Health and Human Services, Centers for Medicare & Medicaid Services, *2018 Actuarial Report on the Financial Outlook on Medicaid* (Baltimore, Md.).

⁶¹For the purposes of this enclosure, the term "state" refers to the 50 states, the District of Columbia, and the U.S. territories, unless otherwise noted.

⁶²For the District of Columbia and U.S. territories, the FMAP is set by statute regardless of their per capita incomes. Additionally, federal law specifies a maximum amount, or allotment for federal contributions to Medicaid spending in U.S. territories, in contrast to the states and the District of Columbia, for which federal Medicaid spending is open-ended. There are exceptions to the regular FMAP for certain populations and services. For example, states receive a 90 percent FMAP for services provided to the newly eligible adult population, and for family planning services and supplies. Additionally, in general, the federal government matches states' spending on Medicaid administrative costs at a 50 percent FMAP.

⁶³For example, the American Recovery and Reinvestment Act of 2009 was enacted in response to the 2007 national recession and included a provision that increased eligible states' FMAP for nine quarters, which was later extended for

the Families First Coronavirus Response Act (FFCRA) and the American Rescue Plan Act of 2021 (ARPA) provided states with temporary increases to their FMAP rates in response to the COVID-19 public health emergency (PHE), as shown in the table below.⁶⁴

two additional quarters, but at a lower level. American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, div. B, tit. V, § 5001, 123 Stat. 115, 496 (as amended by Pub. L. No. 111-226, tit. II, subtit. A, § 201, 124 Stat. 2389, 2393 (2010)).

⁶⁴See Families First Coronavirus Response Act, Pub. L. No. 116-127, div. F, §§ 6004(a)(3), 6008, 134 Stat. 178, 205, 208 (2020); American Rescue Plan Act of 2021, Pub. L. No. 117-2, tit. IX, subtit. J, §§ 9811, 9817, 135 Stat 4, 208, 216.

Overview of Selected Changes to the Federal Medical Assistance Percentage (FMAP) during the COVID-19 Public Health Emergency (PHE), as of Oct. 2021

	6.2 percentage point FMAP increase^b	100% FMAP for optional COVID-19 group^c	10 percentage point FMAP increase for home and community-based services (HCBS)^d	100% FMAP for COVID-19 vaccine administration
Authorizing legislation^a	FFCRA § 6008	FFCRA § 6004(a)(3) ARPA § 9811(a)	ARPA § 9817	ARPA § 9811(b)
Effective dates	January 1, 2020, through the end of the quarter in which the PHE ends	March 18, 2020, through the last day of the PHE	April 1, 2021 through March 31, 2022	April 1, 2021, through the end of the quarter that begins one year after the PHE ends
Number of participating states^e	All	15 states, 3 territories	All states and D.C.	All
CBO estimated spending^f	\$50 billion	\$2 billion	\$12.7 billion	\$1.1 billion

Source: GAO analysis of Centers for Medicare & Medicaid Services (CMS) and Congressional Budget Office (CBO) documentation. | [GAO-22-105291](#)

^aSee Families First Coronavirus Response Act, Pub. L. No. 116-127, div. F, §§ 6004(a)(3), 6008, 134 Stat. 178, 205, 208 (2020) (“FFCRA”); American Rescue Plan Act of 2021, Pub. L. No. 117-2, tit. IX, subtit. J, §§ 9811, 9817, 135 Stat 4, 208, 216 (“ARPA”).

^bIn general, a state may not receive this FMAP increase if it 1) restricts eligibility standards, methodologies, or procedures, 2) increases premiums, 3) fails to provide continuous enrollment through the last day of the month in which the PHE ends, or 4) imposes cost sharing for certain COVID-19-related services.

^cThis column refers to the optional COVID-19 group for otherwise uninsured individuals described at section 1902(a)(10)(A)(ii)(XXIII) of the Social Security Act. Coverage for this group is generally limited to COVID-19 vaccines, vaccine administration, testing, and treatment, as well as treatment of any condition that may seriously complicate the treatment of an individual with COVID-19, if otherwise covered by the state. See 42 U.S.C. § 1396a(a)(10)(XVIII) (in the matter following subsection (G)).

^dNo state receiving the HCBS FMAP increase may receive a total FMAP greater than 95 percent for HCBS expenditures. In order to receive the FMAP increase for eligible HCBS expenditures, states must meet certain programmatic requirements, including submitting a spending plan to the Centers for Medicare & Medicaid Services (CMS) and obtaining CMS approval. As of December 15, 2021, CMS officials said they had given conditional approval to nine states, meaning the state is fully approved to claim the HCBS FMAP increase conditional upon its continued compliance with program requirements, and partial approval to 42 states, meaning the state is approved to claim the HCBS FMAP increase but CMS requested additional information about one or more of the states’ planned activities. No territories had submitted a spending plan as of that date.

^eUnless otherwise noted, the term “state” refers to the 50 states, the District of Columbia, and the five U.S. territories that have Medicaid programs.

^fThe CBO estimate does not account for additional Medicaid costs associated with evaluation and treatment of COVID-19, nor any increased Medicaid enrollment resulting from the economic disruption brought about by COVID-19. Thus, CBO notes that actual federal spending on Medicaid is likely to be greater.

Of the four COVID-19 related FMAP changes noted above, the Congressional Budget Office (CBO) projected that the 6.2 percentage point FMAP increase and the 10 percentage point FMAP increase for HCBS expenditures are expected to account for the majority of expenditures—over 95 percent. Both of these FMAP increases had qualifying requirements, as noted below.

- **The 6.2 percentage point FMAP increase.** In general, this increase applies to allowable Medicaid expenditures for which a state receives its standard FMAP rate and that are made

from January 1, 2020, through the end of the quarter in which the PHE ends. All states qualify for the increased FMAP provided they meet certain conditions, such as maintaining Medicaid enrollment for beneficiaries through the end of the month in which the PHE ends.⁶⁵

- **The 10 percentage point FMAP increase for HCBS expenditures.** This increase applies to certain expenditures for HCBS provided from April 1, 2021 to March 31, 2022.⁶⁶ To qualify for the increase, states must (1) use federal funds attributable to the increased FMAP to supplement, not supplant, existing state HCBS spending and (2) invest state funds equivalent to the amount of federal funding they receive from the increase into activities that will “enhance, expand, or strengthen” their HCBS programs. Each state was to submit an HCBS spending plan to CMS that estimated its expected amount of additional federal funding from the FMAP increase and described its planned activities in order to qualify.⁶⁷

Overview of Key Issues

The 6.2 percentage point FMAP increase. As of September 30, 2021, federal expenditures attributed to the FFCRA 6.2 percentage point FMAP increase totaled approximately \$60 billion.⁶⁸ For eight selected states in which we interviewed state Medicaid officials, this FMAP increase resulted in additional federal funds of approximately \$8.5 billion, ranging from \$208 million in New Hampshire to \$2.3 billion in Ohio.⁶⁹

Medicaid officials in all eight selected states said that the 6.2 percentage point FMAP increase was critical in enabling them to maintain program operations while they faced increased enrollment and decreased revenue. For example, New Hampshire officials noted their Medicaid enrollment

⁶⁵States must maintain enrollment for all beneficiaries enrolled as of or after March 18, 2020, except for any beneficiary who requests to terminate their eligibility or no longer resides in that state. In general, states must also maintain Medicaid eligibility standards that are no more restrictive than what was in place as of January 1, 2020; not charge premiums that exceed those that were in place as of January 1, 2020; cover COVID-19 testing, services, and treatments without cost sharing; and ensure local governments are not required to contribute a larger percentage of the state’s share than what was in place on March 11, 2020. FFCRA, § 6008(b), 134 Stat. at 208; 42 C.F.R. § 433.400 (2020).

⁶⁶American Rescue Plan Act of 2021, Pub. L. No. 117-2, § 9817, 135 Stat 4, 216.

⁶⁷See Centers for Medicare & Medicaid Services, *State Medicaid Director Letter #21-003, Implementation of American Rescue Plan Act of 2021 Section 9817: Additional Support for Medicaid Home and Community-Based Services during the COVID-19 Emergency* (Baltimore, Md.: May 13, 2021.) All states and the District of Columbia submitted such a plan by July 2021. As of December 15, 2021, CMS officials said they had given conditional approval to nine states, meaning the state is fully approved to claim the HCBS FMAP increase conditional upon its continued compliance with program requirements, and partial approval to 42 states, meaning the state is approved to claim the HCBS FMAP increase but CMS requested additional information about one or more of the states’ planned activities. No territories had submitted a spending plan as of that date.

⁶⁸The most recent available information is for the quarter which ended September 30, 2021. States generally report their expenditures to CMS within 30 days of the end of each quarter, but may adjust their past reporting for up to 2 years after a quarter ends. Virginia had not reported COVID-19 expenditures for the fourth quarter of fiscal year 2021 as of November 30, 2021.

⁶⁹We interviewed Medicaid officials from Georgia, Iowa, Louisiana, New Hampshire, New Jersey, New Mexico, Ohio, and Washington.

increased 25 percent during COVID-19, and they said they would have faced serious financial challenges without the FMAP increase. Additionally,

- officials from four selected states said the funding helped them respond to COVID-19, for example, by expanding telehealth and making supplemental payments to retain providers.
- officials from six selected states said the increased FMAP provided general economic relief to their states in light of revenue declines and budget uncertainty, with officials from three states noting it freed up state funds to address other needs.

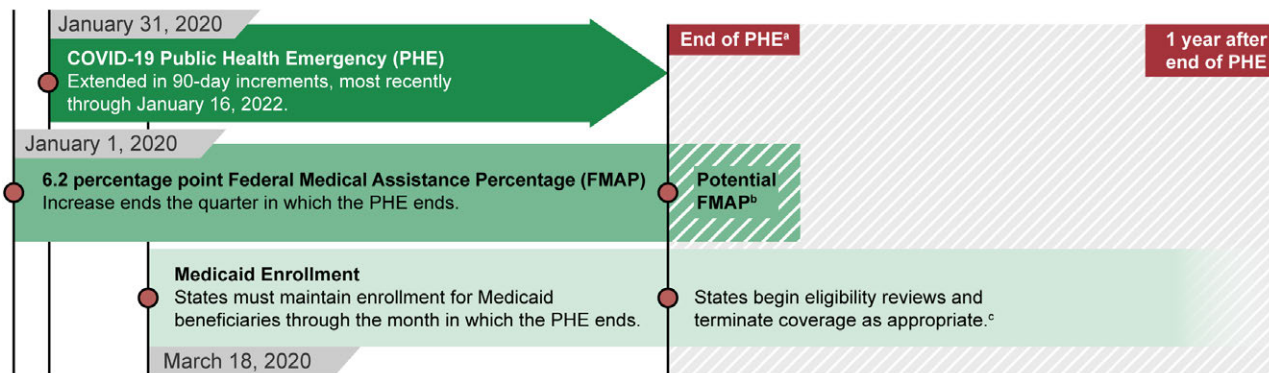
With respect to implementing the 6.2 percentage point FMAP increase, officials from seven selected states characterized their efforts as easy or straightforward, citing reasons such as the increase did not have to be applied to specific services and could be reported using existing processes.

Since the beginning of the PHE, Medicaid enrollment has increased 18.5 percent (11.9 million individuals) nationally, and CMS officials said states have postponed coverage terminations, as FFCRA requires states to maintain enrollment for nearly all Medicaid beneficiaries through the end of the month in which the PHE ends to receive the increased FMAP.⁷⁰ CMS is providing states up to 12 months after the PHE ends to complete any pending eligibility reviews and to reassess eligibility for beneficiaries who were determined ineligible during the PHE but who retained coverage due to FFCRA requirements.⁷¹ FFCRA established that the increased FMAP will end on the last day of the quarter in which the PHE ends. Thus, the FMAP increase will end well before state officials said they can work through their backlog of eligibility reviews, as shown in the figure below.

⁷⁰CMS, *May 2021 Medicaid and CHIP Enrollment Trends Snapshot*. These data represent Medicaid enrollment from February 2020 to May 2021. In order to receive the 6.2 percentage point FMAP increase, states must meet certain requirements, including maintaining enrollment of all beneficiaries who were enrolled as of or after March 18, 2020, except for any beneficiary who requests to terminate their eligibility or no longer resides in that state. See FFCRA, § 6008(b), 134 Stat. at 208; 42 C.F.R. § 433.400 (2020).

⁷¹See Centers for Medicare & Medicaid Services, *State Health Official Letter #21-002. Updated Guidance Related to Planning for the Resumption of Normal State Medicaid, Children's Health Insurance Program (CHIP), and Basic Health Program (BHP) Operations Upon Conclusion of the COVID-19 Public Health Emergency* (Baltimore, Md.: Aug. 13, 2021.)

Timeline of COVID-19 PHE, 6.2 Percentage Point FMAP Increase, and Medicaid Enrollment Requirements



Source: GAO analysis of Centers for Medicare & Medicaid Services documentation. | GAO-22-105291

^aThe end date of the PHE is unknown.

^bThe FMAP is the rate at which the federal government matches state spending for Medicaid services. Depending on the exact date on which the PHE ends, the FMAP increase could be discontinued the same date as the PHE (if the PHE ends on last day of the quarter), approximately 90 days later (if the PHE ends on first day of a quarter), or in between.

^cTo receive the 6.2 percentage point FMAP increase provided under section 6008 of the Families First Coronavirus Response Act, states must meet certain requirements, such as maintaining enrollment for all Medicaid beneficiaries that were enrolled as of or after March 18, 2020, through the month in which the PHE ends, except for any beneficiary who requests to terminate their eligibility or no longer resides in the state. See Pub. L. No. 116-127, div. F, § 6008, 134 Stat. 178, 208 (2020). CMS is providing states up to 12 additional months to review eligibility and terminate coverage, as appropriate.

State officials we spoke with raised two primary concerns about the ultimate discontinuation of the FMAP increase:

Uncertainty surrounding end date of PHE. HHS has said it will notify states 60 days before the PHE ends, but officials from five selected states said the uncertainty surrounding when the PHE will end complicates their planning and budget efforts.⁷² Officials from three selected states also said it will be helpful to receive as much advance notice of the official end date as possible.

Eligibility determination backlog. Officials from seven selected states were concerned about completing eligibility reviews after the PHE ends and the costs associated with maintaining eligibility for an increased number of Medicaid beneficiaries while they do so. Officials from six states said that a phase out of the FMAP increase would help them with the transition; officials in three of these states estimated it would take 6 to 12 months to return to normal enrollment levels.⁷³ For example,

- New Hampshire officials estimated it will cost the state \$3.8 million per 10,000 enrollees each month as they work to remove coverage for those who are no longer eligible.

⁷²On January 14, 2022, the Secretary of HHS renewed the PHE through April 16, 2022.

⁷³CMS officials said the agency does not have authority to extend the FMAP increase because the increase and its termination are specified in statute. The House of Representatives recently passed legislation proposing to phase out FFCRA's FMAP increase and amend the requirement that states maintain Medicaid enrollment for most beneficiaries through the end of the PHE. See H.R. 5376, 117th Cong. § 30741 (2021) (as passed by House, Nov. 19, 2021).

- New Jersey officials said that a phase out of the increased FMAP would help the state normalize operations as it returns to pre-PHE enrollment levels, because enrollment will not drop immediately when the PHE ends.

Because the FMAP increase will end before states complete their work on the backlog of eligibility reviews and terminations, there will be increased financial pressure to expedite reviews, which could exacerbate known weaknesses in states' eligibility processes. CMS identified eligibility-related errors as a driving factor of the growing improper payment rate in Medicaid, a rate that exceeded 21 percent in 2021.⁷⁴ In addition, in January 2020, we reported that state and federal audits across 21 states identified weaknesses in states' Medicaid eligibility determinations, including that states did not complete redeterminations (10 states) or terminate coverage for ineligible individuals (nine states) in a timely manner. These challenges underscore the importance of CMS and states continuing to work together to ensure that eligibility reviews are conducted accurately and timely and in a manner that ensures program integrity.⁷⁵

The 10 percentage point FMAP Increase for HCBS. Actual expenditure data related to the increased FMAP for HCBS were not available at the time we conducted our work.⁷⁶ However, based on our review of selected states' respective HCBS spending plans, their estimates of related federal funding ranged from \$44 million in New Hampshire to \$586 million in Georgia, as shown in the figure below.

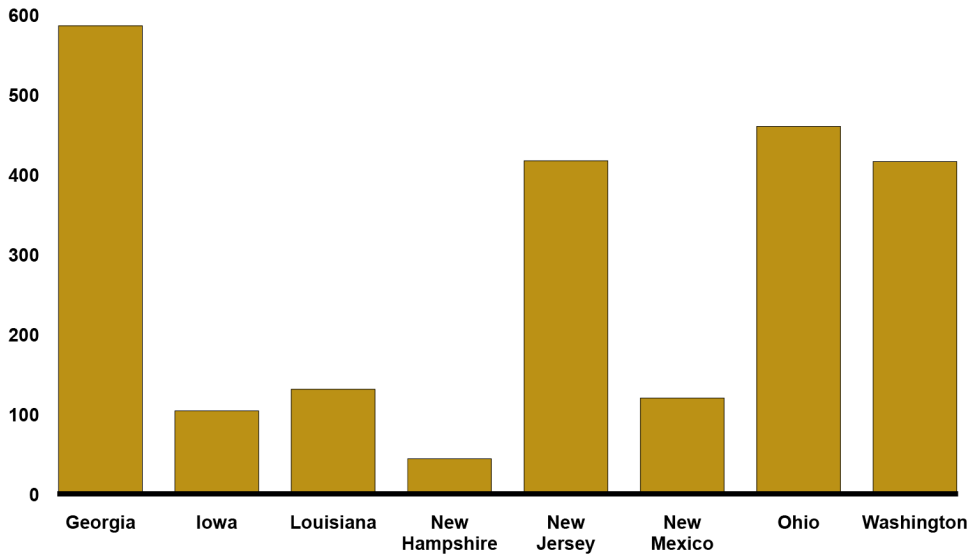
⁷⁴Improper payments are those that did not meet statutory, regulatory, or administrative requirements. CMS computes an annual rolling average of improper payment rates across all states based on a 3-year rotation cycle of 17 states each year. We designated Medicaid a high risk program in 2003, due in part to its susceptibility to improper payments. GAO's High-Risk Series identifies government operations with vulnerabilities to fraud, waste, abuse, and mismanagement, or in need of transformation to address economy, efficiency, or effectiveness challenges.

⁷⁵In November 2021, CMS released policy and operational strategies states can adopt to support their efforts to resume normal eligibility and enrollment operations.

⁷⁶States began reporting expenditure data for ARPA in October 2021; thus, complete data were not available at the time of our analysis.

Selected States' Estimates of Additional Federal Funding Attributable to Increased HCBS Federal Medicaid Assistance Percentage, July 2021

Dollars (in millions)



Source: GAO analysis of states' Home and Community Based Services (HCBS) spending plans. | GAO-22-105291

Note: Selected states submitted plans to the Centers for Medicare & Medicaid Services (CMS) estimating the amount of additional federal funding they expect to receive for HCBS and describing how the state will reinvest funding into proposed HCBS activities. State estimates are subject to CMS approval and actual expenditures.

Officials from all selected states acknowledged that HCBS are an important area for targeted funding, with officials from five states noting HCBS beneficiaries and providers were particularly affected by COVID-19. Most selected states' HCBS spending plans proposed workforce activities, such as payment increases or training for specified providers, and options to improve access to services, such as telehealth, as shown in the table below. Less commonly, states proposed other activities, such as IT infrastructure updates and expanding the number of beneficiaries eligible for HCBS.

Examples of Selected States' Proposed Home and Community-Based Services (HCBS) Activities, July 2021

Proposed activity ^a	Number of selected states ^b	Examples of proposed activities
Payments to providers	7	<p>New Mexico to provide temporary economic recovery payments to HCBS providers.</p> <p>New Jersey to increase payment rates for personal care assistants.</p> <p>New Hampshire to enhance payments to HCBS providers to support retention and recruitment.</p>
Education and training for providers	7	<p>Iowa to provide crisis response training for providers that serve people with disabilities.</p> <p>New Mexico to provide trainers and training resources for families providing In-Home Living Supports.</p> <p>Louisiana to provide training for community practitioners to support persons with intellectual and developmental disabilities.</p>
Improving access to HCBS	7	<p>Georgia to incorporate telehealth into HCBS.</p> <p>New Hampshire to deliver certain health care services in homeless shelters.</p> <p>Washington to purchase technology and equipment for providers and beneficiaries to deliver services remotely.</p>
Pilot new services or programs	6	<p>Iowa to expand the number of providers that deliver services for children with complex behavioral needs.</p> <p>New Hampshire to allow home modifications to allow for the elderly to receive care in their home.</p> <p>Washington to implement homeless outreach provider teams that specialize in mental health and substance use disorder.</p>

Source: GAO analysis of State Medicaid agency documentation. | [GAO-22-105291](#)

^aSelected states submitted plans to the Centers for Medicare & Medicaid Services (CMS) estimating the amount of additional federal funding they expect to receive for HCBS and describing how the state will reinvest state funds equivalent to the amount of federal funds attributable to the increased FMAP into proposed HCBS activities. Proposed activities are subject to CMS approval, which was in process for all eight selected states as of October 21, 2021. As of this date, CMS had given partial approval to the plans submitted by six selected states, but had requested additional information on one or more of their proposed activities. For the other two selected states, CMS was awaiting on additional information from the states to complete its initial review. On October 21, 2021, CMS launched a webpage on Medicaid.gov that includes all states' HCBS spending plans and a summary of related activities.

^bWe did not include Ohio in the count of states because the state did not indicate specific proposed activities in its HCBS spending plan submitted to CMS in July 2021.

Selected states have faced challenges implementing HCBS activities and receiving increased federal funds. ARPA established the HCBS FMAP increase to begin 3 weeks after its enactment, and CMS officials said the abbreviated timeline created challenges for CMS to develop related guidance and system changes. Officials from six selected states noted that CMS guidance issued to date has generally been helpful, but seven selected states highlighted ongoing challenges related to their efforts to take advantage of these funds and the need for additional guidance or clarification on eligible services and expenditure reporting. For example,

- Washington officials said they needed additional clarification from CMS on what types of behavioral health services are considered eligible HCBS activities.
- Officials from three selected states also expressed uncertainty about how to apply the FMAP increase to managed care payments, which CMS had not issued guidance on as of November 9, 2021.⁷⁷

In addition, at the time of our interviews, all eight selected states were still waiting for CMS's conditional approval of their HCBS spending plans. As of October 21, 2021, CMS had given partial approval to the plans submitted by six selected states but had requested additional information on one or more of their proposed activities before granting conditional approval. For the other two selected states, CMS was awaiting additional information from the states to complete its initial review. Given that states can receive an additional 10 percentage point match if, among other things, they reinvest state funds equivalent to the amount of federal funds attributable to the increased FMAP on eligible HCBS while the FMAP increase is still in effect, there is an incentive for states to implement their proposed activities quickly to maximize the federal match.⁷⁸ Four selected states expressed concerns that the delay in CMS's approval of their plans would affect their implementation of proposed activities and their ability to receive the maximum amount of funding available. For example, officials from New Mexico estimated they would receive approximately \$100 million less from the FMAP increase if they adjusted their timeline and reinvested most of their state spending in fiscal years 2023 and 2024 instead of fiscal year 2022, as was included in the state's original plan.

In addition to implementation concerns, officials from five of our selected states also raised concerns about the sustainability of HCBS enhancements they implement once the FMAP increase is no longer available.⁷⁹ For example:

- New Mexico officials were concerned about increasing the number of individuals receiving HCBS, knowing that the state would be responsible for funding the increased costs associated with their coverage after the increase in funding ends.
- Likewise, Iowa officials said their plan focused on infrastructure proposals that would support HCBS but require minimal state funding over time, while Ohio officials reported collaborating with their state legislature to develop proposed activities that would later be authorized.

⁷⁷Under managed care, states contract with managed care plans to provide a specific set of covered services in return for a fixed periodic payment per beneficiary. According to CMS guidance, states should report the portion of their managed care payment that is attributable to HCBS to receive the increased FMAP on that portion.

⁷⁸States have until March 31, 2024, to reinvest the additional funding into HCBS but can only receive the additional match once, on approved expenditures made by March 31, 2022. See Centers for Medicare & Medicaid Services, State Medicaid Director Letter #21-003. *Implementation of American Rescue Plan Act of 2021 Section 9817: Additional Support for Medicaid Home and Community-Based Services during the COVID-19 Emergency* (Baltimore, MD.: May 13, 2021)

⁷⁹The House of Representatives recently passed legislation that would provide a permanent 6 percentage point FMAP increase for a state that implements an HCBS improvement program and a 6 quarter increase to the FMAP of 2 percentage points if a state adopts an HCBS model that promotes self-direction of care and meets certain other requirements. It would also provide an 80 percent FMAP for administrative costs associated with improving HCBS. See H.R. 5376, 117th Cong. § 30712 (2021) (as passed by House, Nov. 19, 2021).

Methodology

To conduct this work, we reviewed federal laws, prior GAO reports, and CBO estimated expenditures for the FMAP increases included in FFCRA and ARPA. We also reviewed related CMS guidance, including guidance regarding states' eligibility for these funds and reporting of related expenditures, and interviewed CMS officials about steps they have taken to oversee states' efforts to obtain the various FMAP increases. We also interviewed Medicaid officials from eight states on their experiences implementing the different FMAP increases and reviewed their HCBS spending plans.⁸⁰ These states were selected based on variation in their location, program size, and approved Medicaid flexibilities. Information from these states is not generalizable across all states. We also reviewed CMS data on COVID-19-related Medicaid expenditures, which we determined are sufficiently reliable for the purpose of this enclosure.

Agency Comments

We provided a draft of this enclosure to HHS and the Office of Management and Budget for review and comment. HHS provided technical comments, which we incorporated as appropriate. The Office of Management and Budget did not provide comments on this enclosure.

GAO's Ongoing Work

We have ongoing work related to Medicaid and COVID-19, such as telehealth use during COVID-19, and will continue to review Medicaid program integrity.

GAO's Prior Recommendations

The table below presents our past matter for consideration by Congress on Medicaid funding from the June 2020 CARES Act report:

⁸⁰The eight states in which we interviewed state Medicaid officials are Georgia, Iowa, Louisiana, New Hampshire, New Jersey, New Mexico, Ohio, and Washington.

Prior GAO Matter for Congressional Consideration Related to Medicaid Funding

Matter	Status
To help ensure that federal funding is targeted and timely, we urge Congress to use GAO's Federal Medical Assistance Percentage formula for any future changes to the Federal Medical Assistance Percentage during the current or any future economic downturn. (June 2020)	Open —Our past work has found that during economic downturns-when Medicaid enrollment can increase and state economies weaken-the formula, which is based on each state's per capita income, does not reflect current state economic conditions. No congressional action has been taken as of December 2021.

Source: GAO. | [GAO-22-105291](#)

Related GAO Product

Medicaid Eligibility: Accuracy of Determinations and Efforts to Recoup Federal Funds Due to Errors. [GAO-20-157](#). Washington, D.C.: January 13, 2020.

Contact information: Carolyn L. Yocom, (202) 512-7114, yocomc@gao.gov

Nutrition Assistance

The Food and Nutrition Service should develop a comprehensive strategy for its nutrition assistance programs during national emergencies and further assist states in their efforts to obtain eligibility data for the Pandemic Electronic Benefits Transfer program.

Entities involved: Food and Nutrition Service, within the Department of Agriculture

Recommendation for Executive Action

The Secretary of Agriculture should ensure that the Administrator of the Food and Nutrition Service (1) develops a comprehensive strategy for the agency's nutrition assistance programs to respond to emergencies that includes lessons learned during the COVID-19 pandemic and a mechanism to periodically review and update the strategy, and (2) shares timely information with states and other stakeholders during development of the strategy to help inform their ongoing response to COVID-19.

The Secretary of Agriculture should ensure that the Administrator of the Food and Nutrition Service further assists state and local agencies in their efforts to obtain reliable and comprehensive eligibility data for the Pandemic Electronic Benefits Transfer program in order to determine eligibility and benefits amounts accurately.

The Department of Agriculture agreed with both recommendations.

Background

About 41.5 million individuals participated in the Supplemental Nutrition Assistance Program (SNAP) per month on average in fiscal year 2021, making it the largest federal nutrition assistance program. SNAP benefits totaled \$107.9 billion that year, a new historic high for the program.⁸¹ The Food and Nutrition Service (FNS), within the Department of Agriculture (USDA), administers SNAP and other programs, including the Pandemic Electronic Benefits Transfer program (Pandemic EBT); the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); and the Emergency Food Assistance Program (TEFAP).

Legislative and executive actions have resulted in increased funding for FNS's nutrition assistance programs and provided flexibilities in how states administer some programs during the COVID-19 pandemic (see table for COVID-19 funding and expenditures for selected programs). For example, in March 2020, the Families First Coronavirus Response Act (FFCRA) authorized the issuance of SNAP emergency allotments—additional benefits on top of regular SNAP benefits—during the national COVID-19 public health emergency.⁸² FFCRA also allowed FNS to adjust federal

⁸¹In nominal terms, SNAP benefits previously peaked at \$76.1 billion in fiscal year 2013. FNS released data on participation and expenditures for fiscal year 2021 in December 2021. The data are preliminary and subject to significant revision, as states finalize their data submissions to FNS.

⁸²Pub. L. No. 116-127, § 2302(a), 134 Stat. 178, 188 (2020). As of November 2021, 42 states continued to issue emergency allotments, according to FNS officials. Provisions in the Consolidated Appropriations Act, 2021 and the American Rescue Plan Act of 2021 (ARPA) led to an additional 15 percent increase in SNAP benefits from January through

requirements for SNAP related to issuing benefits, reviewing applications, and reporting data. FNS approved 34 states' requests to continue to take advantage of at least one adjustment, such as waiving certain interview requirements, through December 2021.

September 2021. Pub. L. No. 117-2, § 1101(a), 134 Stat. 4, 15; Pub. L. No. 116-260, div. N, tit. VII, § 702(a), 134 Stat. 1182, 2092. In August 2021, FNS released its reevaluation of the Thrifty Food Plan—the basis for determining SNAP benefit amounts—which was required by the Agriculture Improvement Act of 2018. See Pub. L. No. 115-334, § 4002, 132 Stat. 4490, 4624. Effective October 1, 2021, FNS's reevaluation led to about a 21 percent increase in SNAP benefits for a family of four. Thus, the benefit increase resulting from FNS's reevaluation of the Thrifty Food Plan, generally, more than offset the expiration of the 15 percent increase in SNAP benefits on September 30, 2021.

COVID-19 Funding and Expenditures for Selected Federal Nutrition Assistance Programs as of Nov. 2021

Program	Description	Total COVID-19 funding (\$) ^a	COVID-19 expenditures as of Nov. 30 2021 (\$)
SNAP	Provides low-income individuals and households with benefits to purchase allowed food items and achieve a more nutritious diet.	16.8 billion ^b	15.6 billion
		Indefinite appropriation ^c	15.0 billion
Pandemic EBT	Provides households with children who would have received free or reduced-price school meals if not for school closures due to COVID-19, as well as eligible children in childcare, with benefits to purchase food.	Indefinite appropriation ^d	42.4 billion
WIC	Provides eligible low-income women, infants, and children up to age 5 who are at nutrition risk with nutritious foods to supplement diets, information on healthy eating, and referrals to health care.	1.4 billion	710.5 million
TEFAP	Provides low-income individuals with groceries through food banks.	1.25 billion	1.1 billion

Legend: Pandemic EBT = Pandemic Electronic Benefits Transfer; SNAP = Supplemental Nutrition Assistance Program; TEFAP = the Emergency Food Assistance Program; WIC = Special Supplemental Nutrition Program for Women, Infants, and Children.

Source: GAO analysis of relevant provisions of the Families First Coronavirus Response Act; the CARES Act; the Consolidated Appropriations Act, 2021; and the American Rescue Plan Act of 2021 as well as information from the Food and Nutrition Service (FNS), within the Department of Agriculture. | [GAO-22-105291](#)

Note: This table provides information about selected programs and is not intended to provide comprehensive information about all federal nutrition assistance funding provided during the COVID-19 pandemic. For example, the Nutrition Assistance Program (not shown in the table above) provides block grants to Puerto Rico, American Samoa, and the Commonwealth of the Northern Mariana Islands to provide food assistance to low-income households and has expended \$1.3 billion in COVID-19 funding through November 2021.

^aAmounts shown from the Consolidated Appropriations Act, 2021 reflect amounts appropriated in Division N, pertaining to COVID-19 response and relief.

^bThe \$16.8 billion shown reflects total funding for SNAP provisions in COVID-19 relief laws that included a specific amount of funding. It does not include SNAP provisions from COVID-19 relief laws that included an indefinite appropriation. It also does not include SNAP emergency allotments, which are included in the regular annual SNAP appropriation, according to FNS.

^cThe Consolidated Appropriations Act, 2021 provided an indefinite appropriation for certain provisions, including a SNAP benefit increase of 15 percent through June 2021. The American Rescue Plan Act of 2021 extended the increase through September 2021.

^dThe Families First Coronavirus Response Act provided an indefinite appropriation for Pandemic EBT.

Overview of Key Issues

FNS lacks a comprehensive strategy for its nutrition assistance programs to respond to emergencies. As we have previously reported, FNS’s different nutrition assistance programs have varying eligibility requirements. In addition, programs vary in their capability to provide immediate aid in emergencies compared to their potential contributions to long-term recovery efforts. However, FNS does not have a documented strategy for how its different programs should respond to emergencies.

Several factors highlight the need for FNS to develop a comprehensive strategy for its response to the current pandemic and to future emergencies to help individuals and households maintain food security in times of heightened need. These factors include FNS’s (1) outdated pandemic plans; (2) new statutory authority to adjust program operations during the COVID-19 pandemic; (3) missed opportunities to coordinate with vendors across states; and (4) incomplete efforts to identify and incorporate lessons learned from the COVID-19 pandemic.

Outdated pandemic plans. At the onset of the COVID-19 pandemic, FNS had pandemic plans in place for several of its nutrition assistance programs, but the plans were outdated and did not always provide actionable guidance for FNS and state agencies.

FNS officials told us that the agency developed pandemic planning guidelines for SNAP in 2009 in response to the H1N1 influenza pandemic, but that it had not updated them until March 2020. When the COVID-19 pandemic emerged, the agency determined that some strategies included in the 2009 plan were not feasible. For example, officials said the 2009 plan directed states to operate Disaster SNAP in the event of a pandemic, but several factors impeded FNS's ability to use this program in response to the COVID-19 pandemic. For instance, FNS officials said that during the COVID-19 pandemic, the Federal Emergency Management Agency did not issue any declarations for individual assistance under the Robert T. Stafford Disaster Relief and Emergency Assistance Act—a prerequisite for operating Disaster SNAP. FNS officials also said that Disaster SNAP is a short-term recovery program that typically issues only one month of benefits and that, during this pandemic, it would be more beneficial for eligible households to apply for SNAP—as opposed to Disaster SNAP—since they could receive multiple months of benefits.

FNS officials also confirmed that the agency developed pandemic planning guidelines for WIC and TEFAP in 2007 and 2009 respectively, and has not updated them. However, officials noted that the agency provided additional communications on WIC and TEFAP implementation to states and other stakeholders during the COVID-19 pandemic through its website, question and answer documents, and other technical assistance.

New statutory authority to adjust program operations. Provisions of COVID-19 relief laws provided FNS and states with new authority to adjust their administration of nutrition assistance during the pandemic. For example, throughout the COVID-19 pandemic, states were able to request from FNS various adjustments to federal requirements for SNAP and WIC, such as waiving certain requirements for in-person services.

COVID-19 relief laws did not provide additional authority for FNS or states to adjust TEFAP operations, which, according to officials from the American Commodity Distribution Association and Feeding America, caused challenges for some states. For example, states must monitor some TEFAP activities on site, such as food storage procedures in warehouses, according to FNS officials. State officials had to determine how to conduct on-site monitoring safely during the pandemic, including instances when there had been recent cases of COVID-19 among warehouse staff. American Commodity Distribution Association officials said FNS had communicated that guidance on this issue was forthcoming for several months in 2020, but ultimately FNS did not publish the guidance.

Given the lessons learned, FNS has the opportunity to examine how it was able to operate its programs in light of the statutory authority it received to adjust some program operations during the COVID-19 pandemic, including how such authority may have affected FNS's and states' emergency responses. By doing so, FNS could be positioned to request certain authority to help the agency respond efficiently to a future emergency.

Missed opportunities to coordinate with vendors across states. State agencies have relied on contracts with vendors to implement several aspects of the COVID-19 response for their nutrition assistance

programs, according to officials from the American Public Human Services Association and Code for America. For example, all states needed to develop a process to implement the new Pandemic EBT program. FNS did not have a national contract with vendors that would have potentially allowed FNS to coordinate with states and vendors to procure goods or services that could apply across states, such as purchasing card stock for EBT cards that all states would need.

FNS officials acknowledged that, on occasion, states expressed concerns that competing with each other for limited resources required them to modify their timelines for SNAP and Pandemic EBT. This meant it took those states longer to implement the programs. However, FNS officials said that sharing resources or costs across states was not practical during COVID-19 because the agency had never done so in the past and speed was essential in FNS's response to the pandemic. Officials also said that sharing resources or costs across states would have been logistically difficult and would have created challenges based on reporting and other requirements that could have further delayed implementation of nutrition assistance programs during COVID-19. Officials noted that FNS facilitated a decision between states and their EBT vendors about how they would add Pandemic EBT benefits to accounts as an example of how FNS's national-level efforts attempted to create efficiencies for states and vendors implementing the program.

Incomplete efforts to identify lessons learned. FNS has identified and incorporated some lessons learned from earlier in the pandemic to adjust its current approach to responding to COVID-19, but has not yet done so extensively. For example, in November 2020, we reported that FNS initially required states to request extensions of certain SNAP adjustments each month, rather than offering them for multiple months—a process that created considerable uncertainty for states. In April 2021, FNS issued guidance on how states could request adjustments for multiple months through December 2021, or the month after the national COVID-19 public health emergency ends, whichever comes first. A SNAP official in one state noted that the multi-month approvals were a welcome change to FNS's process and helped them operate SNAP effectively as the pandemic continued.

Similarly, we previously reported that the timing of FNS's decisions about WIC waivers caused uncertainty among states, such as when local WIC offices would need to return to in-person services. In September 2020, FNS extended certain WIC waivers until 30 days after the COVID-19 public health emergency ends, which provided states greater clarity on waivers available for WIC. In September 2021, FNS further extended the expiration of certain WIC waivers until 90 days after the end of the public health emergency. FNS officials said the agency has also begun studying the use and effect of WIC waivers granted during the pandemic and plans to issue a report as early as 2022.

FNS officials described other key lessons learned from the COVID-19 pandemic that apply to its nutrition programs:

- They said communication was essential and that, in the early months of the pandemic, the time it took USDA to finalize and communicate policies presented major challenges to those on the frontlines.
-

They also acknowledged that emergencies tend to exacerbate existing inequalities and made the response more difficult. They said that the pandemic disproportionately affected food insecurity for people of non-White races and ethnicities—disparities that are linked to long-standing, structural issues that they said FNS must be deliberate about addressing in the pandemic recovery and future reforms.

Though FNS has identified and incorporated some lessons learned from earlier in the pandemic to improve operations, the agency has not taken steps to do so comprehensively. Specifically:

- *Pandemic EBT*: Officials from all five states we interviewed said FNS had not yet solicited feedback on Pandemic EBT lessons learned. FNS officials confirmed that the agency had not conducted formal data collection on lessons learned for the program, though officials noted they have collected some information on lessons learned through listening sessions, conference calls with regional groups of states, and working with states to develop their Pandemic EBT plans.
- *SNAP*: Officials in four states said FNS had not yet solicited feedback on SNAP lessons learned, though FNS officials told us they have collected some anecdotal information from states on lessons learned and expect to learn more when states submit reports to FNS on the SNAP adjustments they used during the pandemic.
- *TEFAP*: Feeding America and the American Commodity Distribution Association officials said they were not aware of FNS efforts to identify lessons learned for TEFAP during the pandemic, and FNS officials confirmed that the agency did not institute a formal process to gather information from TEFAP stakeholders.

Officials from the American Public Human Services Association also indicated that they were not aware of FNS efforts to engage stakeholders on lessons learned and said that FNS could be more proactive and strategic in this regard.⁸³

According to FNS officials, the agency has not comprehensively identified lessons learned for its nutrition assistance programs because the COVID-19 pandemic is ongoing. Officials said the agency would likely conduct this effort after the COVID-19 pandemic has ended. However, as described above, in some instances FNS has been able to use lessons learned during COVID-19 to improve operations in real time. While the COVID-19 pandemic is ongoing, FNS has the opportunity to analyze how its programs have responded to the pandemic thus far and then take action to better support states in operating these programs and assist individuals and households in need of nutrition assistance.

USDA has strategic goals to ensure it delivers its programs efficiently and effectively and to provide all Americans access to a safe, nutritious, and secure food supply.⁸⁴ In addition, the Department

⁸³In October 2021, we recommended that USDA document its plan to analyze lessons learned during the pandemic for its child nutrition programs, such as the National School Lunch Program and the Summer Food Service Program. USDA generally agreed with this recommendation.

⁸⁴Department of Agriculture, *USDA Strategic Plan: FY 2018-2022* (Washington, D.C.: May 2018).

of Homeland Security’s National Response Framework—a guide to how the nation responds to all types of disasters and emergencies—specifies that evaluation and continual process improvement are cornerstones of effective preparedness.⁸⁵

With a comprehensive strategy for administering its nutrition assistance programs during crises, FNS would be better prepared to leverage the strengths of its programs and respond efficiently during future emergencies. A national strategy that includes lessons learned from the COVID-19 pandemic and a process to ensure FNS periodically reviews and updates the strategy could help FNS provide a quick and coordinated response to the ongoing pandemic and future emergencies. Implementing such a strategy could mitigate food insecurity and help ensure consistent access to safe and nutritious food for all Americans, including those disproportionately affected by the COVID-19 pandemic.

FNS has not provided sufficient assistance to state and local agencies to ensure they collect reliable and comprehensive eligibility data for Pandemic EBT. State SNAP agencies have encountered challenges obtaining reliable and comprehensive information regarding students’ eligibility to receive Pandemic EBT, according to FNS officials, but FNS has not provided sufficient assistance to help states overcome these challenges. Currently, state SNAP agencies issue Pandemic EBT benefits based on information obtained from states’ educational agencies on students’ eligibility to receive free or reduced-price meals through the National School Lunch Program (NSLP) and on school operating status.⁸⁶ Because state SNAP agencies are responsible for issuing benefits to eligible students, the SNAP agencies have collaborated with educational agencies to obtain data regarding Pandemic EBT eligibility. However, selected state SNAP agency officials have reported challenges to obtaining data through this process.⁸⁷ Specifically:

- *Challenges to data timeliness.* SNAP officials we interviewed in selected states said that obtaining data from their state’s educational agency was a challenge that impeded their efforts to issue Pandemic EBT in a timely manner. For example, officials in one state said that, at the onset of the pandemic, a state law prohibited data sharing between the state educational agency and the state SNAP agency. FNS officials said challenges collecting eligibility data have led to delays in states issuing Pandemic EBT benefits to students—an issue that has led to students receiving Pandemic EBT benefits several months after they missed the school meals that those benefits were intended to replace. Code for America officials, who provided Pandemic EBT technical assistance to several states, said that delays in benefit issuance or challenges with incomplete data may disproportionately affect the most vulnerable, highest need families.

⁸⁵Department of Homeland Security, *National Response Framework, Fourth Edition* (Washington, D.C.: Oct. 2019) and *Third Edition* (Washington, D.C.: June 2016).

⁸⁶States, school districts, and schools identify children who are eligible to receive free or reduced-price meals through the NSLP, and determine Pandemic EBT benefit levels based on the number of days that eligible students did not receive meals at school due to the COVID-19 public health emergency. State SNAP agencies identify SNAP-enrolled children who are eligible for Pandemic EBT’s childcare benefit.

⁸⁷For additional information on challenges states experienced implementing Pandemic EBT, see Urban Institute and American Public Human Services Association, *Documenting Pandemic EBT for the 2020-21 School Year: State Perspectives on Implementation Challenges and Lessons for the Future* (Washington, D.C.: Oct. 2021).

- *Challenges to data reliability.* FNS officials said state SNAP agencies encountered challenges to obtaining reliable and comprehensive NSLP eligibility data and school operating status information from state educational agencies. Prior to the pandemic, state educational agencies did not track whether students were learning in-person, remotely, or via a hybrid model. State SNAP agencies needed this information to determine students' eligibility and benefit amounts for Pandemic EBT accurately.⁸⁸

Our review of 50 state Pandemic EBT plans found that state educational agencies' capabilities in compiling students' NSLP data and school operating status varied by schools, districts, and states. For example, a few states had existing systems—or created systems during the pandemic—that could centralize data on students' NSLP participation and school operating status, whereas other states had antiquated systems that required manually tracking thousands of participating students. In one instance, a state SNAP official told us they contacted every school in their state directly to obtain individual spreadsheets of students eligible for Pandemic EBT. Code for America noted that issues with accuracy and reliability are pervasive in education data sets. Reliable and comprehensive NSLP data and school operating status information from state educational agencies can help state SNAP agencies confirm that (1) they have issued Pandemic EBT benefits to all eligible students, and (2) students received the correct amount of benefits.

Given these challenges, state SNAP officials we interviewed said they needed more assistance from FNS to help them obtain the data they need to accurately determine Pandemic EBT eligibility from state educational agencies. FNS officials said they posted approved Pandemic EBT plans online so states could see how other states were addressing data collection challenges. They also said FNS regional office staff convened states to share ideas. FNS officials acknowledged that states faced constraints identifying students who were eligible for Pandemic EBT, but said federal NSLP data cannot be used to determine Pandemic EBT eligibility because the data do not include student identifiers. FNS officials also said that FNS could do little to ensure states had correct data on Pandemic EBT-eligible students because ensuring the reliability of NSLP eligibility and school operating status data is a state and local responsibility.

FNS officials further noted that flexibilities allowing states to provide free school meals to all students for school years 2020-21 and 2021-22 may hinder states' and school districts' efforts to collect comprehensive data on NSLP eligibility. The officials said that parents or guardians may not realize that some students who do not receive SNAP but would otherwise meet Pandemic EBT eligibility requirements may not receive benefits if those students are not registered for NSLP. FNS allows school districts to use the most recent lists of children eligible for free or reduced-price school meals to determine Pandemic EBT eligibility. FNS guidance emphasizes that school districts must provide an opportunity for new students and those who have become newly income-eligible for free or reduced-price school meals to establish their eligibility. However, given that students can still receive free meals without submitting new applications, parents of many students eligible for Pandemic EBT may not have been actively encouraged to provide the information needed to access benefits.

⁸⁸FNS officials noted that these data challenges are somewhat mitigated during the summer, when state agencies do not need to track school operating status.

As mentioned before, USDA has strategic goals to ensure it delivers its programs efficiently and effectively and to provide all Americans access to a safe, nutritious, and secure food supply. Furthermore, *Standards for Internal Control in the Federal Government* state that management should use quality information to achieve its objectives. According to these standards, quality information is appropriate, accurate, current, complete, and provided on a timely basis. While state educational agencies directly manage Pandemic EBT eligibility data, FNS should take steps to improve the reliability of the data to ensure program integrity and meet programmatic goals. For example, FNS could provide additional guidance or templates to state and local educational agencies to help them collect the specific data needed for Pandemic EBT.

By providing further assistance to states and local agencies to collect reliable and comprehensive data, FNS has the potential to improve students' and their families' access to Pandemic EBT as well as ensure program integrity through accurately determining eligibility and benefit amounts. For example, FNS may be able to alleviate significant delays in issuing Pandemic EBT benefits moving forward to help ensure the program is operating efficiently and effectively and that participants receive benefits in a timely manner. Also, FNS can have assurance that states have identified all eligible students for Pandemic EBT and that only eligible students are receiving benefits.

FNS has determined that Pandemic EBT is at high-risk for improper payments and is taking measures to mitigate risks. In summer 2021, FNS assessed Pandemic EBT for susceptibility to significant improper payments. Similar to what we reported in July 2021, FNS found that some factors indicated the potential for susceptibility to significant improper payments, including that eligibility decisions and payments are made by state or local government agencies, a risk factor noted in the Payment Integrity Information Act of 2019. According to FNS officials, provisions of FFCRA encouraged states to use the best feasible data to issue Pandemic EBT benefits in a timely manner, and FFCRA does not demand or expect precision in identifying eligible children or calculating benefit amounts.

FNS's Office of the Chief Financial Officer has reviewed FNS's improper payment risk assessment for Pandemic EBT and found the program to be at high-risk for improper payments. This designation triggered several improper payment reporting deliverables that will be due throughout fiscal year 2022, according to FNS. Additionally, FNS officials said an FNS workgroup has developed a protocol to provide oversight of state agencies for Pandemic EBT. The workgroup reviewed six states using the protocol in August and September 2021, and will use that information for an internal report on common strengths and weaknesses across the states. FNS officials said the report will also inform any additional mitigation and corrective action necessary for Pandemic EBT. FNS officials noted that the protocol may benefit the agency's administration of other emergency programs or a future permanent program modeled on Pandemic EBT.

FNS continues to modernize WIC to help promote access to benefits. FNS officials provided updates on several ongoing WIC efforts during the pandemic.

WIC Task Force. The Task Force submitted a report to USDA on September 30, 2021, that recommended (1) use of online ordering and purchasing that follows commercial models and best practices, and (2) proposed regulatory changes that will enhance innovation and reduce barriers

to online shopping.⁸⁹ USDA subsequently submitted a report to Congress that included a plan to carry out the recommendations received and an assessment of whether legislative changes are necessary to address such recommendations.⁹⁰ National WIC Association officials said WIC has consistently trailed behind SNAP in offering online purchasing because the statute and regulations governing WIC generally prohibit states from allowing transactions without the physical presence of a client and cashier.⁹¹

WIC benefit increase. USDA increased the cash-value voucher for fruits and vegetables in fiscal year 2021, with a cost of \$114.7 million.⁹² This increased benefit expired on September 30, 2021; however, the Extending Government Funding and Delivering Emergency Assistance Act temporarily increased the WIC cash-value voucher again.⁹³ National WIC Association officials said that maintaining this increased benefit is important because it has helped keep participants on WIC, and that consuming more fruits and vegetables is likely to provide health benefits.

WIC program modernization. FNS conducted more than 30 listening sessions with program stakeholders, such as state and local agencies and WIC recipients, and FNS shared an investment framework with state agencies to guide the use of \$390 million in American Rescue Plan Act of 2021 (ARPA) funds.⁹⁴

Return to in-person WIC operations. As of December 2021, 88 of the 89 WIC state agencies were still using the physical presence waiver, which allows agencies to deliver WIC services remotely, though some states were offering both in-person and remote appointments.⁹⁵ According to FNS officials, challenges state agencies face in reopening in-person services include participants' concern about coming into WIC clinics, especially with children who are too young to be vaccinated against COVID-19, as well as clinic staff's hesitancy to return to an office to provide services.

⁸⁹In response to a Consolidated Appropriations Act, 2021 requirement, FNS established a WIC Task Force in March 2021 to study how to streamline and promote convenient, safe, and equitable access to WIC benefits. For the report, see USDA Task Force on Supplemental Foods Delivery, *Task Force on Supplemental Foods Delivery in the WIC Program: Recommendations Report*, (Washington, D.C.: Sept. 2021).

⁹⁰The Consolidated Appropriations Act, 2021 required (1) the WIC Task Force to submit a report to USDA on the study results and related recommendations by September 30, 2021, and (2) USDA to submit a report to Congress within 45 days of receiving the Task Force report.

⁹¹In addition to convening the WIC Task Force, in fall 2020, FNS awarded a \$2.5 million, 3-year competitive grant to the Gretchen Swanson Center for Nutrition to develop and test a safe and secure model for online ordering in WIC. In December 2021, the center issued subgrants to states and was in the process of developing guidance and best practices for WIC online ordering.

⁹²ARPA provided \$490 million to USDA to offer a temporary increase of up to \$35 per month to the WIC cash-value voucher for fruits and vegetables during the pandemic. Pub. L. No. 117-2, § 1105(e), 135 Stat. 4, 17. The WIC cash-value voucher allows participants to purchase fruits and vegetables at grocery stores and farmers markets.

⁹³The Extending Government Funding and Delivering Emergency Assistance Act increased the WIC cash-value voucher for fruits and vegetable to an amount recommended by the National Academies of Science, Engineering and Medicine and adjusted for inflation. Pub. L. No. 117-43, § 118, 135 Stat. 344, 348 (2021). According to USDA officials, for the first quarter of fiscal year 2022, the value was \$24 for children, \$43 for pregnant and postpartum women, and \$47 for fully and partially breastfeeding women.

⁹⁴ARPA provided \$390 million to USDA to remain available through fiscal year 2024, for WIC outreach, innovation, and program modernization efforts, including offering waivers and flexibilities to states, to increase participation and benefit redemption. Pub. L. No. 117-2, § 1106, 135 Stat. 4, 17.

⁹⁵WIC state agencies include 50 states, the District of Columbia, five territories, and 33 Indian Tribal Organizations.

FNS continues to face challenges operating TEFAP, but added a fresh produce option and funds to increase access. FNS officials provided updates on several ongoing TEFAP efforts during the pandemic.

Canceled TEFAP orders. Canceled TEFAP orders due to pandemic-induced supply chain issues continue to be a challenge for FNS and states. FNS data for fiscal year 2021 show that 22 percent of TEFAP orders were canceled—totaling about 13,000 truckloads with a value of nearly \$540 million.⁹⁶

TEFAP fresh produce initiative. Forty-four state agencies ordered about 1.7 million TEFAP mixed fresh produce boxes for delivery to states and food banks from June to December 2021, with an estimated total value of \$13 million. FNS expects to continue offering these boxes into fiscal year 2022. Feeding America and the American Commodity Distribution Association support FNS continuing the fresh produce initiative. Food banks prefer purchasing fresh produce in bulk because bulk purchases result in cost savings, streamlined distribution, efficient storage, and greater acceptance of produce from participating families.

Additional funds to support emergency feeding programs. As a result of ARPA, in June 2021, FNS announced its plan to provide \$1 billion to support and expand the emergency food network, including \$500 million for TEFAP food, \$100 million for infrastructure needs, and \$400 million for cooperative agreements for state agencies to support local and regional procurement.⁹⁷ FNS officials said these funds will support local organizations and rural, remote, and underserved communities. According to Feeding America and American Commodity Distribution Association officials, TEFAP is a critical part of how food banks provide emergency food assistance, and is particularly important in rural communities, where families may have limited access to resources, especially during the pandemic.

Methodology

We reviewed FNS data on program participation through September 2021 that were released in December 2021 and FNS data on expenditures as of November 30, 2021—the most recent data available at the time of our analysis. We determined these data were sufficiently reliable for our purposes by reviewing program documentation, discussing the data with knowledgeable FNS officials, and conducting manual testing for outliers or other errors.

We interviewed FNS officials, as well as SNAP officials in five states—California, Illinois, Louisiana, Montana, and Virginia—selected for a variety of factors, including states’ overall SNAP participation rates, requests for certain SNAP adjustments during the pandemic, and geographic diversity. In these interviews, we discussed experiences administering nutrition assistance programs during the pandemic and FNS’s guidance and assistance to states. We also interviewed

⁹⁶As we reported previously, canceled TEFAP orders result from a variety of supply chain issues reported by vendors that affect product availability, including shortages of raw materials and transportation challenges.

⁹⁷In August 2021, USDA offered states up to \$100 million of the \$500 million in food funds to support state administrative expenses; the remaining funds were used to purchase additional food for TEFAP through the end of fiscal year 2021. USDA is currently approving implementation plans and proposal documents to allocate the \$100 million in infrastructure funds and \$400 million for cooperative agreements.

officials from the American Commodity Distribution Association, the American Public Human Services Association, Code for America, Feeding America, and the National WIC Association. These organizations represent state and local stakeholders who have implemented nutrition assistance programs during the pandemic. Finally, we reviewed relevant federal laws, FNS guidance, and relevant documents.

Agency Comments

We provided a draft of this enclosure to USDA and the Office of Management and Budget (OMB) for review and comment. USDA agreed with both recommendations. With regard to the first recommendation, USDA emphasized that the department must balance developing a comprehensive strategy with the resources needed for responding to the ongoing COVID-19 pandemic. USDA noted that it would analyze lessons learned during the pandemic based on input from states and other stakeholders to implement short-term solutions, which will inform the department's development of a long-term, comprehensive strategy. With regard to the second recommendation, USDA noted that it would focus its efforts on facilitating the transfer of eligibility data for child nutrition programs across state and local agencies to support the administration of future emergency programs and USDA's permanent nutrition assistance programs. The department noted that it would work to develop tools or processes that states may adopt at their option, given USDA's limited authority to impose data management solutions on state and local agencies.

USDA also provided technical comments, which we incorporated as appropriate. OMB did not provide comments.

GAO's Ongoing Work

We will continue to monitor program integrity in FNS's nutrition assistance programs, as well as the agency's efforts to develop a comprehensive strategy for its nutrition assistance programs to respond to emergencies and the agency's work to ensure states have sufficient, reliable data to implement Pandemic EBT accurately and equitably.

GAO's Prior Recommendations

The table below presents our recommendation on nutrition assistance from a prior bimonthly CARES Act report.

Prior GAO Recommendation Related to COVID-19 Nutrition Assistance

Recommendation	Status
The Secretary of Agriculture should ensure that the Administrator of the Food and Nutrition Service (FNS) (1) provides sufficient context to help stakeholders and the public understand and interpret data on federal nutrition assistance programs during the pandemic and (2) discloses potential sources of error that may affect data quality during the pandemic, such as manual processing. For example, the agency could publish key information from its internal communications plan that it developed for the January 2021 data release and include additional table notes in subsequent data releases to help explain these issues. (March 2021 report)	Closed—addressed. FNS generally agreed with this recommendation and took action to address it. In March 2021, FNS reconfigured its data system so that manual processing would no longer be necessary. By doing so, FNS has removed potential sources of error that affected data quality earlier in the COVID-19 pandemic. The agency also added several table notes to data it released in April 2021 to help provide stakeholders and the public with sufficient context to understand and interpret key data.

Source: GAO. | [GAO-22-105291](#)

Related GAO Products

National Preparedness: Additional Actions Needed to Address Gaps in the Nation's Emergency Management Capabilities. [GAO-20-297](#). Washington, D.C., May 4, 2020.

Standards for Internal Control in the Federal Government. [GAO-14-704G](#). Washington, D.C., September 10, 2014.

Contact information: Kathryn A. Larin, (202) 512-7215, larink@gao.gov

Unemployment Insurance Programs

Weekly claims for CARES Act unemployment insurance benefits declined considerably after those programs expired in September 2021, and regular unemployment insurance claims were generally similar to prepandemic levels in November and December. States continued to address challenges resulting from historic numbers of claims during the COVID-19 pandemic—such as delayed benefit payments and increased amounts of overpayments—that have future implications.

Entity involved: Department of Labor

Background

The unemployment insurance (UI) system is a federal-state partnership that provides temporary financial assistance to eligible workers who become unemployed through no fault of their own. States design and administer their own UI programs within federal parameters. The Department of Labor (DOL) oversees states' compliance with federal requirements, such as by ensuring that states pay benefits when they are due. Regular UI benefits, which have been provided by state UI programs since before the CARES Act was enacted, are funded primarily through state taxes levied on employers.⁹⁸ These benefits are intended to replace a portion of a claimant's previous employment earnings, according to DOL.

The CARES Act created three federally funded temporary UI programs that expanded benefit eligibility and enhanced benefits during the COVID-19 pandemic. These programs, which were amended by the Consolidated Appropriations Act, 2021 and the American Rescue Plan Act of 2021, expired in September 2021. About half of the states, however, ended their participation in at least one of these programs in June or July, according to DOL. These temporary UI programs were:

1. Pandemic Unemployment Assistance (PUA), which authorized UI benefits for individuals not otherwise eligible for UI benefits, such as self-employed and certain gig economy workers, who were unable to work as a result of specified COVID-19-related reasons.⁹⁹
2. Federal Pandemic Unemployment Compensation (FPUC), which generally authorized an additional weekly benefit for individuals who were eligible for weekly benefits under the regular UI or CARES Act UI programs.¹⁰⁰
3. Pandemic Emergency Unemployment Compensation (PEUC), which generally authorized additional weeks of UI benefits for those who had exhausted their regular UI benefits.¹⁰¹

In addition, the Consolidated Appropriations Act, 2021 created the Mixed Earner Unemployment Compensation (MEUC) program, which was extended by the American Rescue Plan Act of 2021

⁹⁸To be eligible for regular UI benefits, applicants generally must be able and available to work and actively seeking work. 42 U.S.C. § 503(a)(12). Administration of the regular UI program is financed by a federal tax on employers, according to DOL.

⁹⁹Pub. L. No. 116-136, § 2102, 134 Stat. 281, 313 (2020), as amended.

¹⁰⁰Pub. L. No. 116-136, § 2104, 134 Stat. at 318, as amended.

¹⁰¹Pub. L. No. 116-136, § 2107, 134 Stat. at 323, as amended.

and expired in September 2021.¹⁰² According to DOL, the MEUC program was intended to cover regular UI claimants whose benefits did not account for significant self-employment income and who thus may have received a lower regular UI benefit than they would have received had they been eligible for PUA.¹⁰³

DOL required states to process and pay PUA, FPUC, PEUC, and MEUC benefits to eligible claimants for all weeks of unemployment before the programs ended due to early termination or expiration. In August 2021, the Secretary of the Treasury and the Secretary of Labor issued a joint letter to Congress affirming that states and territories also had the option to use Coronavirus State and Local Fiscal Recovery Funds from the American Rescue Plan Act of 2021 to provide additional weeks of income support to workers whose benefits had expired in September 2021 and to workers who were not covered by the regular UI program. However, DOL officials told us they were not aware of any states or territories that had used this funding for these purposes as of November 2021. Officials said one explanation may be that some states had already committed these funds for other purposes. They noted that states do not report to DOL on how they use these funds, because the funds are administered by the Department of the Treasury.

During the pandemic, regular UI claimants who exhausted their regular UI and PEUC benefits in certain states also had access to the Extended Benefits program. The program, which existed before the pandemic and provides up to an additional 13 or 20 weeks of benefits, is activated in states during periods of high unemployment, according to DOL.¹⁰⁴

Because of high numbers of UI claims during the pandemic, some states have held substantial federal loans to pay UI benefits.¹⁰⁵ As of December 31, 2021, nine states and one territory held federal loans totaling about \$39.9 billion, which is two states less and approximately \$5.4 billion less than we reported in October 2021.¹⁰⁶ Following guidance from Treasury, some states used

¹⁰²The MEUC program, which was voluntary for states, authorized an additional \$100 weekly benefit for certain UI claimants who received at least \$5,000 of self-employment income in the most recent tax year prior to their application for UI benefits. Pub. L. No. 117-2, § 9013(a), 135 Stat. 4, 119; Pub. L. No. 116-260, div. N, tit. II, § 261(a)(1), 134 Stat. 1182, 1961.

¹⁰³According to DOL, 51 states and territories elected to participate in the MEUC program, with Idaho and South Dakota opting not to participate, but 23 states terminated their participation in June or July 2021. The remaining 28 states and territories continued participating in the MEUC program until it expired in September 2021, including Maryland, which intended to terminate participation but did not because of litigation at the state level, according to DOL. As of November 2021, not all participating states and territories had begun paying MEUC benefits, according to DOL.

¹⁰⁴After the PEUC program ended, Extended Benefits were available to claimants who exhausted their regular UI benefits in certain states. DOL reported that as of January 9, 2022, the Extended Benefits program was activated in two states and territories because of high levels of unemployment. The Extended Benefits program was activated in all states except South Dakota at some point during the pandemic, according to DOL.

¹⁰⁵While the CARES Act UI programs were federally funded, regular UI is funded primarily through state and federal taxes on employers. When a state exhausts the funds available for regular UI benefits, it may borrow from the federal government. According to DOL data, even before the pandemic, many states were not collecting enough UI tax revenue to satisfy the solvency standard specified in DOL regulations providing for interest-free loans to states. See 20 C.F.R. § 606.32.

¹⁰⁶Under federal law, the accrual of interest was suspended through early September 2021. As we previously reported, the number of states holding federal loans to pay UI benefits, and the total amount of these loans, decreased slightly in late summer 2021. According to DOL officials, this decrease likely occurred because some states repaid these loans in full before they began accruing interest, and others repaid part of their loan balances to reduce the amount that would be subject to ongoing interest.

Coronavirus Relief Fund payments to reduce or prevent federal loan balances.¹⁰⁷ In addition, states may use Coronavirus State and Local Fiscal Recovery Funds from the American Rescue Plan Act of 2021 to restore their UI trust funds or to repay federal loan balances.¹⁰⁸ As of November 2021, interim reports for some states indicated that they planned to contribute some of these funds to their UI trust funds.¹⁰⁹

Overview of Key Issues

Claims for CARES Act UI benefits declined considerably after those programs expired, and claims for regular UI benefits were generally similar to prepandemic levels in November and December 2021. After the CARES Act UI programs expired in early September 2021, initial PUA claims fell nationwide from 102,521 in late August to 17,267 in late September, and continued PUA and PEUC claims fell from about 9.3 million to 989,538 during that time, according to DOL.¹¹⁰

Initial claims for regular UI benefits in November and December 2021 were generally similar to prepandemic levels. During that time, the number of regular UI initial claims submitted each week ranged from about 8 percent higher to about 17 percent lower than the number submitted during the corresponding weeks in 2019. For example, during the week ending on December 18, 2021, DOL reported that 255,021 initial claims for regular UI benefits were submitted nationwide, which was about 11 percent lower than the number submitted during the corresponding week in 2019.

According to DOL officials, the number of continued claims may be a better measure of continuing demand for benefits than the number of initial claims. Continued claims for regular UI benefits were similar to prepandemic levels from mid-November through mid-December 2021. During that time, the number of regular UI continued claims ranged from about 12 percent higher to about 8 percent lower than the number submitted during the corresponding weeks in 2019. For example, during the week ending on December 18, 2021, DOL reported that about 1.6 million continued

¹⁰⁷The CARES Act established the \$150 billion Coronavirus Relief Fund to provide payments to state, local, territorial, and tribal governments to cover the costs of necessary expenditures incurred because of the COVID-19 pandemic. Pub. L. No. 116-136, § 5001, 134 Stat. 281, 501-504. In its guidance on the Coronavirus Relief Fund, Treasury reported that states may use this funding to make payments to their state UI trust funds to prevent expenses related to the COVID-19 public health emergency from causing these UI trust funds to become insolvent. The Consolidated Appropriations Act, 2021 extended the period for states and other entities to use these funds through December 31, 2021. Pub. L. No. 116-260, div. N, tit. X, § 1001, 134 Stat. 1182, 2145.

¹⁰⁸Coronavirus State and Local Fiscal Recovery Funds, 86 Fed. Reg. 26,786, 26,822 (May 17, 2021). Funds may be used to restore a state's unemployment trust fund to its balance on January 27, 2020, or to pay back advances received for the payment of benefits between January 27, 2020, and May 17, 2021. 31 C.F.R. § 35.6(b)(5).

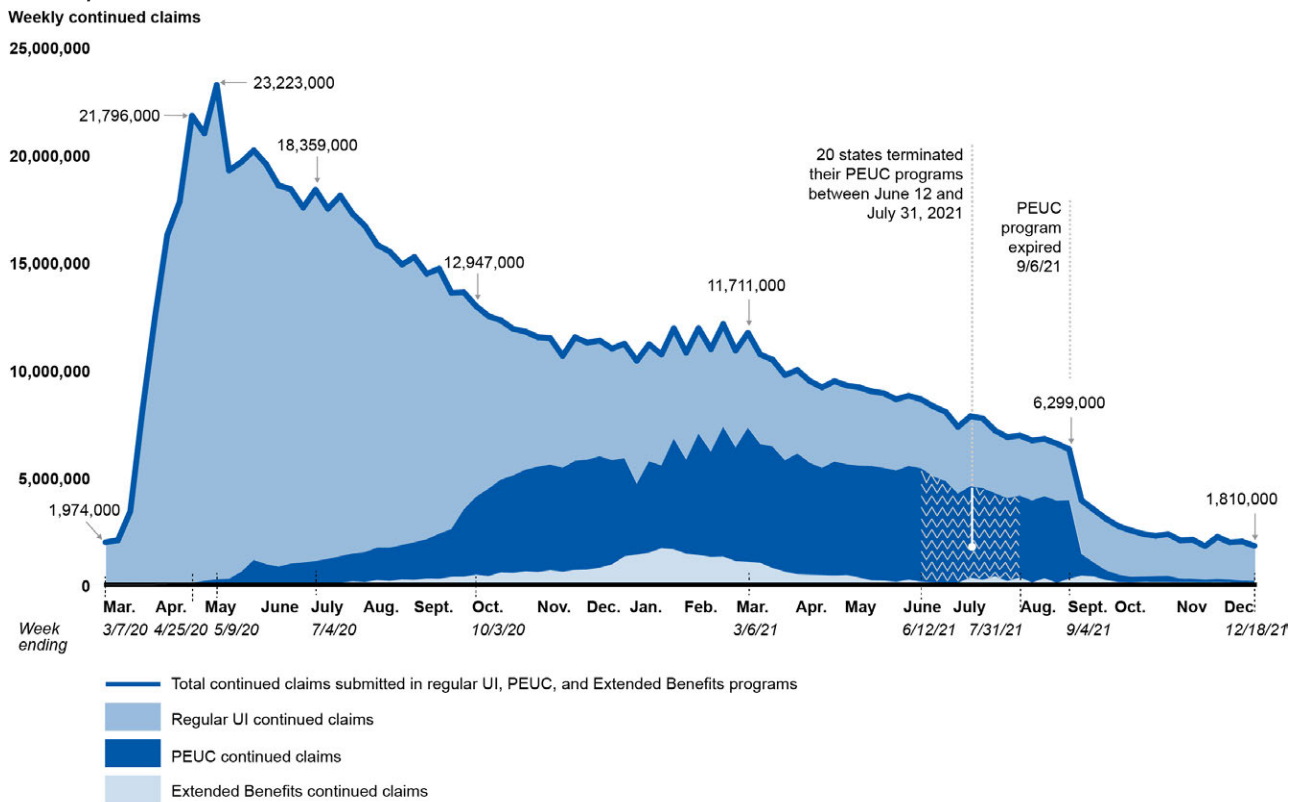
¹⁰⁹Interim reports were not publicly available for all states.

¹¹⁰Claims counts are for the weeks ending on August 28, 2021, and September 25, 2021, and are not seasonally adjusted. An initial claim is the first claim filed by an individual to determine eligibility for UI benefits after separating from an employer. According to DOL, after filing an initial claim to establish eligibility for UI benefits, individuals then generally file a continued claim on a weekly basis to claim benefits for the preceding week of unemployment. States continued to receive some PUA and PEUC claims after the programs expired. For 30 days after the PUA program ended, DOL required states to continue accepting new PUA applications for weeks of unemployment before the program ended. States were also required to accept new PEUC and MEUC applications for weeks of unemployment before those programs ended, if state law allowed claims to be backdated.

claims for regular UI benefits were submitted nationwide, which was about 8 percent lower than the number submitted during the corresponding week in 2019.¹¹¹

During the pandemic, the number of regular UI continued claims submitted each week declined overall after the peak in late April and early May 2020 through December 2021 (see figure). Although some of the decline in regular UI claims was due to claimants' finding employment, the decline was also likely due to other factors, such as claimants' exhausting regular UI benefits and beginning to claim PEUC—prior to the program's expiration in September 2021—or other benefits.

Weekly Continued Claims Submitted Nationwide for Regular UI, PEUC, and Extended Benefits, Mar. 1, 2020–Dec. 18, 2021



Source: GAO analysis of Department of Labor data on continued claims under the regular unemployment insurance (UI), Pandemic Emergency Unemployment Compensation (PEUC), and Extended Benefits programs. | GAO-22-105291

Note: After exhausting regular UI benefits—generally available for up to 26 weeks in most states, according to the Department of Labor (DOL)—eligible individuals were generally able to apply for (1) PEUC; then (2) the Extended Benefits program, if activated in a state; and then (3) Pandemic Unemployment Assistance (PUA) benefits, in certain circumstances. PEUC and PUA expired on September 6, 2021. The weekly counts of continued claims shown are not seasonally adjusted. Counts are from DOL data that include any adjustments submitted by states as of January 6, 2022. All 53 states and territories reported regular UI claims in each week shown. The number of states and territories reporting PEUC claims varied by week; for example, fewer than half of the states and territories reported data before mid-May 2020 and at least 50 states and territories reported data each week from mid-July 2020 through mid-June 2021, when certain states began terminating their PEUC programs. The

¹¹¹During the week ending on December 18, 2021, states also reported that 87,850 continued claims were submitted in other programs, including those for Extended Benefits, federal employees and former service members, state additional benefit programs, and Short-Time Compensation or work-sharing. In addition, states reported continued claims submitted that week for the PUA and PEUC programs, which had expired on September 6, 2021. According to DOL, these continued claims were for weeks of unemployment before the programs expired.

number of states reporting Extended Benefits claims each week varied, partly on the basis of the number of states with the program activated each week. The Extended Benefits program, which existed before the pandemic, is activated in states during periods of high unemployment, according to DOL.

As we have previously reported, because of backlogs in processing historic numbers of claims in many states, among other data issues, the number of continued claims did not approximate the number of individuals claiming benefits during the pandemic. For example, backlogs in claims processing led to individuals submitting claims for multiple weeks of benefits in a single reporting period, which states counted as multiple claims for that reporting period, particularly in the PUA program. As a result, reliable conclusions about trends in the number of individuals claiming benefits throughout the pandemic cannot be drawn from data on continued claims.

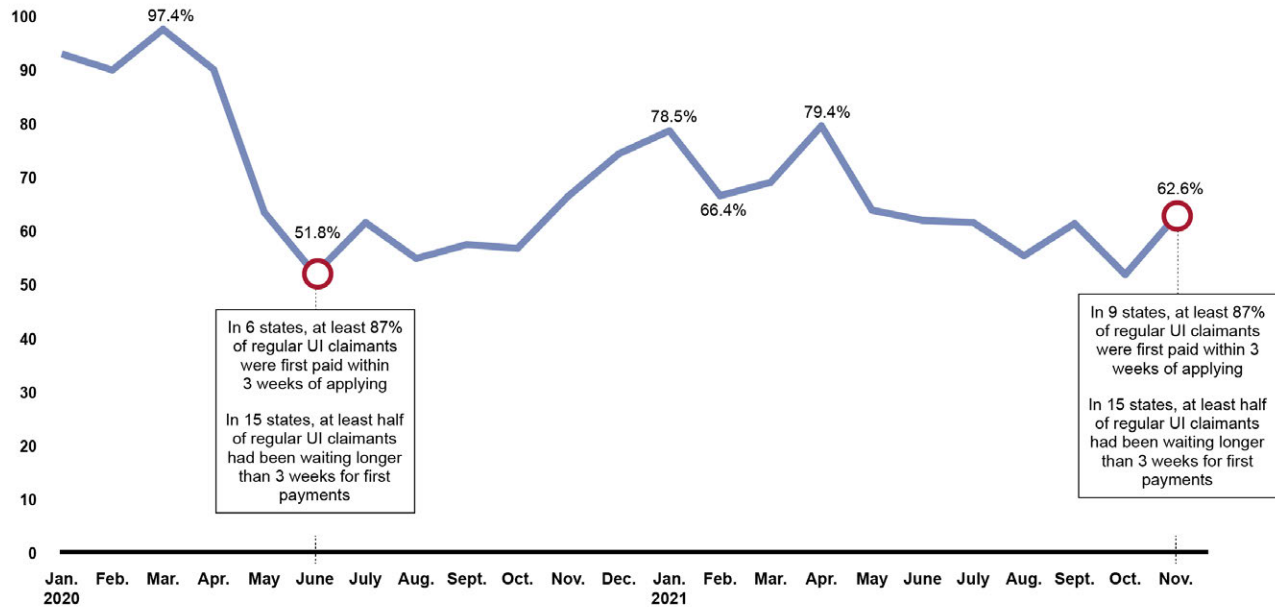
In fall 2021, the timeliness of regular UI first payments remained lower than earlier in the year, and some claimants still face substantial delays in receiving benefits. As we have previously reported, the percentage of regular UI first payments made within 3 weeks has fluctuated during the pandemic.¹¹² First-payment timeliness nationwide improved from fall 2020 through January 2021, after a substantial decline in timeliness early in the pandemic due to the historically high numbers of claims and the resulting processing backlog. Subsequently, regular UI first-payment timeliness nationwide fluctuated from February through April 2021, then generally declined through October 2021, and then increased in November 2021.¹¹³ First-payment timeliness was about 16 percentage points lower in November than in January 2021 (see figure).

¹¹²DOL monitors timeliness of benefit payments in the regular UI program. One of DOL's core performance measures is the percentage of all regular UI first payments made within either 14 or 21 days of the first week of benefits for which claimants are eligible; DOL considers 87 percent to be an acceptable level of performance. DOL uses 14 days as the timeliness goal for states with a waiting week requirement and uses 21 days for states without a waiting week requirement. According to DOL, some states require individuals who are otherwise eligible for benefits to serve a waiting period—generally 1 week—before receiving benefits. In its guidance released at the start of the pandemic, DOL recommended that states consider temporarily waiving their waiting week requirements. Thus, we focus on payments made within 21 days. We analyzed first-payment timeliness data that states had reported to DOL as of January 3, 2022. At that point, all 53 states and territories had reported data for November 2021 and prior months.

¹¹³The extension of the CARES Act UI programs at the end of 2020, according to DOL officials, may have affected payment timeliness because states had to reassign staff and focus resources on implementing new program requirements. According to officials, states also cited the need for additional time to process backlogs of claims requiring adjudication and appeals, decreased numbers of staff, and an increase in adjudication issues following the implementation of enhanced fraud prevention efforts.

Timeliness of First Payments of Regular Unemployment Insurance (UI) Benefits, Jan. 2020–Nov. 2021

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



Source: GAO analysis of Department of Labor data on timeliness of first benefits paid for regular UI. | GAO-22-105291

Note: We analyzed UI first-payment timeliness data that states had reported to the Department of Labor (DOL) as of January 3, 2022. At that point, all 53 states and territories had reported data for November 2021 and prior months. One of DOL’s core performance measures is the percentage of all regular UI first payments made within either 14 or 21 days of the first week of benefits for which claimants are eligible, depending on whether the state requires that individuals who are otherwise eligible for benefits serve a waiting period—generally 1 week—before receiving benefits. We focus on payments made within 21 days because in guidance released at the start of the pandemic, DOL recommended that states consider temporarily waiving their waiting week requirements. According to DOL, states must pay at least 87 percent of regular UI claims within 14 or 21 days to reach an acceptable level of performance.

In some states, many regular UI claimants continue to face delays before receiving their first payments. For example, in 15 states, at least half of regular UI claimants who received their first benefits in November 2021 had been waiting longer than 3 weeks. In addition, nationwide, about 23 percent of regular UI claimants who received their first benefits in November 2021 had been waiting longer than 10 weeks. By comparison, of the regular UI claimants nationwide who received their first benefits in March 2020, less than 3 percent had been waiting longer than 3 weeks and less than 1 percent had been waiting longer than 10 weeks.

In November 2021, DOL officials said that the decrease in first-payment timeliness in August 2021 was likely caused by the same reasons as earlier declines in timeliness that we previously reported. Specifically, DOL officials previously said that when they asked officials in some states about the reasons for the decrease in timeliness in May and June 2021, they cited the additional time and effort needed to process backlogs of claims requiring adjudication and appeals, decreased numbers of staff, and enhanced fraud prevention efforts that have resulted in more adjudication issues for states to resolve.

States have continued to identify overpayments in the regular UI and CARES Act UI programs, and 36 states have reported data to DOL on recovered PUA overpayments. DOL reported that as of January 3, 2022, states and territories had identified approximately

\$27.1 billion in overpayments made in UI programs during the first 6 quarters of the pandemic combined (April 2020 through September 2021).¹¹⁴ These reported overpayments are not necessarily a result of fraud, though some may be.¹¹⁵ This \$27.1 billion in reported overpayments includes

- \$10.4 billion in PUA overpayments,¹¹⁶
- \$8.5 billion in FPUC overpayments,¹¹⁷
- \$6.9 billion in regular UI and Extended Benefits overpayments, and
- \$1.3 billion in PEUC overpayments.¹¹⁸

States and territories reported recovering about \$0.5 billion in the PEUC and FPUC programs combined from April 2020 through September 2021 (i.e., during the 6 quarters those programs existed).¹¹⁹ In response to a recommendation in our January 2021 report, DOL updated its state reporting requirements for the PUA program to include the collection of data on recovered PUA overpayments. As of January 3, 2022, 36 states had reported some data on recovered PUA overpayments, reporting a combined total of about \$1.3 billion recovered from April 2020 through September 2021.¹²⁰

¹¹⁴While states do not report the actual amount of underpayments to DOL, they estimate underpayments based on representative samples of paid and denied regular UI claims and report these estimates to DOL. In calendar year 2020, states estimated about \$696 million in regular UI underpayments, although this estimate does not include the second quarter (April 1, 2020, through June 30, 2020). According to DOL officials, DOL provided operational flexibilities to states in response to the pandemic by temporarily suspending this sampling process during the second quarter of 2020 to allow states to implement the CARES Act UI programs.

¹¹⁵While some overpayments may be caused by unintentional error, fraud involves obtaining something of value through willful misrepresentation. Whether an act is fraudulent is determined through the judicial or other adjudicative systems. According to DOL, in the case of these payments made by states, whether an act is fraudulent is defined by states and must be determined through the appropriate adjudication process.

¹¹⁶States and territories report PUA overpayments data to DOL on a monthly basis, and the total amount shown includes overpayments related to identity theft. We accessed the PUA overpayments data on January 3, 2022; these data are subject to change as more states report data and as states revise previously reported data. For consistency with the regular UI overpayment data, which states and territories report on a quarterly basis, the PUA overpayment amount shown is for April 2020 through September 2021. As of January 3, 2022, 40 states and territories had reported approximately \$1.8 billion of additional PUA overpayments. The number of states and territories that have reported PUA overpayments data varies by month; for example, 45 reported overpayment amounts in August 2021, and 44 reported overpayment amounts in September 2021.

¹¹⁷FPUC benefits were paid in addition to other UI benefits. About 92 percent of reported FPUC overpayment amounts were paid on regular UI or PUA claims.

¹¹⁸States and territories report regular UI, Extended Benefits, PEUC, and FPUC overpayments data to DOL on a quarterly basis. We accessed the data on January 3, 2022. At that point, not all states and territories had reported overpayment amounts for all programs in all quarters. States and territories may revise the amount of overpayments they have identified for 3 years after the reporting quarter, according to DOL.

¹¹⁹We accessed the recovered overpayments data on January 3, 2022; these data are subject to change as more states and territories report data and as states and territories revise previously reported data.

¹²⁰As of January 3, 2022, 33 states and territories had reported approximately \$32 million of additional PUA overpayments recovered. As of January 3, 2022, states and territories had also reported recovering about \$1.9 billion in the regular UI and Extended Benefits programs during the first 6 quarters of the pandemic combined (April 2020

When overpayments are not due to fraud, states and territories may waive and not recover them in certain circumstances.¹²¹ States and territories reported waiving about \$0.2 billion of regular UI, Extended Benefits, PEUC, and FPUC overpayments during the first 6 quarters of the pandemic combined (April 2020 through September 2021).¹²² In response to a recommendation in our March 2021 report, DOL updated state reporting requirements for the PUA program in September 2021 to include the collection of data on waived PUA overpayments.¹²³ As of January 3, 2022, 21 states had reported some data on waived PUA overpayments, reporting a combined total of about \$103.6 million waived from April 2020 through September 2021.¹²⁴

Because of the limited number of states and territories that had reported data on recovered and waived PUA overpayments to DOL as of January 3, 2022, our related recommendations remain open. Sustained reporting by more states is needed to help inform DOL, policymakers, and the public about the amount of PUA overpayments that states have waived and recovered and about the amount that remains outstanding.

States and territories also report the amounts of overpayments that are due to fraud—a subset of the total overpayment amounts.¹²⁵ During the first 6 quarters of the pandemic combined (April 2020 through September 2021), states and territories reported that about \$2.3 billion in overpayments they had identified resulted from fraud across the UI programs, including about \$1 billion from PUA, \$791 million from FPUC, \$426 million from the regular UI and Extended Benefits programs, and \$63 million from PEUC.¹²⁶ However, according to DOL, states do not report such overpayments until investigations are complete and fraud has been confirmed, which may take a long time. As a result of these ongoing investigations, increasing amounts of overpayments due to fraud could be reported in the coming months.

through September 2021). However, the amounts recovered for any quarter may be from overpayments established in many previous periods. Thus, the total amount does not measure the extent to which overpayments made during the pandemic have been recovered.

¹²¹According to DOL, states generally may waive a nonfraud overpayment, in accordance with state law and an established waiver policy, if the overpayment was not the fault of the claimant and if requiring repayment would be against equity and good conscience or would otherwise defeat the purpose of the UI law. States were authorized to waive PUA overpayments under the Consolidated Appropriations Act, 2021. According to this act, if an individual receives PUA benefits they were not entitled to, the state must generally require such individuals to repay the amount; however, the state can waive that requirement if the individual was without fault and repayment would be contrary to equity and good conscience. Pub. L. No. 116-260, div. N, tit. II, § 201(d), 134 Stat. 1182, 1952. According to DOL, states are able to retroactively waive PUA overpayments from the beginning of the program onward.

¹²²We accessed the waived overpayments data on January 3, 2022; these data are subject to change as more states and territories report data and as states and territories revise previously reported data.

¹²³Department of Labor, Pandemic Unemployment Assistance (PUA) Program: Updated Operating Instructions and Reporting Changes, UIPL 16-20, Change 6 (Washington, D.C.: Sept. 3, 2021).

¹²⁴As of January 3, 2022, 19 states and territories had reported approximately \$71 million of additional PUA overpayments waived.

¹²⁵According to DOL guidance, an overpayment is established when a formal notice of determination has been issued. Whether an act is fraudulent is determined through the judicial or other adjudicative systems. According to DOL, because states may use different definitions for categorizing an overpayment as fraudulent, an overpayment that is classified as fraudulent in one state might not be classified as fraudulent in another state.

¹²⁶We accessed the fraud overpayments data on January 3, 2022; these data are subject to change as more states and territories report data and as states and territories revise previously reported data.

In addition to reporting overpayments, states conduct independent assessments of representative samples of paid and denied claims of permanent UI programs to determine the accuracy of UI benefit payments and estimate the amount and rate of improper payments.¹²⁷ According to OMB's paymentaccuracy.gov, DOL reported an estimated improper payment amount of \$78.1 billion with an estimated improper payment rate of about 19 percent for fiscal year 2021. According to DOL officials, the estimated improper payment amount includes the regular UI, Extended Benefits, PEUC, and FPUC programs.

According to DOL officials, because PUA has unique and distinct eligibility requirements, applying the improper payment methodology for the regular UI program would not be appropriate. Officials said they are exploring methods to estimate improper payments for PUA that will not be overly burdensome for states. DOL officials stated that they are required to submit the improper payment estimation methodology to OMB by June 2022, and they plan to include the estimates in DOL's fiscal year 2022 agency financial report.¹²⁸

We have previously reported that the identification of improper payments could suggest that a program is vulnerable to fraud; however, it is important to note that fraud is a specific type of improper payment and that improper payment estimates are not intended to measure fraud in a particular program.

DOL continues to address potential fraud in the UI programs and is also taking steps to address equitable access to UI benefits and timely payment of those benefits. In fall 2021, DOL continued implementing its plan for using \$2 billion in funding provided by the American Rescue Plan Act of 2021 to combat potential UI fraud, promote equitable access to UI benefits, and ensure timely payment of those benefits. As we reported in October 2021, DOL's plan includes: 1) sending experts directly to states to help them address challenges related to fraud, benefit access, and benefit timeliness, 2) providing states with grants to combat potential fraud and address equity, 3) supporting states in modernizing their IT systems, and 4) awarding purchase agreements to vendors that can assist states in preventing identity fraud.¹²⁹ In fall 2021, agency officials said that DOL had taken the following actions in these areas:

- *Deployed expert teams to six states, and began deploying expert teams to six others.* According to DOL officials, as of the end of October 2021, teams of experts in fraud, timeliness, technology, and equity had finished gathering information from the first six states that volunteered to participate—Colorado, Kansas, Nevada, Virginia, Washington, and Wisconsin—and were working with DOL and the states to finalize recommendations. Officials said that expert

¹²⁷An improper payment is defined as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. 31 U.S.C. § 3351(4). For the purpose of producing an improper payment estimate, when the executive agency cannot determine, due to lacking or insufficient documentation, whether a payment is proper or not, the payment shall be treated as an improper payment. 31 U.S.C. § 3352(c)(2).

¹²⁸According to OMB guidance, OMB does not formally approve improper payment estimation methodologies submitted by agencies prior to implementation. See Office of Management and Budget, *Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, OMB Memorandum M-21-19 (Washington, D.C.: Mar. 5, 2021).

¹²⁹See Department of Labor, "Fact Sheet: Unemployment Insurance Modernization: American Rescue Plan Act Funding for Timely, Accurate and Equitable Payment in Unemployment Compensation Programs," Aug. 11, 2021, https://oui.doleta.gov/unemploy/pdf/FactSheet_UImodernization.pdf.

teams had also held initial meetings with four of six additional states that had volunteered to participate: Alabama, Connecticut, Iowa, Kentucky, Nebraska, and Pennsylvania. As this work continues, officials said they plan to use the expert teams' findings to identify best practices and solutions for common challenges, and make them available as a resource for all states. In November 2021, DOL announced the availability of up to \$200 million in grant funding to support states in improving UI systems and processes by implementing the expert teams' recommendations following a consultative assessment.¹³⁰

- *Awarded grants to states to strengthen their efforts to address potential fraud and recover overpayments, and solicited grant applications from states to address equity issues.* As we previously reported, DOL announced grant opportunities for states to address potential fraud and recover overpayments in their UI programs.¹³¹ According to DOL officials, DOL awarded a total of about \$94 million in these grants in 2021, including grants to 55 states, territories, and the District of Columbia for PUA and to 50 states, territories, and the District of Columbia for PEUC.¹³² In addition, DOL announced that it had awarded a total of nearly \$134 million to 50 states, territories, and the District of Columbia to combat potential fraud in all UI programs. DOL also solicited grant applications from states to address equity issues, such as by improving access to the regular UI program for individuals with disabilities or individuals who have limited or no internet access, and eliminating administrative barriers to benefit applications.¹³³ States seeking these grants were required to identify the equity gaps they planned to address and the metrics they planned to use to measure improvement in equitable access. In October 2021, DOL officials said they planned to review states' applications to ensure that states planned to use these funds for allowable purposes and had identified sufficient metrics before they awarded these grants.
- *Began developing modular technology solutions and a UI customer service blueprint.* In November 2021, DOL officials said they had begun working with OMB's U.S. Digital Service to develop modular technology solutions that can be integrated with state IT systems. Officials said they planned to begin pilot testing the first module, which is focused on the claimant experience, with states in February or March of 2022. In December 2021, DOL announced that Arkansas

¹³⁰See Department of Labor, *Grant Opportunity to Support States Following a Consultative Assessment for Fraud Detection and Prevention, Promoting Equitable Access, and Ensuring the Timely Payment of Benefits, including Backlog Reduction, for all Unemployment Compensation (UC) Programs*, UIPL 2-22 (Washington, D.C.: Nov. 2, 2021).

¹³¹For more information about these fraud-related grants, see Department of Labor, *Additional Funding to Assist with Strengthening Fraud Detection and Prevention Efforts and the Recovery of Overpayments in the Pandemic Unemployment Assistance (PUA) and Pandemic Emergency Unemployment Compensation (PEUC) Programs, as well as Guidance on Processes for Combatting Identity Fraud*, UIPL 28-20, Change 2 (Washington, D.C.: Aug. 11, 2021). Also see Department of Labor, *Grant Opportunity to Support States with Fraud Detection and Prevention, Including Identity Verification and Overpayment Recovery Activities, in All Unemployment Compensation (UC) Programs*, UIPL 22-21 (Washington, D.C.: Aug. 11, 2021).

¹³²These PUA grants were available to 6 territories that administered the PUA program under the CARES Act but do not administer regular UI programs: Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

¹³³For more information about these equity grants, including other allowable uses of these funds, see Department of Labor, *Grant Opportunity for Promoting Equitable Access to Unemployment Compensation (UC) Programs*, UIPL 23-21 (Washington, D.C.: Aug. 17, 2021). State grant applications were due on December 31, 2021.

and New Jersey would be the first two states to participate in the pilot project.¹³⁴ Officials noted that they are also working with the U.S. Digital Service to develop a blueprint for the UI customer experience.

- *Addressed identity-related fraud by issuing instructions to states on accessing identity verification and fraud protection services and working with the Social Security Administration to establish a secure incarceration data exchange.* As we previously reported, DOL officials told us that they had awarded purchase agreements to three vendors that states can use to combat identity-related fraud. In September 2021, DOL issued instructions to states on how to use DOL’s blanket purchase agreements to order the identity verification and fraud protection services provided by these vendors.¹³⁵ As a separate action, DOL officials said they signed a Memorandum of Understanding with the Social Security Administration in October 2021 to establish a secure incarceration data exchange that will allow states to cross-match UI claims data with incarceration records when determining the eligibility of UI claimants. That month, DOL announced the establishment and availability of this secure incarceration data exchange, and provided guidance for states on how to access it.¹³⁶

Methodology

To conduct this work, we analyzed regularly reported DOL data for calendar years 2019, 2020, and 2021, having obtained the most recent data on January 6, 2022. We reviewed relevant federal laws and DOL guidance. We interviewed DOL officials about program data and agency actions, and we also interviewed DOL Office of Inspector General officials. In addition, we reviewed data file documentation and written responses from DOL officials. Further, we interviewed DOL officials about the UI database, PUA claims data files, and data on outstanding federal loans to pay UI benefits, specifically related to state-reported data on claims counts, overpayments, payment timeliness, and loan balance amounts. We examined the data for outliers, missing values, and errors. We determined that the DOL data we used were sufficiently reliable for the purposes of this report.

Agency Comments

We provided DOL and OMB with a draft of this enclosure. DOL provided technical comments on this enclosure, which we incorporated as appropriate. OMB did not provide any comments.

¹³⁴See Department of Labor, *Announcing Grant Awards Made to States Selected to Participate in the Unemployment Insurance (UI) Information Technology (IT) Modernization Project - Claimant Experience Pilot*, TEN No. 16-21 (Washington, D.C.: Dec. 2, 2021).

¹³⁵See Department of Labor, *Accessing Unemployment Insurance (UI) Identity Verification and Fraud Protection (Identity Proofing) Services using the U.S. Department of Labor’s (Department) Blanket Purchase Agreements (BPA)*, TEN 6-21 (Washington, D.C.: Sept. 15, 2021).

¹³⁶For more information about this data exchange, see Department of Labor, *Announcing the Availability of an Incarceration Data Exchange and Instructions to Access the Data Exchange between the Unemployment Insurance (UI) Interstate Connection Network (ICON) and the Social Security Administration (SSA) Prisoner Update Processing System (PUPS)*, UIPL 01-22 (Washington, D.C.: Oct. 29, 2021).

GAO's Ongoing Work

In our ongoing work, we continue to examine a variety of UI issues, including:

- the implementation and administration of the CARES Act UI programs and the implications of high claims volumes during the pandemic on the timeliness of benefit payments and on overall program integrity;
- selected claimants' experiences during the pandemic, including their experiences with accessing the CARES Act UI programs;
- selected states' data on PUA benefit receipt, by race and ethnicity;
- programmatic risks and challenges for the regular UI program as well as options for program transformation; and
- UI IT systems modernization.

GAO's Prior Recommendations

The table below presents our recommendations on UI programs from prior CARES Act reports.

Prior GAO Recommendations Related to Unemployment Insurance (UI) Programs

Recommendation	Status
The Secretary of Labor should designate a dedicated entity and document its responsibilities for managing the process of assessing fraud risks to the unemployment insurance program, consistent with leading practices as provided in our Fraud Risk Framework. This entity should have, among other things, clearly defined and documented responsibilities and authority for managing fraud risk assessments and for facilitating communication among stakeholders regarding fraud-related issues (October 2021 report).	Open—not addressed. The Department of Labor (DOL) neither agreed nor disagreed with our recommendation. In December 2021, DOL reiterated that its Chief Financial Officer and the Employment and Training Administration’s Assistant Secretary are responsible for risk management in the UI program. We maintain that, consistent with our Fraud Risk Framework, it is important for DOL to clearly document this designation and these officials’ antifraud responsibilities.
The Secretary of Labor should identify inherent fraud risks facing the unemployment insurance program (October 2021 report).	Open—not addressed. DOL neither agreed nor disagreed with our recommendation. In December 2021, DOL reiterated that its current process allows it to identify, evaluate, and manage risks. However, DOL also said it will incorporate the recommended practices and approaches from the Fraud Risk Framework in its risk assessment activities moving forward. We will continue to monitor DOL’s fraud risk assessment activities.
The Secretary of Labor should assess the likelihood and impact of inherent fraud risks facing the unemployment insurance program (October 2021 report).	Open—not addressed. DOL neither agreed nor disagreed with our recommendation. In December 2021, DOL reiterated that its current process allows it to identify, evaluate, and manage risks. However, DOL also said it will incorporate the recommended practices and approaches from the Fraud Risk Framework in its risk assessment activities moving forward. We will continue to monitor DOL’s fraud risk assessment activities.
The Secretary of Labor should determine fraud risk tolerance for the unemployment insurance program (October 2021 report).	Open—not addressed. DOL neither agreed nor disagreed with our recommendation. In December 2021, DOL reiterated that its current process allows it to identify, evaluate, and manage risks. However, DOL also said it will incorporate the recommended practices and approaches from the Fraud Risk Framework in its risk assessment activities moving forward. We will continue to monitor DOL’s fraud risk assessment activities.
The Secretary of Labor should examine the suitability of existing fraud controls in the unemployment insurance program and prioritize residual fraud risks (October 2021 report).	Open—not addressed. DOL neither agreed nor disagreed with our recommendation. In December 2021, DOL reiterated that its current process allows it to identify, evaluate, and manage risks. However, DOL also said it will incorporate the recommended practices and approaches from the Fraud Risk Framework in its risk assessment activities moving forward. We will continue to monitor DOL’s fraud risk assessment activities.
The Secretary of Labor should document the fraud risk profile for the unemployment insurance program (October 2021 report).	Open—not addressed. DOL neither agreed nor disagreed with our recommendation. In December

Recommendation	Status
	<p>2021, DOL reiterated that its current process allows it to identify, evaluate, and manage risks. However, DOL also said it will incorporate the recommended practices and approaches from the Fraud Risk Framework in its risk assessment activities moving forward. We will continue to monitor DOL's fraud risk assessment activities.</p>
<p>The Secretary of Labor should ensure the Office of Unemployment Insurance collects data from states on the amount of overpayments waived in the Pandemic Unemployment Assistance (PUA) program, similar to the regular UI program (March 2021 report).</p>	<p>Open—partially addressed. DOL agreed with our recommendation and on September 3, 2021, issued PUA program guidance and updated instructions for states to report PUA overpayments waived. As of January 3, 2022, 21 states had reported some data on PUA overpayments waived. We will continue to monitor state reporting of PUA overpayments waived.</p>
<p>The Secretary of Labor should ensure the Office of Unemployment Insurance collects data from states on the amount of overpayments recovered in the PUA program, similar to the regular UI program (January 2021 report).</p>	<p>Open—partially addressed. DOL agreed with our recommendation and on January 8, 2021, issued PUA program guidance and updated instructions for states to report PUA overpayments recovered. As of January 3, 2022, 36 states had begun reporting some data on the amount of PUA overpayments recovered. Sustained reporting by more states is needed to help inform DOL, policymakers, and the public about the amount of PUA overpayments states have recovered. We will continue to monitor state reporting of PUA overpayment recovery data.</p>
<p>The Secretary of Labor should ensure the Office of Unemployment Insurance pursues options to report the actual number of distinct individuals claiming benefits, such as by collecting these already available data from states, starting from January 2020 onward (November 2020 report).</p>	<p>Open—partially addressed. DOL partially agreed with our recommendation. Specifically, DOL agreed to pursue options to report the actual number of distinct individuals claiming UI benefits. However, DOL did not agree with the recommended retroactive effective date of the reporting. In a letter dated March 30, 2021, DOL stated that it had begun developing a new state report that would capture data related to distinct individuals claiming regular UI benefits; DOL estimated that this data collection might begin in early 2022.</p> <p>In November 2021, DOL officials said their work on the new state report that would capture data related to distinct individuals claiming regular UI benefits had not yet been completed, due to other competing priorities. In January 2022, officials said they plan to have the new data collection ready for submission for public notice and comment early in 2022.</p> <p>DOL also reiterated its concerns about the feasibility of states' reporting this information retroactively, including for the pandemic UI programs, without detracting from their primary obligation for timely and accurate claims processing.</p>

Recommendation	Status
	<p>We maintain that DOL should pursue options to report the actual number of distinct individuals claiming UI benefits, retroactive to January 2020. Even if the information is unavailable for some time, these data are vital to understanding how many individuals received UI benefits as well as the size of the population supported by the UI system during the pandemic. Given the substantial investment in UI programs during the pandemic, an accurate accounting of the size of the population supported by this funding may be critical to understanding the efficiency and effectiveness of the nation's response to unemployment during the pandemic. An accurate accounting may also be critical to helping DOL and policy makers identify lessons learned about the administration and use of regular and expanded UI benefit programs.</p>
<p>The Secretary of Labor should ensure the Office of Unemployment Insurance revises its weekly news releases to clarify that in the current unemployment environment, the numbers it reports for weeks of unemployment claimed do not accurately estimate the number of unique individuals claiming benefits (November 2020 report).</p>	<p>Closed—addressed. DOL's weekly news release of December 10, 2020, clarified that the numbers reported for weeks of UI benefits claimed do not represent the number of unique individuals claiming benefits.</p>
<p>The Secretary of Labor should, in consultation with the Small Business Administration (SBA) and the Department of the Treasury, immediately provide information to state unemployment agencies that specifically addresses SBA's Paycheck Protection Program (PPP) loans, and the risk of improper payments associated with these loans (June 2020 report).</p>	<p>Closed—addressed. DOL issued guidance on August 12, 2020, clarifying that individuals working full time and being paid through PPP are not eligible for UI. The guidance also clarified that individuals working part time and being paid through PPP would be subject to certain state policies, including state policies on partial unemployment, to determine their eligibility for UI benefits. Further, the guidance clarified that individuals being paid through PPP but not performing any services would similarly be subject to certain provisions of state law. Finally, the guidance noted that an individual receiving full compensation would be ineligible for UI.</p>

Source: GAO. | [GAO-22-105291](#)

Related GAO Products

Management Report: Preliminary Information on Potential Racial and Ethnic Disparities in the Receipt of Unemployment Insurance Benefits during the COVID-19 Pandemic. [GAO-21-599R](#). Washington, D.C.: June 17, 2021.

Contact information: Thomas M. Costa, (202) 512-4769, costat@gao.gov and Seto J. Bagdoyan, (202) 512-6722, bagdoyans@gao.gov

Emergency Rental Assistance

The Department of the Treasury has not yet designed processes, such as post-payment reviews or recovery audits, for identifying and recovering overpayments made by grantees to households, landlords, or utility providers to help reasonably assure payment integrity for the Emergency Rental Assistance programs, and the Office of Management and Budget has not yet issued guidance on the programs in the Compliance Supplement for single audits.

Entities involved: Department of the Treasury and Office of Management and Budget

Recommendations for Executive Action

The Secretary of the Treasury should design and implement processes, such as post-payment reviews or recovery audits, to help ensure timely identification and recovery of overpayments made by grantees to households, landlords, or utility providers in the Emergency Rental Assistance programs. Treasury agreed with this recommendation.

The Director of the Office of Management and Budget, in consultation with the Secretary of the Treasury, should issue guidance now or in the near future on the Emergency Rental Assistance programs in the Office of Management and Budget's Compliance Supplement for single audits to help ensure that auditors consistently and timely identify deficiencies in grantees' compliance with the programs' requirements. The Office of Management and Budget neither agreed nor disagreed with this recommendation.

Background

In response to concerns about the economic effects of the COVID-19 pandemic on renters and their landlords, the Department of the Treasury was appropriated a total of \$46.55 billion for two Emergency Rental Assistance (ERA) programs—referred to by Treasury as ERA1 and ERA2—which Treasury disburses through grants to specified grantees to make payments as appropriate to landlords, utility providers, and eligible renter households. Specifically, in December 2020, the Consolidated Appropriations Act, 2021 appropriated about \$25 billion for Treasury to make payments to states (including the District of Columbia), local governments with more than 200,000 residents, U.S. territories, Indian tribes or their tribally designated housing entities, as applicable, and the Department of Hawaiian Home Lands. The act, as amended, provides for the funds in ERA1 to remain available to grantees until September 30, 2022.¹³⁷ In March 2021, the American Rescue Plan Act of 2021 appropriated about \$21.55 billion in additional funding for Treasury to disburse through ERA2 to grantees, to remain available until September 30, 2025.¹³⁸

¹³⁷Pub. L. No. 116-260, div. N, tit. V, § 501, 134 Stat. 1182, 2069-2079 (2020) (codified at 15 U.S.C. § 9058a), as amended by Pub. L. No. 117-2, tit. III, § 3201(h), 135 Stat. 4, 58. The American Rescue Plan Act of 2021 extended the period of availability from December 30, 2021, to September 30, 2022. The Consolidated Appropriations Act, 2021 reserved \$15 million of the ERA1 appropriation for administrative expenses of the Secretary of the Treasury. 15 U.S.C. § 9058a(a)(2)(C), (h).

¹³⁸Pub. L. No. 117-2, tit. III, § 3201(a)(1), (f)-(g), 135 Stat. 4, 58, (codified at 15 U.S.C. §§ 9058c(a)(1), (f)-(g)). The statute directs ERA2 allocations to similar grantees as ERA1, except that ERA2 does not include allocations for Indian tribes or the Department of Hawaiian Home Lands.

ERA provides funds to grantees to administer programs to assist eligible renter households that are unable to pay rent, utilities, or other expenses due, directly or indirectly, to the COVID-19 pandemic.¹³⁹ The table below summarizes the amount of Treasury's ERA appropriations, disbursements, and spending as of November 30, 2021.

¹³⁹See Consolidated Appropriations Act, 2021, § 501(c)(2)(A) (codified at 15 U.S.C. § 9058a(c)(2)(A)); American Rescue Plan Act of 2021, §3201(d)(1)(A)(i) (codified at 15 U.S.C. § 9058c(d)(1)(A)(i)). For ERA1, the other expenses related to housing, as defined by the Secretary of the Treasury, must have been incurred due, directly or indirectly, to the COVID-19 pandemic. According to Treasury guidance, other expenses related to housing include relocation expenses (including prospective relocation expenses), such as rental security deposits, and rental fees, which may include application or screening fees. It can also include reasonable accrued late fees (if not included in rental or utility arrears), and Internet service provided to the rental unit.

Summary of Funding for Emergency Rental Assistance (ERA) Appropriated, Disbursed, and Spent as of November 30, 2021 (dollars in billions)

Law	Amount appropriated to Treasury	Amount disbursed to grantees	Amount spent by grantees
Consolidated Appropriations Act, 2021 (ERA1)	\$25.00	\$24.99	\$14.58
American Rescue Plan Act of 2021 (ERA2)	\$21.55	\$12.69	\$2.81
Total	\$46.55	\$37.68	\$17.39

Source: GAO analysis of the Consolidated Appropriations Act, 2021; the American Rescue Plan Act of 2021; and Department of the Treasury (Treasury) data. | [GAO-22-105291](#)

Note: The amounts disbursed are through November 30, 2021. For ERA1, the funding remains available until September 30, 2022, and the amount spent includes expenditures for financial assistance to households through November 30, 2021, as well as payments for administrative costs, housing stability services, Indian tribes or their tribally designated housing entities, and the Department of Hawaiian Home Lands through September 30, 2021. For ERA2, the funding remains available until September 30, 2025, and the amount spent includes total expenditures through November 30, 2021. As required by law, Treasury has made available 40 percent of the ERA2 allocations to grantees and is disbursing additional ERA2 funds to grantees that have both substantially expended their ERA1 allocation and obligated at least 75 percent of their initial ERA2 allocation.

Treasury awards ERA funds to states, local governments, and U.S. territories based primarily on their population, as required by law.¹⁴⁰ Landlords, renter households, and utility providers can then apply to grantees for financial assistance.¹⁴¹ In general, eligible households must (1) have qualified for unemployment insurance benefits or experienced a financial hardship due to the COVID-19 pandemic, (2) demonstrate a risk of housing instability or homelessness, and (3) meet certain household income requirements.

Payment integrity is the process of ensuring that a payment is proper, including the legality, propriety, validity, and accuracy of payments. Payment integrity controls are designed to help the government manage risks, including the risk that grantees (1) make payments to ineligible recipients, (2) make payments in incorrect amounts, and (3) make payments as a result of potential fraud.

Preventive control activities generally offer the most cost-efficient use of resources to help ensure payment integrity, since they enable managers to avoid a costly and inefficient “pay-and-chase” post-payment process.¹⁴² However, on occasion, factors beyond the direct control of agencies, such as the emergency nature of the ERA programs and the challenges that it created for Treasury and grantees, may limit the extent to which certain control activities are appropriate and feasible for a program. As we reported in October 2021, some grantees have experienced overwhelming demand for ERA1 funds and lacked sufficient staff capacity to address all applications in a timely

¹⁴⁰Consolidated Appropriations Act, 2021, § 501(b)(1) (codified at 15 U.S.C. § 9058a(b)(1)); American Rescue Plan Act of 2021, §3201(b) (codified at 15 U.S.C. § 9058c(b)).

¹⁴¹Treasury guidance provides that grantees, in disbursing assistance, may make payments directly to utility providers. Grantees are required to make reasonable efforts to obtain the cooperation of landlords and utility providers to accept ERA1 payments before they can be made directly to renter households. For ERA2 funds, grantees can make payments directly to renter households.

¹⁴²“Pay-and-chase” refers to the practice of detecting overpayments and attempting to recover funds after payments have been made.

manner. Challenges for grantees also include developing new policies and procedures, hiring additional staff, and developing electronic application and data collection systems. When agencies do not establish strong preventive controls, especially in eligibility-based programs such as ERA, strong post-payment controls can help ensure timely identification and recovery of overpayments.

The Single Audit Act establishes requirements for audits of states, local governments, and other non-federal entities that receive funding from federal financial assistance programs (e.g., grants). Single audits help federal agencies identify deficiencies in the grantee's compliance with applicable provisions of laws, regulations, contracts, or grant agreements and in the grantee's financial management and internal controls.

Overview of Key Issues

Identification and recovery of overpayments. Treasury has not yet designed processes to identify and recover overpayments made by grantees, such as post-payment reviews or recovery audits, to help ensure payment integrity for the ERA programs. A post-payment review occurs after a payment has been made and is designed to determine whether the payment was correct or whether there was an over or underpayment. According to guidance from the Office of Management and Budget (OMB), a recovery audit is a control process designed to identify and recapture overpayments, and, as such, is a management function and responsibility.

According to Treasury officials, the department is designing processes to gather data about recipients and overcome challenges in data access and data gathering. However, Treasury has not yet designed a post-payment review process to validate ERA eligibility claims and payments made by grantees. Additionally, according to officials, Treasury plans to implement a recovery audit process; however, the department has not yet established such a recovery audit process to help ensure timely identification and recovery of overpayments made by grantees to households, landlords, or utility providers in the ERA programs. Also, Treasury officials indicated that these payments may be tested as part of future single audits.

Under the Payment Integrity Information Act of 2019 (PIIA), programs and activities that expend \$1 million or more in a fiscal year are required to perform recovery audits, if conducting such audits is cost-effective. OMB guidance states that when determining the cost-effectiveness of a recovery audit, an agency should assess the likelihood that the expected recoveries will be greater than the costs incurred to identify and recover the overpayments. The agency should consider whether its existing business practices for recovery activities provide an efficient and effective means for the identification of overpayments.¹⁴³ Common activities used to identify overpayments outside of recovery audits include statistical sampling, agency post-payment reviews, and the agency audit resolution and follow-up process.

According to Treasury officials, they have not yet conducted a cost-benefit analysis to determine the cost-effectiveness of payment recovery audits but plan to do so as part of the agency's PIIA compliance activities for fiscal year 2022.

¹⁴³Office of Management and Budget, *Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, OMB Memorandum M-21-19* (Washington, D.C.: March 5, 2021).

In addition, Treasury officials noted that the Consolidated Appropriations Act, 2021 requires Treasury's Office of Inspector General (OIG) to carry out recoupment activities, among other oversight responsibilities.¹⁴⁴ Treasury officials explained that they have ongoing meetings with the OIG to determine how they plan to coordinate payment recovery activities and establish communication mechanisms, but have yet to finalize a process. While Treasury's OIG is required to conduct oversight and recoupment activities, per OMB guidance, Treasury has responsibility for conducting recovery audits that are determined to be cost-effective to identify and recover overpayments, including ineligible payments.

Federal internal control standards state that management should design control activities to achieve objectives and respond to risks and implement control activities through policies. Without a process for conducting effective post-payment reviews or recovery audits for ERA, such as reviews to verify eligibility of households and accuracy of payments to households, landlords, and utility providers, Treasury's ability to consistently identify and recover overpayments made by grantees—including those resulting from potential fraud—will be limited. As a result, the opportunities to identify and recover any overpayments may be delayed or impossible.

Single audit guidance. The Single Audit Act establishes requirements for states, local governments, and other non-federal entities that receive federal awards (e.g., grants) to undergo single audits (or, in limited circumstances, program-specific audits) of those awards annually (unless a specific exception applies) when their expenditures meet a certain dollar threshold.¹⁴⁵ These audits help identify deficiencies in the grantee's compliance with applicable provisions of laws, regulations, contracts, or grant agreements and in the grantee's financial management and internal controls. Correcting such deficiencies can help ensure the appropriate use of federal funds and reduce the likelihood of federal improper payments.

The Single Audit Act directs OMB to develop government-wide guidance on performing audits to comply with the act. As part of this role, each year OMB, after consultation with federal agencies, issues a Compliance Supplement—a tool designed to help consolidate applicable legal requirements for numerous programs into one central place. The Compliance Supplement identifies the compliance requirements that could have a direct and material effect on major programs. Auditors who conduct single audits must determine whether the grantee has complied with laws, regulations, and the provisions of contracts or grant agreements that may have a direct or material effect on each of its major programs. Federal agencies are responsible for ensuring that program objectives, procedures, and compliance requirements that are subject to the audit are submitted to OMB for inclusion in the Compliance Supplement.

¹⁴⁴Both the Consolidated Appropriations Act, 2021 and the American Rescue Plan Act of 2021 include provisions addressing the Treasury OIG's oversight of ERA1 and ERA 2, respectively. However, these provisions differ in that the Consolidated Appropriations Act, 2021 includes specific direction for OIG monitoring, oversight, and recoupment related to ERA1, while the American Rescue Plan Act of 2021 requires Treasury to reserve funds for the OIG's ERA2 oversight without further direction. Treasury officials indicated that they functionally manage ERA1 and ERA2 together. Therefore, Treasury officials are planning to consult with the OIG about performing the oversight and recoupment functions for ERA2 as well.

¹⁴⁵The Single Audit Act is codified, as amended, at 31 U.S.C. §§ 7501-06, and implementing OMB guidance is reprinted in 2 C.F.R. part 200. Non-federal entities (states, the District of Columbia, U.S. territories, Indian tribes, local governments, or nonprofit organizations) that expend \$750,000 or more in federal awards in their fiscal year are required to undergo a single audit, which is an audit of an entity's financial statements and federal awards (or a program-specific audit, in limited circumstances), for the fiscal year. 31 U.S.C. § 7502; 2 C.F.R. § 200.501.

In its 2021 Compliance Supplement, OMB listed the ERA programs as “higher risk” programs; therefore, auditors are likely to consider them major programs that must be audited as part of the single audit process. However, the 2021 Compliance Supplement, issued in August 2021, did not include guidance for auditing grantee compliance with ERA. Treasury officials stated that they could not meet OMB’s deadline because they are still determining Treasury’s policies with regard to how ERA will be reviewed and what requirements to include in a future Compliance Supplement. Treasury officials also said that they plan to have guidance for ERA included in a forthcoming addendum to the 2021 Compliance Supplement or the 2022 Compliance Supplement but did not provide any specific timeframes.¹⁴⁶

According to Treasury officials, for fiscal year 2021 single audits, auditors can also use the supplement’s general compliance guidance applicable to all federal programs not included in the supplement.¹⁴⁷ However, auditors who conduct single audits generally follow guidance in the Compliance Supplement and agency guidance specific to their programs. Auditors utilize the Compliance Supplement to help understand a federal program’s objectives, procedures, and compliance requirements. Without program-specific guidance, auditors would need to research many statutes and regulations for each program to determine which compliance requirements to test.

Federal internal control standards state that management should use quality information and externally communicate the necessary quality information to achieve the entity’s objectives. These standards emphasize the need for providing timely information, which would include such information as guidance to auditors that conduct single audits, so it can be used for effective monitoring. The Compliance Supplement identifies important compliance requirements that the federal government expects to be considered as part of a single audit. Without this guidance, auditors might not consistently and effectively identify deficiencies in grantees’ compliance with the requirements of ERA, limiting Treasury’s ability to identify and mitigate risks, including risks to payment integrity.

Methodology

We interviewed officials from Treasury and reviewed policies and procedures related to payment integrity risks in the ERA programs. Based on Treasury-provided documentation, we assessed the design of Treasury’s policies and procedures against relevant statutory requirements, OMB guidance, and federal internal control standards. For any key control activities that were not properly designed and documented, we inquired with Treasury officials to determine the reasons.

¹⁴⁶At the time of publication of the 2021 Compliance Supplement, several federal agencies were working to stand up and develop program sections for new COVID-19 programs, as well as revise existing program sections to address implications from the American Rescue Plan Act of 2021. Therefore, OMB will be posting addendums to the 2021 Compliance Supplement to include audit guidance for such programs.

¹⁴⁷OMB’s guidance implementing the Single Audit Act states that for those federal programs not included in the Compliance Supplement, the auditor must follow the Supplement’s guidance for auditing programs not included in the Supplement. See 2 C.F.R. § 200.514(d)(3). For the 2021 Compliance Supplement, Part 7 provides guidance both in identifying the compliance requirements and designing tests of compliance for programs such as ERA that are not included in the Supplement.

For our review, we focused on Treasury’s efforts related to payment integrity risks. We did not evaluate Treasury OIG’s oversight and recoupment activities for ERA.

Agency Comments

We provided Treasury and OMB with a draft of this enclosure. Treasury provided written comments, which are reproduced in [appendix VI](#), and technical comments, which we incorporated as appropriate. OMB did not provide comments.

Treasury agreed with our recommendation, and stated that it is working to establish post-payment reviews and recovery audit activities within the schedule prescribed in Treasury’s Implementation Guide for OMB Circular A-123 Appendix C: Requirements for Payment Integrity. Treasury also stated that it will be approving and initiating an ERA desk review plan that uses risk-based analytics to identify the highest-risk ERA recipients. Treasury stated that it is also actively working with OMB to publish guidance on the programs in the Compliance Supplement in early 2022.

GAO’s Ongoing Work

We will monitor the status of our payment integrity recommendations for Treasury and OMB and continue our oversight of government-wide payment integrity efforts and OMB’s guidance for single audits.

Related GAO Products

Standards for Internal Control in the Federal Government. [GAO-14-704G](#). Washington, D.C.: September 10, 2014.

A Framework for Managing Fraud Risks in Federal Programs, [GAO-15-593SP](#). Washington, D.C.: July 28, 2015.

COVID-19 Housing Protections: Moratoriums Have Helped Limit Evictions, but Further Outreach Is Needed. [GAO-21-370](#). Washington, D.C.: March 15, 2021.

Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response. [GAO-22-105051](#). Washington, D.C.: October 27, 2021.

Contact information: Beryl Davis, (202) 512-2623, DavisBH@gao.gov

Daniel Garcia-Diaz, (202) 512-4529, GarciaDiazD@gao.gov

Student Loan Repayment

The Department of Education has begun implementing plans to address anticipated challenges with helping borrowers resume student loan repayment in May 2022.

Entities involved: Department of Education, including the Office of Federal Student Aid

Background

Federal student loans are an important resource to help individuals access higher education. As of November 2021, 45.8 million borrowers had a combined \$1.61 trillion in outstanding federal student loan debt, according to data from the Department of Education. The majority of these loans are part of the William D. Ford Federal Direct Loan program and are owned by Education.¹⁴⁸ Loan servicers under contract with Education are responsible for maintaining federal student loan records, communicating with borrowers about the status of their loans, and processing payments.

Several types of relief were provided through the CARES Act and actions taken by Education for all borrowers with student loans owned by Education. This relief included, among other things, suspending (1) all payments due, (2) interest accrual, and (3) involuntary collections for loans in default.¹⁴⁹ Private student loans and commercially-owned or school-owned federal loans were not eligible for the suspensions. Education implemented these suspensions retroactively to March 13, 2020, the date COVID-19 was declared a national emergency. On August 6, 2021, Education announced these suspensions would expire on January 31, 2022, and planned to resume repayment in February 2022. Then on December 22, 2021, Education announced that the period of relief would be extended and these suspensions would now expire on May 1, 2022.¹⁵⁰ According to Education, the extension will allow the administration to assess the impacts of the Omicron variant of the virus on student borrowers and provide additional time for borrowers to plan for the resumption of payments and reduce the risk of delinquency and defaults after payments resume.

Beginning May 2, 2022, Education and seven of its loan servicers will resume collection of payments, interest accrual, and involuntary collection of defaulted loans for 42.3 million borrowers with federal student loans. About 26.6 million of these borrowers will transition to repayment and

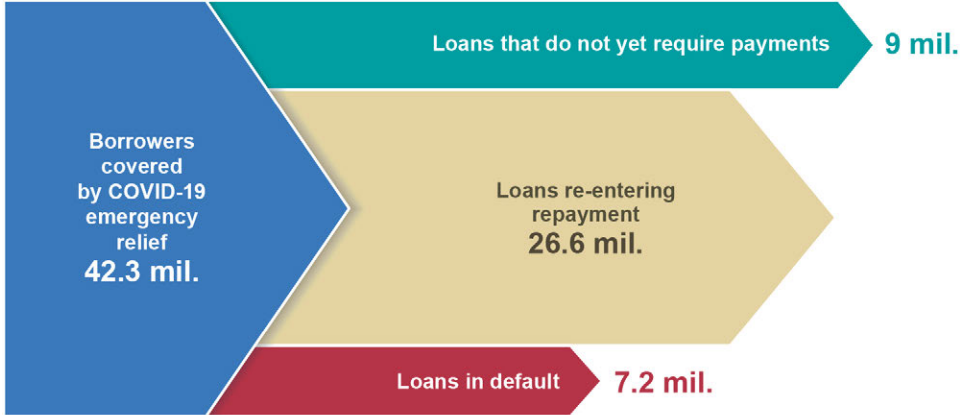
¹⁴⁸Some older federal student loans made under the Federal Family Education Loan and Federal Perkins Loan programs may not be owned by Education.

¹⁴⁹On March 27, 2020, the CARES Act was enacted, which suspended payments due, interest accrual, and involuntary collections for Direct Loans and Federal Family Education Loans held by Education. See Pub. L. No. 116-136, § 3513(a), (b), (e), 134 Stat. 281, 404-05 (2020). Involuntary collections may include wage garnishments and offsets of tax refunds or federal benefit payments. In addition, Education has taken several actions, including some prior to the enactment of the CARES Act, to provide similar relief to borrowers, including those with other federal loans held by Education, such as Perkins loans. The CARES Act required Education to grant relief to borrowers through September 30, 2020. The period of relief has been extended by Education five times, with the most recent announcement extending relief through May 1, 2022. In this enclosure, we do not differentiate between actions Education took independently of the CARES Act and actions Education took under the CARES Act. We refer to all such relief as COVID-19 emergency relief for federal student loans.

¹⁵⁰Most of the audit work for this enclosure was completed before the extension to May 1, 2022, was announced on December 22, 2021. The Education documents we reviewed reflected Education's plan to resume repayment in February 2022. We did not assess how Education's plans have changed since the most recent extension was announced.

be required to make monthly payments once the relief ends, according to data as of November 2021 (see figure below).¹⁵¹ In addition to those borrowers in repayment, another 7.2 million borrowers have loans that are in default and 9 million borrowers have loans that do not yet require monthly payments (because the borrower is enrolled in school or in a grace period).¹⁵²

Number and Type of Borrowers Affected by the Expiration of COVID-19 Emergency Relief for Federal Student Loans, as of November 2021



Source: GAO analysis of Department of Education data. | GAO-22-105291

Note: When calculating the number of borrowers in each of the three categories, some borrowers may be double-counted if they have multiple loans in different payment statuses (e.g., one loan in repayment and one loan in default). This, along with rounding, explains why the sum of the borrowers in the three categories does not exactly equal the total number of borrowers covered by COVID-19 emergency relief for federal student loans.

Education has a four-part plan for helping borrowers adjust to the end of COVID-19 emergency relief for federal student loans that focuses on communicating with borrowers, reducing delinquency, meeting customer service expectations, and monitoring and oversight.

Overview of Key Issues

Outreach to borrowers. Education officials said that the department has been communicating regularly with borrowers since loan repayment was suspended in March 2020, but they expect it will still be a challenge to motivate borrowers to resume repaying their loans after over two years of payment inactivity. In addition, after months of informing borrowers that payments would resume in February 2022, Education’s outreach efforts must now shift towards preparing borrowers for the new May 2, 2022, start date after the most recent extension of loan relief.

Education created a communication plan to prepare borrowers for the transition back to loan repayment, which includes multiple campaign phases with key outreach messages to borrowers

¹⁵¹Some borrowers opted to make payments on their student loans during the payment suspension. Education estimates that approximately 8.4 million borrowers made at least one payment during April 2020–September 2021. Borrowers who made payments during this time are included in the 26.6 million borrowers whose loans are entering repayment in May 2022.

¹⁵²Some borrowers may be double-counted if they have multiple loans in different payment statuses (e.g., one loan in repayment and one loan in default).

that increase in urgency over time.¹⁵³ For example, in early communication starting in August 2021, Education provided information to borrowers about when payments would resume and about repayment resources, such as Income-Driven Repayment plans and loan consolidation.¹⁵⁴ Once payments resume, Education plans to encourage borrowers to repay their loans and validate that all borrowers have made an initial payment or have been contacted by a servicer. In the months following the resumption of payments, Education plans to continue to provide borrowers with information that will keep them on track with their payments.

Education officials also provided loan servicers with guidance that outlines Education's borrower outreach plans so the servicers can coordinate their outreach with the department's planned messages. In addition, Education officials said they reviewed sample communications from four servicers who chose to conduct additional borrower outreach beyond Education's planned communications. Education officials said they provided these servicers with feedback and suggested changes to ensure the messages were accurate and aligned with current policy.

According to Education officials, the department will communicate directly with all borrowers about resuming repayment. This is a change from previous years, when Education primarily relied on its loan servicers to contact borrowers. Education is planning to communicate with borrowers every month and through a variety of outreach methods.

Emails. Education selected email as its primary communication method with borrowers.¹⁵⁵ Education's communication plan involves emailing borrowers once a month with a key message that will change based on the current phase. For example, in September 2021, Education sent borrowers an email announcing the February 2022 date for resuming repayment (subsequently extended to May) and reminding borrowers to update their contact information with their servicers. As the date to resume repayment approaches, the email content will include warnings of interest rates being reinstated and potential consequences for missing payments. Each monthly email will also include standard information like the date for resuming repayment and a checklist of borrower actions to take, such as considering enrollment in an Income-Driven Repayment plan or setting up auto-debit payments.

Education will also require loan servicers to develop messages that meet Education's requirements for its outreach timeframes and content, and will periodically provide servicers with specific content to use in their emails. For example, as the end of the payment suspension nears,

¹⁵³The CARES Act required Education, beginning on August 1, 2020, to carry out a program to provide not less than six notices by postal mail, telephone, or electronic communication to borrowers indicating 1) when the borrower's normal payment obligations will resume; and 2) that the borrower has the option to enroll in an Income-Driven Repayment plan, including a brief description of such options. Pub. L. No. 116-136, § 3513(g)(2), 134 Stat. at 405.

¹⁵⁴Prior to the extension of payment relief announced in December 2021, Education's earlier outreach efforts had been informing borrowers that payments would resume in February 2022. Income-Driven Repayment plans base monthly payments on a borrower's income and family size. Loan consolidation allows borrowers to combine multiple federal education loans into one Direct Consolidation Loan, resulting in one single monthly payment instead of multiple payments. Loan consolidation can also give borrowers access to additional loan repayment plans and forgiveness programs.

¹⁵⁵Education's communication plan acknowledged that borrower communication preferences vary by age group, but there was a consensus of email as the preferred method based on customer interviews and usability studies.

Education will require servicers to develop and send a payment reminder to all borrowers with a bill due.

From August through November 2021, Education emailed 125.6 million monthly messages to approximately 34.9 million borrowers. Education officials reported that as of December 2021 they had valid email addresses for 87 percent of all borrowers covered by COVID-19 emergency relief for federal student loans. Education officials said they have other processes in place to help reach borrowers they are unable to contact via email—including directing loan servicers to contact these borrowers via postal mail—and providing key information through other online channels.

Website. Education updated StudentAid.gov to improve usability and reflect key messages for borrowers on resuming repayment. For example, Education posted messages on its website that link to resources such as a loan simulator that can help borrowers calculate payments under various Income-Driven Repayment plan options. Education also updated its Coronavirus Frequently Asked Questions on StudentAid.gov with information on how borrowers can determine their interest rate after the zero percent interest rate ends, and provided options for how borrowers can lower their monthly student loan payment if it will be too high when repayment resumes. Education reported that from March 2020 to March 2021 there were more than 10 million visits to the Coronavirus Frequently Asked Questions on StudentAid.gov.

In addition, Education officials reported that they have seen an increase in traffic to StudentAid.gov since August 2021 when they began communications about resuming repayment, with the website receiving 14 million visits during the last week of October 2021 alone. In addition, Education plans to use its website to provide partners, such as schools and student advisors, with information and communication resources to help borrowers with resuming repayment. For example, in October 2021 Education updated its financial aid toolkit for partners with sample email content, sample social media posts, video content, and guidance on how to help prepare borrowers for resuming repayment, among other things. Education is planning to update the toolkit with resources that will reflect the new May 2022 repayment start date.

Other outreach channels. Education is conducting additional borrower outreach through channels such as social media, search engine marketing, text messages, and alerts from its myStudentAid mobile phone application.¹⁵⁶ For example, Education sent 2.4 million text messages in October 2021. According to Education’s communication plan, the use of social media and search engine marketing began in August 2021. Education officials said that all communications link back to StudentAid.gov as the main source of information for resuming repayment.

Targeted outreach to certain borrowers. Education is providing targeted communications and assistance for specific groups of borrowers, including borrowers 1) at increased risk of delinquency, 2) in default on their loans, and 3) automatically paying their student loan bills prior to the payment freeze.

Borrowers at increased risk of delinquency. Education determined that some borrowers will require additional engagement before and after payments resume to reduce their risk of becoming

¹⁵⁶See <https://studentaid.gov/mystudentaid-mobile-app> for more information about Education’s mobile phone application for federal student loan borrowers.

delinquent. These borrowers include those who did not complete their program of study, borrowers that were delinquent before the payment suspension, and borrowers who entered repayment within the past three years.¹⁵⁷ Education officials noted that borrowers who recently entered repayment are not traditionally considered a high risk for delinquency; however, these borrowers may need extra support to develop healthy repayment behaviors and find a repayment plan that fits their needs because they have not been required to make payments for the majority of their time in repayment status.

Education has required loan servicers to conduct phone outreach campaigns to these at-risk borrowers to inform them of their payment due date and the various programs and flexibilities available to help them resume repayment. About 50 percent of all federal student loan borrowers were identified as at-risk for this purpose, according to data we obtained from loan servicers in October 2021. In addition, Education has been sending monthly emails directly to at-risk borrowers beginning in September 2021. Once repayment resumes, Education plans to also send daily emails to at-risk borrowers, including those who have missed payments. These emails will include information on the risk of delinquency and available options for borrowers who are struggling to make payments.

Borrowers in default. Education determined that borrowers who have defaulted on their loans require additional communication and assistance. According to Education, many of these borrowers did not respond to early outreach attempts regarding the payment suspension. In addition, the contractor managing borrowers' defaulted loans initially did not have valid email addresses for about half of the borrowers in default. Education recently began providing the contractor with additional email addresses drawn from various data sources; however, email addresses are still missing for about 25 percent of defaulted borrowers. Education is planning to reach these borrowers by using other outreach channels to share messages about rehabilitation options.¹⁵⁸ For example, Education is planning to post social media content with options for defaulted loan rehabilitation, resources borrowers should be aware of, and consequences of not taking action to enroll in a rehabilitation plan.

Borrowers with auto-debit. Education required loan servicers to contact 5.1 million borrowers who were making loan payments via auto-debit prior to the payment suspension because these borrowers will have to confirm that they want to continue automatically paying their student loans when repayment resumes.¹⁵⁹ Education officials said borrowers' circumstances may have changed since the repayment freeze began. Therefore, Education chose to require borrowers who

¹⁵⁷Education instructed loan servicers to identify borrowers as at-risk who, as of the end of the payment suspension: 1) had not graduated and entered repayment in the last 60 months; 2) entered repayment for the first time within the last 36 months; 3) exited hardship, unemployment, or natural disaster deferment or forbearance—a temporary suspension of monthly loan payments—in the last 48 months; or 4) were ever 90 days delinquent or more in the year prior to the payment suspension.

¹⁵⁸Defaulted borrowers who enter into a loan rehabilitation agreement can restore their eligibility for federal student aid and remove the record of default from their credit history after making nine on-time monthly payments within 10 months. The borrower's credit history will still show late payments that were reported before the loan went into default.

¹⁵⁹Borrowers with auto-debit have payments automatically deducted from their bank accounts. Loan servicers are not required to reconfirm the auto-debit enrollment for the 571,000 borrowers who signed up for auto-debit after March 13, 2020, or the 280,000 borrowers who have been continuing to make payments via auto-debit during the payment suspension, as of October 2021. These borrowers will not need to take any action to remain in auto-debit status.

want to resume auto-debit after the payment suspension to opt back in to automatically making payments, to ensure that borrowers are aware that a withdrawal will be occurring so they can budget accordingly. Education officials said that restarting auto-debits without a confirmation from borrowers could result in unnecessary harm, such as borrowers not having enough money in their account and being subject to bank overdraft fees. Borrowers who do not opt in to resuming auto-debit will have to manually submit each loan payment.¹⁶⁰ Borrowers were allowed to make their selection by clicking on a link in emails from their loan servicer without logging into their account and through other means, such as over the phone or by logging into their account online.

Borrowers enrolled in auto-debit are traditionally the least risky customers, according to one loan servicer. If borrowers do not proactively reconfirm their enrollment in auto-debit it will result in higher rates of delinquency, according to another loan servicer. These borrowers are not used to manually submitting loan payments and may not realize they have been removed from auto-debit. The loan servicer outreach is intended to ensure that borrowers who want to continue making automatic payments will have the ability to do so, according to Education documentation. As of December 2021, 3.3 million of the 5.1 million borrowers who were previously making loan payments via auto-debit had reinstated their automatic payments.¹⁶¹

Flexibilities for borrowers once repayment resumes. As borrowers face student loan bills for the first time in over two years, getting borrowers to resume payments and avoid delinquency or default will be a significant challenge, according to Education officials. Education has planned to ease this transition by temporarily not reporting missed payments to credit rating agencies. In addition, Education is providing borrowers with additional flexibilities during the early stages of resuming repayment.

Simplifying Income-Driven Repayment. The 8.7 million borrowers with loans in an Income-Driven Repayment plan will not be required to recertify their current income and family size for six months after repayment resumes, although borrowers can voluntarily recertify at any time.¹⁶² Borrowers who apply for a new Income-Driven Repayment plan or those already in a plan who volunteer to provide this information can self-certify their current income amount and family size over the phone or through other means offered by their loan servicer instead of submitting an application and documentation of their income, which is typically required.¹⁶³ Education officials said that these documentation requirements are a common friction point that can keep some borrowers from enrolling in Income-Driven Repayment plans. Officials said temporarily removing these requirements will make signing-up for Income-Driven Repayment plans easier. As of

¹⁶⁰The borrower will need to re-sign up for auto-debit if they choose to participate at a later time.

¹⁶¹Of the remaining borrowers who previously had auto-debit accounts prior to the payment freeze, 106,000 have elected to opt out of auto-debit going forward and 1.7 million had not responded as of December 2021. Generally, borrowers have until 15 days before their first bill is due to opt back into automatic payment status, according to Education officials.

¹⁶²If a borrower's income has decreased or their family size has changed, recertifying their Income-Driven Repayment plan with this information may result in a lower monthly payment.

¹⁶³During the payment suspension, borrowers in an Income-Driven Repayment plan did not have to recertify their income annually.

December 2021, 160,000 borrowers had self-certified to either start or continue their enrollment in an Income-Driven Repayment plan.¹⁶⁴

Expanding customer service. Education will require loan servicers to add evening and weekend call center hours to increase the availability of customer service representatives who can respond to borrower questions about resuming repayment. Education plans to validate whether call centers meet their performance standards, and will monitor call center communication metrics like call volumes, wait times, and abandon rates. Education also plans to conduct oversight of servicers with call center secret shoppers.

Servicers leaving federal student loan portfolio. Additional communication and assistance is needed for some borrowers as a result of changes in loan servicers. Three loan servicers—Navient, Granite State Management and Resources, and FedLoan Servicing—announced in 2021 that they plan to end student loan servicing activities by the end of 2022.¹⁶⁵ As of December 2021, approximately 12.2 million borrowers held student loans with these three servicers. This includes all loans certified for Public Service Loan Forgiveness and all borrowers with Teacher Education Assistance for College and Higher Education loans and grants that are currently serviced by FedLoan Servicing. Education plans to transfer borrowers' loan accounts held by these servicers to other federal student loan servicers. Education officials said that these transfers will be challenging because some borrowers will have to adjust to new servicers at the same time they will be adjusting to resuming loan repayment.

Education plans to send targeted outreach to borrowers affected by the servicer transfers. Education officials said that for each servicer transfer they will communicate via email with borrowers both before and after the transfer occurs, letting them know which servicer they are transferring to and immediate steps to take before and after the transfer, such as updating their contact information and setting up their online accounts with their new servicer.

Education completed the transfer of all student loan accounts from Granite State Management and Resources in November 2021 and from Navient in December 2021. As of January 2022, Education had transferred 37 percent of student loan accounts from FedLoan Servicing, and expected to complete all transfers by the summer of 2022.¹⁶⁶

Loan servicer capacity to help borrowers resume repayment. Adequate loan servicer staffing and training are important aspects of meeting the increased demands related to helping

¹⁶⁴Education officials noted that while borrowers do have the option to self-certify their income, many borrowers applying for Income-Driven Repayment plans through Education's website choose to validate their income with IRS data. For example, in early December 2021 the majority of borrowers who applied for an Income-Driven Repayment plan online used the IRS income verification process.

¹⁶⁵Navient transferred its federal student loan servicing contract to another loan servicer, Maximus, in October 2021. Maximus's Aidvantage servicing unit will administer student loans owned by the federal government. While all student accounts for Granite State Management and Resources have been transferred, the servicer will answer calls from borrowers until January 28, 2022. Pennsylvania Higher Education Assistance Agency's FedLoan Servicing unit administers student loans owned by the federal government, and plans to end its servicing activities by December 2022.

¹⁶⁶As of January 12, 2022, approximately 3.2 million of the approximately 8.5 million FedLoan Servicing borrowers had been transferred. Education anticipates that at least 1.8 million more borrowers will be transferred through March/April 2022.

borrowers resume repayment. For example, loan servicers need to ensure they have trained staff available to accommodate extended call center hours and to prepare for higher call volumes as borrowers seek information about their loans and apply for different repayment plans in preparation for resuming payments.

In October 2021, all seven of the loan servicers told us that they expected higher than normal call volumes.¹⁶⁷ Two loan servicers also said they anticipated that borrowers will require longer and more frequent phone calls as they get used to repaying their loans and seek to determine how changes to their financial and family circumstances since the payment freeze may impact their loan payments.

All seven servicers reported that they needed to increase hiring to prepare for and administer borrower loan repayment. All seven servicers reported in October 2021 that they have already increased hiring to prepare for resuming repayment, but indicated that they still needed to hire over 4,500 employees to meet their hiring targets. Two of the seven servicers said that the substantial increase in new hires may contribute to negative customer service experiences, as these staff may not have the experience to answer all the unique questions that may arise from resumption of payments.

These new hires will have to obtain federal clearance and complete training, a process that can collectively take up to eight weeks, according to one servicer.¹⁶⁸ Despite these challenges, all seven servicers reported that they will have adequate time to hire and train the staff needed before the payment suspension ends. Education officials said they do not have any immediate concerns about their loan servicers' current capacity or their ability to hire staff, and that they are closely monitoring servicer hiring, workload estimates, and performance.

Methodology

To conduct this work we reviewed data reported by Education, relevant federal laws, agency plans, and guidance. We also interviewed Education officials and sent questions to seven student loan servicers about their preparations for resuming borrower loan repayment.¹⁶⁹ We assessed the reliability of Education's reported data by reviewing documents and responses from officials. We found the data sufficiently reliable for our purposes.

¹⁶⁷In contrast, loan servicers reported that call volume generally decreased during the payment suspension. We did not include responses from an eighth servicer—Granite State Management and Resources—in this report because their servicing contract ends in March 2022, meaning they will not be assisting borrowers once payments resume in May 2022. Although FedLoan Servicing and Navient are also ending their servicing contracts with Education, we included responses from both because their staff will still be servicing student loans in some capacity after repayment resumes. Education does not plan to complete the transfer of borrowers from FedLoan Servicing until the summer of 2022, and Education confirmed that Navient transitioned about 800 of its staff to Maximus's Aidvantage servicing unit in December 2021. We obtained responses from all servicers in October 2021, before Education announced that the payment suspension will be extended from January 31, 2022, to May 1, 2022.

¹⁶⁸Federal clearances generally take about two weeks to process, according to Education officials.

¹⁶⁹We also sent questions to an eighth servicer, Granite State Management and Resources. They did not provide responses to the majority of our questions as their servicing contract ends in March 2022, meaning they will not be assisting borrowers once payments resume in May 2022.

Agency Comments

We provided a draft of this enclosure to Education and the Office of Management and Budget for review and comment. Education provided technical comments, which we incorporated as appropriate. The Office of Management and Budget did not provide comments on this enclosure.

GAO's Ongoing Work

We will continue to examine Education's oversight of the student loan program and servicers.

Contact information: Melissa Emrey-Arras, (617) 788-0534, emreyarrasm@gao.gov

Economic Injury Disaster Loan Program

The Small Business Administration has taken steps to improve its implementation of the Economic Injury Disaster Loan program—including moving the operation of COVID-19 loans and advances to the Office of Capital Access, implementing program changes, communicating key information, and increasing its application processing capacity—but needs to continue to work to improve its controls over the program.

Entities involved: Small Business Administration

Background

Since March 2020, the Small Business Administration (SBA) has provided millions of dollars in loans and grants (called advances) through the Economic Injury Disaster Loan (EIDL) program to assist small businesses and nonprofits experiencing economic injury caused by COVID-19.¹⁷⁰ In the Paycheck Protection Program and Health Care Enhancement (PPHCE) Act, enacted on April 24, 2020, Congress appropriated \$50 billion in loan credit subsidies for SBA to cover the cost of making EIDL loans.¹⁷¹ Additionally, in the CARES Act and the PPHCE Act, Congress appropriated \$20 billion for EIDL advances, a new component of the program that provided direct payments of up to \$10,000 to qualifying small businesses that did not have to be repaid.¹⁷² On July 11, 2020, SBA announced that it had fully allocated the \$20 billion in funding for EIDL advances.

On December 27, 2020, under the Consolidated Appropriations Act, 2021, Congress appropriated an additional \$20 billion for targeted EIDL advances to eligible entities with 300 or fewer employees that are located in low-income communities and experienced an economic loss of greater than 30 percent.¹⁷³ Qualifying entities may receive up to \$10,000 in targeted advances.¹⁷⁴ Advances do not have to be repaid.

On March 11, 2021, under the American Rescue Plan Act of 2021, Congress appropriated additional funding for entities that qualified for targeted EIDL advances under the Consolidated Appropriations Act, 2021. Congress appropriated an additional \$10 billion for eligible entities that have not received the full amount of \$10,000 in targeted EIDL advances. Congress also appropriated \$5 billion to provide an additional \$5,000 for eligible entities in low-income communities that suffered an economic loss greater than 50 percent and employed not more than

¹⁷⁰All references to the EIDL program in this report refer to the program administered in response to the COVID-19 pandemic.

¹⁷¹EIDL loans are limited by statute to a maximum of \$2 million. However, SBA set lower maximum amounts for periods in 2020 and 2021. From March 16, 2020 through May 3, 2020, SBA limited the maximum loan amount to \$500,000, even if the calculated economic injury exceeded that amount. From May 4, 2020, through April 5, 2021, SBA limited the maximum loan amount to \$150,000. Beginning on April 6, 2021, SBA increased the loan limit back to \$500,000.

¹⁷²When implementing the advances under the CARES Act, SBA provided advances in the amount of \$1,000 per employee up to a maximum of \$10,000.

¹⁷³The Consolidated Appropriations Act, 2021, defines economic loss as the amount by which the gross receipts of the covered entity declined during an 8-week period between March 2, 2020, and December 31, 2021, relative to a comparable 8-week period immediately preceding March 2, 2020, or during 2019 or for seasonal businesses, as the SBA defined as appropriate.

¹⁷⁴These eligible entities qualify for the full amount of \$10,000 in targeted advances—regardless of their number of employees—minus the amount they received under the CARES Act advances, which SBA based on employee numbers.

10 employees. The \$5,000 is available in addition to advances obtained under the CARES Act or targeted advances under the Consolidated Appropriations Act, 2021. The act also appropriated \$70 million for EIDL loans and additional funding for SBA administrative expenses for several programs, including the targeted advance programs and the EIDL loan program. The Infrastructure Investment and Jobs Act, signed into law on November 15, 2021, rescinded \$13.5 billion of the COVID EIDL loan appropriations and approximately \$17.6 billion from the targeted EIDL advance appropriations.

Overview of Key Issues

Transition of COVID-19 EIDL loans and advances to the Office of Capital Access facilitated program improvements. In July 2021, SBA moved the operation of EIDL program responsibilities related to COVID-19 from the Office of Disaster Assistance to the Office of Capital Access. SBA officials explained that SBA made this transition to allow the Office of Disaster Assistance to focus on natural disaster response—in particular the upcoming hurricane season—and to implement additional risk management approaches for the EIDL program that SBA had used for the Paycheck Protection Program and the Restaurant Revitalization Fund program.¹⁷⁵ The officials emphasized that collaboration continues between the two offices. For example, while the Office of Capital Access is now responsible for overseeing the program, the Office of Disaster Assistance staff dedicated to COVID-19 EIDL processing remain the same.

Following the transition, SBA officials told us that the agency had made changes intended to improve the processing of COVID-19 EIDL loans and advances. For example, they noted the inclusion of steps to better identify potential fraud, such as making the login process more secure. In March 2021, we found that the EIDL program was susceptible to fraudulent payment risks. We recommended that SBA conduct and document a fraud risk assessment for the program. SBA stated in October 2021 that it was finalizing a fraud risk assessment and that its Compliance, Oversight, and Reporting Team was reviewing the results of the assessment. These represent positive steps toward implementing the recommendation.

Some improvements made to communication with applicants. To improve the borrower experience, SBA officials told us that they allowed field office staff to view the status of an application and provide the status to applicants. In addition, SBA officials noted that they revised the template used for letters sent to applicants not approved for EIDL loans to provide additional information to applicants on how they can request that their application be reconsidered.

We reported in July 2021 that while SBA had moved quickly under challenging circumstances to provide EIDL funding to applicants, benefiting many small businesses, SBA did not communicate key information (such as processing times and loan limits) and loan status to potential and actual applicants in an effective, consistent, or timely manner. Consequently, we recommended that SBA develop a comprehensive strategy for communicating with potential and actual program applicants in the event of a disaster. While SBA has not as of December 2021 completed this

¹⁷⁵In March 2021, the American Rescue Plan Act of 2021 established the Restaurant Revitalization Fund and appropriated \$28.6 billion for SBA to provide support to eligible entities that suffered revenue losses related to the pandemic. SBA provides grants of up to \$10 million per entity.

strategy, the changes represent positive steps to help improve the communication of key information with program applicants. In December 2021, SBA stated that the agency was evaluating plans for a major change to its disaster loan processing platform that must be resolved before further action could be taken on this recommendation.

Changes to better support small businesses. In September 2021, SBA announced that it had implemented the following changes to the COVID EIDL program:

- increased the amount of funding that can be borrowed from \$500,000 to \$2 million;
- created a 1-month exclusivity window for businesses requesting loans of \$500,000 or less;
- authorized funds to be used to prepay commercial debt and make payments on federal business debt;
- deferred repayments for 2 years after loan origination date;
- created additional ways to meet program size standards for businesses in industries uniquely affected by COVID-19;
- established more simplified requirements for affiliated businesses to model those of the Restaurant Revitalization Fund; and
- added a \$10 million limit on maximum aggregate loans to a single corporate group.

These changes affected some eligibility requirements and overall processing time frames. For example, SBA requires that loans over \$500,000 be secured with real estate owned by the business; consequently, these larger loans require additional underwriting.¹⁷⁶ SBA officials estimated that these loans take approximately 3 additional weeks to close, but described this time frame as similar to loans of a similar size made through the 7(a) Loan Program, SBA's largest lending program, or through traditional lending.

As another example of SBA's improved communication efforts, SBA issued a press release in September 2021 and updated its frequently asked questions document, which is available on its website, to communicate the programmatic changes discussed above to potential applicants.

Increased application processing capacity. Beginning in September 2021, SBA reported a number of improvements in loan processing. For example, SBA stated that the EIDL program had increased application processing capacity from an average of 2,000 to more than 37,000 applications per day. SBA attributed the increased productivity primarily to its recent ability to obtain tax transcripts directly from, and streamlining the data transmittal process with, the

¹⁷⁶No personal real estate is required as collateral.

Internal Revenue Service, which has helped SBA to validate information on borrowers' applications more efficiently.¹⁷⁷ SBA also temporarily increased staff to eliminate the application backlog.

The officials said that the number of new applications is increasing, but significantly less than applications for loan increases. The officials stated that the overall trend in requests for targeted advances and supplemental targeted advances has remained flat. They noted that implementing the legislative criteria for qualifying for targeted and supplemental targeted advances has created unanticipated challenges for borrowers. Specifically, they said that demonstrating the requisite revenue decline required a lot of effort for borrowers. They also noted that while some potential borrowers could demonstrate that they needed financial assistance, they were not located in designated low-income communities that would make them eligible for such assistance.

As of December 15, 2021, SBA had approved more than 3.8 million COVID-19 EIDL loans totaling about \$312.4 billion, and funded 532,124 targeted advances totaling about \$4.6 billion and 429,554 supplemental targeted advances totaling about \$2.1 billion.

Inability to support EIDL accounting and related controls. In November 2021, SBA's independent auditor issued a disclaimer of opinion on SBA's fiscal year 2021 consolidated financial statements, meaning the auditor was unable to express an opinion due to insufficient evidence. This was SBA's second consecutive disclaimer on its financial statements. As the basis for the disclaimer, the auditor reported that SBA was unable to provide adequate evidence to support a significant number of transactions and account balances due to inadequate processes and controls related to its implementation of its programs authorized under the CARES Act and related legislation, including EIDL and the Paycheck Protection Program.¹⁷⁸ For more information on the auditor's findings related to the Paycheck Protection Program, see the [Paycheck Protection Program enclosure in appendix I](#).

¹⁷⁷The CARES Act restricted SBA from obtaining federal tax transcripts—typically a component of SBA's review of a disaster loan application—as part of the EIDL application process. The Consolidated Appropriations Act, 2021 removed this restriction.

¹⁷⁸The auditor also reported that it identified a material weakness in internal control related to SBA's Shuttered Venues Operators Grant program and Restaurant Revitalization Fund program. Specifically, the auditor stated that SBA did not adequately design and implement monitoring controls over program awards to ensure accurate financial reporting as of the fiscal year-end, and to ensure that funds were used in accordance with related legislation. For example, SBA disbursed numerous awards to restaurants that had a Paycheck Protection Program loan guarantee with an alert or flag prior to approval of the award. SBA officials told us in December 2021 that SBA plans to provide details to the auditor that it believes will remedy the finding for the Restaurant Revitalization Fund. They also noted that since the completion of the audit SBA had implemented a process to monitor the use of recipients' funds. We will continue to monitor SBA's efforts to address the deficiencies identified in its financial statement audit. The Consolidated Appropriations Act, 2021, enacted in December 2020, authorized and appropriated \$15 billion to SBA for the shuttered venues program to assist businesses in the performing arts and entertainment industries experiencing economic hardship due to the COVID-19 pandemic. Pub. L. No. 116-260, div. N, tit. III, § 323(d)(1)(H), 324, 134 Stat. 1182, 2021, 2022-32 (2020). The American Rescue Plan Act of 2021, enacted in March 2021, appropriated an additional \$1.25 billion for shuttered venues and modified certain eligibility requirements. Pub. L. No. 117-2, tit. V, § 5005, 135 Stat. 4, 91-92 (2021). The American Rescue Plan Act of 2021 also established the restaurant revitalization program and appropriated \$28.6 billion to SBA for eligible entities that suffered revenue losses related to the COVID-19 pandemic. Pub. L. No. 117-2, tit. V, § 5003, 135 Stat. 4, 85-90 (2021).

The auditor also identified several material weaknesses in internal controls related to EIDL.¹⁷⁹ Specifically, the auditor reported weaknesses concerning (1) controls over EIDL loans and advances; (2) subsidy reestimates, including the EIDL subsidy reestimate; and (3) SBA's evaluation of service organizations (contractors), including those relevant to EIDL.¹⁸⁰ In addition, the auditor identified a material weakness in SBA's entity-level controls, citing challenges due to the implementation of new and expanded programs, including EIDL.

In its discussion of the material weakness related to controls over EIDL loans and advances, the auditor stated that SBA did not adequately design and implement controls to ensure that approved loans and advances were provided to eligible borrowers and accurately reported. The auditor noted instances where more than one loan or advance was approved and disbursed to the same recipient, as well as instances where, according to law enforcement agencies, loans and advances were awarded to recipients with fraudulent tax identification numbers. The auditor reported that as of September 30, 2021, SBA had flagged over 500,000 approved and disbursed EIDL loans and advances (with an approximate total value of over \$30 billion) in its loan repository system as issued to potentially ineligible borrowers.

For the material weakness related to subsidy reestimates, the auditor stated that SBA did not adequately design and implement controls to ensure the assumptions used in the subsidy reestimate for EIDL loans appropriately reflect risks in the portfolio. SBA is in the process of reviewing the EIDL portfolio to address eligibility concerns related to disbursed loans. The auditor reported that because this review was not completed at the time of the year-end subsidy reestimate, SBA did not have a reasonable basis to determine whether the assumptions it applied to loans in the EIDL portfolio were appropriate. In addition, the auditor reported that SBA did not design and implement sufficient review controls over the development and application of the assumptions it used in the subsidy reestimate for the EIDL portfolio, and therefore, SBA was unable to sufficiently support the appropriateness of the assumptions it applied to the subsidy reestimate.

For the material weakness related to service organizations, the auditor reported that SBA did not obtain reasonable assurance of the operating effectiveness of internal controls within service organizations' control environments, including a service organization relevant to the processing of EIDL transactions. Additionally, SBA did not provide evidence of adequate monitoring activities performed over the relevant control environments at service organizations, such as obtaining and reviewing attestation reports on the design, implementation, and operating effectiveness of controls.

¹⁷⁹A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

¹⁸⁰The Federal Credit Reform Act of 1990 (FCRA) requires that agencies have budget authority to cover a program's subsidy cost to the government in advance—before new loan guarantee commitments are made. The data used for budgetary subsidy cost estimates are generally updated—or reestimated—annually after the end of the fiscal year to reflect actual loan performance and to incorporate any changes in assumptions about future loan performance. Reestimates that increase subsidy costs are referred to as upward reestimates (an agency would need additional funds), while reestimates that decrease subsidy costs are referred to as downward reestimates (an agency would return funds to the Department of the Treasury).

In total, the auditor made nine recommendations to SBA to address the issues related to EIDL in the three areas of material weaknesses described above. Among other things, the auditor recommended that SBA

- develop and execute a review plan for the EIDL loans and advances portfolios and determine which transactions were made to ineligible recipients;
- implement controls to prevent or detect loans and advances that are not in conformance with related legislation and program eligibility terms;
- design and implement controls to continue accumulating relevant, complete, and accurate data on which to base the subsidy reestimate model for the EIDL portfolio; and
- enhance its review and evaluation of service organization controls.

SBA's auditor also reported a material weakness in SBA's entity-level controls, citing challenges due to the implementation of new and expanded programs. Related to EIDL, the auditor stated SBA lacked a clear organizational structure that designated responsibilities for management and oversight of EIDL, including timely development of corrective actions to remediate recommendations related to review of the EIDL portfolio. The auditor issued five recommendations to improve entity-level controls, including recommending, among other things, that SBA document its internal control system and processes related to the implementation of new or expanded programs from new legislation; develop and implement monitoring controls to ensure implementation of an effective internal control environment; and develop and implement a sufficient plan to test and monitor the design, implementation, and operating effectiveness of key controls that affect financial reporting and compliance with relevant laws and regulations.

The auditor noted that the deficiencies were primarily caused by SBA prioritizing the implementation of CARES Act provisions and related legislation as quickly and efficiently as possible over implementing internal control processes. In addition, the auditor cited the inherent challenges of implementing new and expanded programs without historical precedence.

SBA disagreed with the severity of the weaknesses related to controls over EIDL loans and advances, subsidy reestimates, and entity-level controls. SBA partially agreed with the material weakness related to service organization oversight. While SBA did not agree or disagree with the auditor's recommendations, in commenting on the auditor's report, SBA stated that it is continuing its efforts to address material weaknesses, strengthen processes, develop fraud risk assessments, and support requirements for the auditability of its financial statements.

We support the recommendations the auditor provided to address control weaknesses related to EIDL, and we encourage SBA to continue to work to improve its controls over the program, as well as to improve its documentation to support future financial statement audits.

Methodology

To conduct this work, we reviewed SBA documentation of policy and programmatic changes the agency has made to the EIDL program since July 2021. We also analyzed SBA's data on the processing of loans, targeted advances, and supplemental targeted advances through October 2021 and interviewed SBA officials. We monitored SBA's fiscal year 2021 financial statement audit and reviewed its fiscal year 2021 agency financial report and the accompanying independent auditor's report. We assessed the reliability of SBA data by interviewing SBA officials. We determined that the data were sufficiently reliable for reporting the status of EIDL COVID-19 loans and targeted advances.

Agency Comments

We provided SBA and the Office of Management and Budget (OMB) with a draft of this enclosure. SBA provided technical comments, which we incorporated as appropriate. OMB did not provide comments on this enclosure.

GAO's Ongoing Work

Our work on the EIDL program is ongoing. We continue to examine SBA's processing of EIDL COVID-19 loans and advances and the fraud risks in the program. We will also continue to monitor SBA's progress toward developing and implementing corrective actions to address the material weaknesses identified in December 2020 and November 2021 by its independent financial statement auditor.

GAO's Prior Recommendations

The table below presents our recommendations on the EIDL program from prior bimonthly and quarterly CARES Act reports.

Prior GAO Recommendations Related to the Economic Injury Disaster Loan Program

Recommendation	Status
The Administrator of the Small Business Administration (SBA) should conduct and document a fraud risk assessment for the Economic Injury Disaster Loan (EIDL) program. (March 2021 report)	Open—partially addressed. SBA agreed with the recommendation, stating that it would work to ensure that a fraud risk assessment for the EIDL program is completed. In December 2021, SBA provided a fraud risk assessment that had been prepared by its contractor. Based on our initial review of the assessment, it adhered to many fraud risk management leading practices, but for example, SBA did not determine its fraud risk tolerance. We intend to follow up with SBA to discuss the fraud risk assessment and agency actions in response to the assessment.
The Administrator of SBA should develop a strategy that outlines specific actions to address assessed fraud risks in the EIDL program on a continuous basis. (March 2021 report)	Open—partially addressed. SBA agreed with the recommendation, stating that it would work to ensure that fraud risks are monitored on a continuous basis. In December 2021, SBA provided a fraud risk assessment, which would inform an antifraud strategy. We intend to follow up with SBA to discuss agency actions in response to the fraud risk assessment and plans for developing an antifraud strategy.
The Administrator of SBA should 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. (March 2021 report)	Open—partially addressed. SBA agreed with the recommendation, stating that it will implement a comprehensive oversight plan. In December 2021, SBA provided a fraud risk assessment, which would inform the oversight plan. We will continue to monitor the agency's actions to address this recommendation.
The Administrator of SBA should develop and implement portfolio-level data analytics across EIDL program loans and advances made in response to COVID-19 as a means to detect potentially ineligible and fraudulent applications. (January 2021 report)	Open—partially addressed. At the time of our report, SBA neither agreed nor disagreed with this recommendation. In December 2021, SBA stated that the agency had implemented fraud indicators for EIDL application data. SBA also stated that the agency shared these indicators with the Pandemic Response Accountability Committee for review. Further, SBA stated that the agency would provide additional details to GAO in 2022. We will continue to monitor the agency's actions to address this recommendation.

Source: GAO. | [GAO-22-105291](#)

Related GAO Products

Economic Injury Disaster Loan Program: Additional Actions Needed to Improve Communication with Applicants and Address Fraud Risks. [GAO-21-589](#). Washington, D.C.: July 30, 2021.

Contact information: William B. Shear, (202) 512-8678, shearw@gao.gov

Tax Relief for Businesses

Internal Revenue Service's controls were not sufficient to timely address challenges to meeting the 90-day statutory requirements for issuing tentative net operating loss and alternative minimum tax refund claims. This contributed to the delay of the issuance of tentative refunds to some taxpayers beyond the 90-day requirement, and cost the government around \$61 million in interest from all carrybacks in fiscal year 2021.

Entities involved: Internal Revenue Service, within the Department of the Treasury

Recommendation for Executive Action

The Commissioner of Internal Revenue should establish mitigation plans—including indicators, such as a threshold to initiate mitigation activities—to timely address any future challenges to processing applications for tentative refund on Forms 1045 and 1139 within the 90-day statutory requirement.

The Internal Revenue Service neither agreed nor disagreed with our recommendation, but stated that it will take the recommendation into careful consideration as it continues to make improvements to ensure that it can serve the future needs of the nation's taxpayers.

Background

To provide liquidity to businesses during the COVID-19 pandemic, the CARES Act and other COVID-19 relief laws included tax measures to help businesses—including sole proprietors—by reducing certain tax obligations.¹⁸¹ In some cases, those measures led to cash refunds. The Internal Revenue Service's (IRS) capacity to implement new initiatives, such as the many COVID-19 related tax provisions, is an ongoing challenge we cited in our 2021 High-Risk Report.

The CARES Act, the Consolidated Appropriations Act, 2021, and the American Rescue Plan Act of 2021 modified, among other provisions of the tax law, provisions previously enacted or amended by Public Law 115-97, commonly known as the Tax Cuts and Jobs Act (TCJA).¹⁸² The Joint Committee on Taxation estimates the following tax provisions will result in about \$26 billion in foregone revenue for the federal government in fiscal years 2020 through 2030.¹⁸³

Net Operating Loss (NOL) carrybacks. An NOL is a loss which may result from a trade or business loss or a casualty or theft loss, and may occur when a taxpayer's allowable deductions exceed its gross income for a tax year, essentially resulting in negative income. During an NOL year, a taxpayer generally does not owe any income taxes and may be able to use the NOL to

¹⁸¹Pub. L. No. 116-136, §§ 2301–2307, 134 Stat. 281, 347–359 (2020). Other COVID-19 relief laws include the Consolidated Appropriations Act, 2021, and the American Rescue Plan Act of 2021. Pub. L. No. 116-260, 134 Stat. 1182 (2020); Pub. L. No. 117-2, 135 Stat. 4 (2021). The measures can also help other types of entities, such as estates and trusts.

¹⁸²Pub. L. No. 115-97, 131 Stat. 2054 (2017).

¹⁸³This is lower than our July 2021 CARES Act report estimate because it only includes the estimate for Net Operating Loss and Alternative Minimum Tax.

offset income in other tax years, via a carryback or carryforward.¹⁸⁴ The CARES Act generally requires, unless waived by the taxpayer, carrybacks for 5 years for NOLs arising in tax years beginning in 2018, 2019, and 2020, which may provide a cash refund for certain taxpayers.¹⁸⁵ Tax years prior to 2018 generally had a higher tax rate, so the ability of businesses to carryback 2018, 2019, and 2020 NOLs to earlier tax years with a higher tax rate tends to increase the relative value of the carryback amounts.

In general, for NOLs arising in tax years beginning after 2017, TCJA limited the deduction of NOL carrybacks and carryforwards to 80 percent of taxable income.¹⁸⁶ The CARES Act temporarily suspended the 80 percent limitation, and those NOLs can reduce 100 percent of a taxpayer's taxable income for tax years beginning before 2021.¹⁸⁷

For corporations (other than S corporations), refunds resulting from NOL carrybacks are typically claimed on either Form 1120-X, *Amended U.S. Corporation Income Tax Return*; or Form 1139, *Corporation Application for Tentative Refund*. For individuals, estates, and trusts, refunds resulting from NOL carrybacks are typically claimed on Form 1045, *Application for Tentative Refund*.¹⁸⁸ This enclosure focuses on the Applications for Tentative Refunds on Forms 1139 and 1045. From April 17 to December 31, 2020, IRS implemented temporary procedures to allow taxpayers to submit via fax Forms 1139 and 1045 for a quick tentative refund during the period that IRS closed its processing centers and was unable to process mail due to COVID-19.¹⁸⁹ After December 31, 2020, all Forms 1045 and 1139 must be filed on paper.

Acceleration of Alternative Minimum Tax (AMT) credit refunds. In general, AMT was an alternative tax regime, which applied a lower tax rate to a broader tax base by limiting the use of tax preferences and disallowing credits and deductions. TCJA repealed the corporate AMT, but most corporations could claim their remaining unused minimum tax credits as a refundable credit

¹⁸⁴26 U.S.C. § 172(a), (b)(2). TCJA generally repealed NOL carrybacks and required NOLs to be carried forward indefinitely. Pub. L. No. 115-97, § 13302(b), 131 Stat. at 2122. The amount allowed as an NOL and the amount allowed as a net operating loss deduction in another year may be subject to certain modifications. 26 U.S.C. § 172(d). For ease of reporting, we use the term “taxpayer” to refer to an entity that may use the CARES Act tax relief provisions described in this enclosure.

¹⁸⁵Pub. L. No. 116-136, § 2303, 134 Stat. at 352–356. Taxpayers who have amounts included in their income because of the one-time repatriation tax established in the TCJA (referred to as the “section 965 tax” or “transition tax”), can elect to exclude those inclusion years from the carryback period to produce an NOL refund in other years. 26 U.S.C. § 965.

¹⁸⁶Pub. L. No. 115-97, § 13302(a)(1), 131 Stat. at 2121. Specifically, for NOLs arising in tax years beginning after 2017, the TCJA’s 80-percent limitation limited the deduction of NOL carrybacks and carryforwards to an amount equal to the lesser of (1) the aggregate of the NOL carryforwards and carrybacks to that taxable year, or (2) 80 percent of taxable income of the taxpayer computed without regard to any NOL deduction.

¹⁸⁷Pub. L. No. 116-136, § 2303(a)(1), 134 Stat. at 353.

¹⁸⁸An S corporation is a corporation meeting certain requirements that elects to be taxed under subchapter S of the Internal Revenue Code. Corporations, other than S corporations, file Form 1139, *Corporation Application for Tentative Refund*. Individuals, including sole proprietors, estates, and trusts file Form 1045, *Application for Tentative Refund*. For ease of reporting, we use the term “application for tentative refund” to refer to Form 1139 and Form 1045. IRS uses “claim” to refer to the carrybacks filed on amended returns, according to agency officials.

¹⁸⁹ See: IRS, *Temporary procedures to fax certain Forms 1139 and 1045 due to COVID-19*, accessed November 16, 2021, <https://www.irs.gov/newsroom/temporary-procedures-to-fax-certain-forms-1139-and-1045-due-to-covid-19>. The IRS has marked this webpage as “historical content,” providing that the webpage “is an archival or historical document and may not reflect current law, policies or procedures.”

for tax years 2018 through 2021.¹⁹⁰ Under the CARES Act, corporations with AMT credits may claim a refund for tax years beginning in 2018 and 2019 and may either file Form 1139 or Form 1120-X to receive a refund for some or all of these credits.¹⁹¹

Overview of Key Issues

IRS processing times well exceed its 90-day statutory time limit. The CARES Act amended tax provisions affecting NOL and corporate AMT, which could potentially help increase business liquidity during the COVID-19 pandemic. The Internal Revenue Code and the CARES Act generally require IRS to issue certain refunds within a period of 90 days from the date on which a complete application for a tentative carryback adjustment is filed, or from the last day of the month in which the return is due, whichever is later.¹⁹² This requirement includes applications for tentative refund on Forms 1139 and 1045 filed via fax before December 31, 2020 and via paper since that date.

According to IRS data, the agency's average monthly processing time has been consistently longer than the statutory 90-days to process applications for tentative refund on Forms 1139 and 1045 since September 2020 and January 2021 for corporate and individual filings, respectively (see figure).¹⁹³ As we reported in July 2021, before late 2020, IRS had not taken longer than 90 days to process these refunds in the 3 prior years of data we analyzed for that report. Our review of IRS data for this report shows that as of November 2021, average monthly processing times peaked in March and June 2021 for corporate and individual filings, respectively, and have decreased since then, but remain well above 90-days. Since the CARES Act allows corporations to use Form 1139 to claim AMT credit refunds, these refunds are also represented in the carryback processing data, which includes applications for tentative refund on Forms 1139 and 1045.

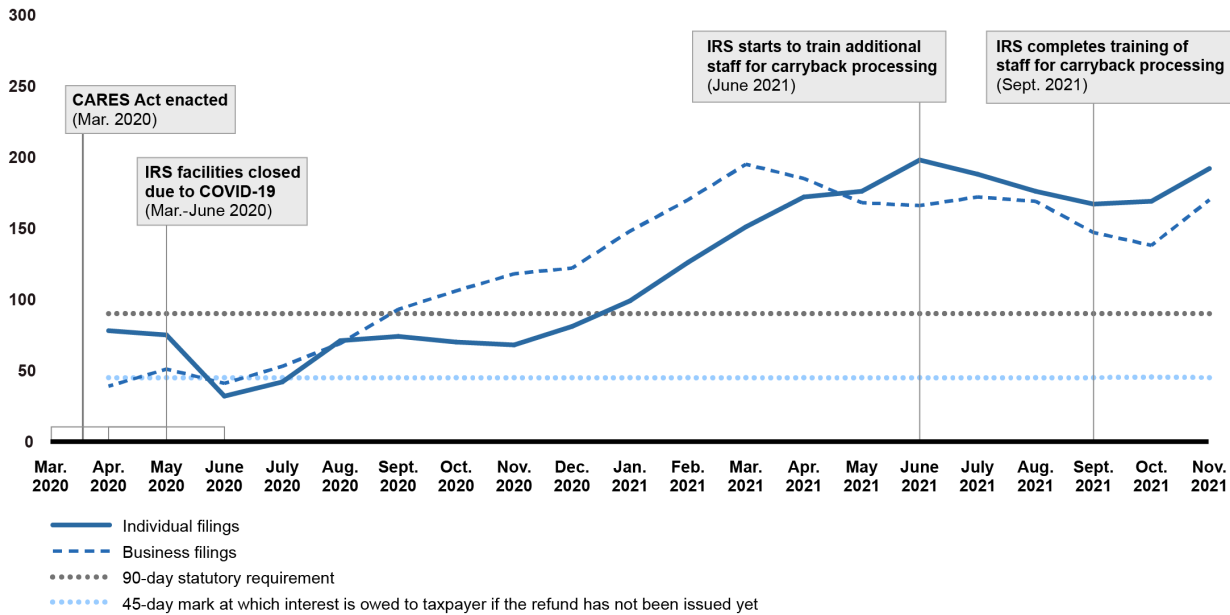
¹⁹⁰Pub. L. No. 115-97, § 12001(a), 131 Stat. at 2092.

¹⁹¹Pub. L. No. 116-136, § 2305, 134 Stat. at 357. Under the CARES Act, corporations with AMT credits in excess of the credit allowed to offset regular tax liability (excess credit) may claim 50 percent of the excess credit as a refundable credit for the first tax year beginning in 2018 and then claim any remaining excess credit as a refundable credit in 2019. Alternatively, a taxpayer may elect to claim the entire excess credit as a refundable credit in its first tax year beginning in 2018. If a corporation elects to claim all of the excess credit as a refundable credit in 2018, the corporation may use Form 1139 to claim a refund for this refundable credit. If a corporation does not file Form 1139 to make this election, it may file a Form 1120-X to make the election and claim a refund for this refundable credit. See: IRS, *Questions and Answers about NOL Carrybacks of C Corporations to Taxable Years in which the Alternative Minimum Tax Applies*, Question 5, accessed December 18, 2021, <https://www.irs.gov/newsroom/questions-and-answers-about-nol-carrybacks-of-c-corporations-to-taxable-years-in-which-the-alternative-minimum-tax-applies>.

¹⁹²26 U.S.C. § 6411(b), (d)(2); Pub. L. No. 116-136, § 2305(d)(1), 134 Stat. at 357.

¹⁹³Individuals that file applications for tentative refund include sole proprietors.

Average Monthly Processing Times for Taxpayer Carryback Applications and Claims Filed with the Internal Revenue Service (IRS), Apr. 2020–Nov. 2021



Source: GAO analysis of IRS data. | GAO-22-105291

Note: These data include all carryback cases, including those filed as “claims” on Forms 1120-X and 1040-X and those filed as “applications” on Forms 1045 and 1139. Forms 1045 are represented in the individual line and Forms 1139 are represented in the business line. Forms 1139 may also contain refund claims for the alternative minimum tax (AMT) refund. IRS officials said the reported times do not include the additional time—up to 2 weeks—it may take for IRS to finalize production and distribute the refund to the taxpayer. The figure does not represent all of the work that IRS did throughout the year, but focuses on actions specific to the processing times for carryback cases. The Consolidated Appropriations Act, 2021 and American Rescue Plan Act of 2021 were also enacted in December 2020 and March 2021 respectively, and contained provisions that also required IRS action.

As of November 2021, the average time to process all carryback refunds for individual filers in 2021 was 165 days and 166 days for corporate filers. IRS officials said these numbers do not include unprocessable applications or the additional time—up to 2 weeks—for IRS to finalize production and distribute the refund to the taxpayer.¹⁹⁴ This means that taxpayers are not receiving their NOL and AMT credit refunds in a timely manner, and are subsequently owed interest after 45 days.¹⁹⁵ According to IRS data, IRS has paid around \$61 million in interest on all carrybacks, including applications for tentative refund, for fiscal year 2021.¹⁹⁶ According to IRS data, applications for tentative refund made up roughly 80 percent of all carryback payments with interest for the fiscal year.

¹⁹⁴IRS considers applications unprocessable for a number of reasons, including an incorrect taxpayer name or missing documentation. According to IRS officials, if an *Application for Tentative Refund* is deemed unprocessable, IRS does not start counting the 90-day timeline until the application is considered complete.

¹⁹⁵26 U.S.C. § 6611(e), (f). Interest is owed when the refund is not issued within 45 days of the later of the: loss year return due date (without regard to any extension), delinquent loss year return received date (used when the loss year return is filed after its due date, without regard to any extension), loss year return processable date, date the application is received by the IRS, or date the application is received by the IRS in processable form.

¹⁹⁶This number includes the total interest for all carrybacks, including applications and claims via both applications for tentative refund and amended returns. This enclosure focuses on “applications” filed via applications for tentative refund. The 2021 fiscal year ended on September 30, 2021.

IRS facility closures and associated staffing challenges contributed to processing backlogs.

COVID-19 caused IRS facilities to shut down, and the subsequent large-scale staffing changes prevented the timely processing of paper returns, including paper filed Forms 1045 and 1139.¹⁹⁷ IRS processing centers re-opened in June 2020, and IRS officials said they have been processing mail in the order of receipt while operating at partial capacity to accommodate social distancing. More information about IRS's backlog is included in our March and July 2021 CARES Act reports.

The COVID-19 facility closures and staffing changes created a large filing backlog, which the IRS was still working through for much of 2021. At the end of the 2021 filing season, IRS had about 25.5 million unprocessed individual and business returns, including about 1.2 million returns from its 2020 backlog. IRS reported that as of May 28, 2021, it had entered all 2020 individual returns into its processing systems. As of November 19, 2021, IRS reported that it still had roughly 460 business filings from 2020 that had not been entered into its processing systems.¹⁹⁸ Officials emphasized that the agency had to deal with many competing priorities as it worked through the backlog, such as managing the 2021 tax filing season and adapting to new legislation.¹⁹⁹

While IRS had some controls in place to help manage applications for tentative refunds, the controls did not trigger sufficient responsive or preventative action in fiscal year 2021.

IRS officials said the agency had standard processes and procedures in place to address changes in its inventory of taxpayer filings and to monitor processing times for carryback cases.²⁰⁰ However, these processes and procedures did not result in immediate action when processing times for corporate filings approached and then surpassed the statutory 90-day limit in late 2020.

- *Weekly reports.* IRS headquarters staff produce weekly carryback reports that they share with IRS processing sites to alert them of older cases and to help ensure that processing timeframes are met, particularly for higher dollar value cases.²⁰¹ They also generate reports that track the weekly processing times for applications for tentative refund. In late 2020 through early 2021, neither of these efforts resulted in immediate action to reduce the overall processing times for these applications, but rather focused on specific aged cases that IRS prioritized based on refund amount.
- *Inventory projections.* IRS's Accounts Management team also develops fiscal year inventory projections for both the corporate and individual filer programs, which include but are not limited to Forms 1139 and 1045 filings. According to IRS officials, the projections are typically completed by the beginning of the fiscal year and are updated as needed to identify changes

¹⁹⁷Officials explained that the staffing changes required IRS to provide its Accounts Management employees with the equipment needed to work from home, which limited the available staff to complete work and added to the processing backlog.

¹⁹⁸This includes all of IRS's Business Master File pipeline, and not just carryback cases. This is down from roughly 4,500 business filings that they reported unprocessed in October 2021. We are reviewing challenges of the filing season as part of our annual review of the tax filing season and expect to issue a report in 2022.

¹⁹⁹New legislation includes the CARES Act, the Consolidated Appropriations Act, 2021, and the American Rescue Plan Act of 2021. Pub. L. No. 116-136, 134 Stat. 281, (2020); Pub. L. No. 116-260, 134 Stat. 1182 (2020); Pub. L. No. 117-2, 135 Stat. 4 (2021).

²⁰⁰We use the word inventory to refer to the number of taxpayer filings that the IRS has in house.

²⁰¹ IRS creates weekly reports with the 15 oldest carryback cases and the 15 oldest that have not shown any activity in the last 30 days. A case stays on these reports until it is closed.

in the receipt patterns to help ensure adequate staffing. According to IRS officials, if data in their projections show a specific program is not on track to meet the program target, a more comprehensive look at staffing, inventory levels, and any known changes to receipts or efficiency is completed.

For fiscal year 2021, this process was not able to effectively predict the influx of tentative carryback applications from the 2020 tax year because the projections, according to IRS officials, are largely based on historical data on filing volumes. Specifically, according to IRS officials, those projections did not take into account the CARES Act changes that affected the number of filers submitting refund claims at the end of the year. Officials explained that projections for fiscal year 2021 were updated twice, with one of those updates occurring in April 2021 when large receipt patterns were identified. However, by fiscal year end, IRS had received 276 percent more carryback filings in fiscal year 2021 than in fiscal year 2020, according to IRS officials.

Since IRS's policies and procedures did not focus on mitigating overall processing times, particularly when the agency was at risk of not meeting its statutory requirement, IRS did not take action to reduce the carryback backlog until April 2021. At that time, IRS had already been missing its statutory 90-day requirement for approximately 7 months. According to IRS officials, in response to the April 2021 inventory projections update, IRS began training additional staff the following month to address the backlog. From June through September 2021, IRS officials said that the agency continued to train additional staff to work on the carryback inventory to help further reduce the backlog and processing times, as shown in the figure above. Therefore, training of staff was completed a year after IRS was consistently missing the deadline for corporate filings. As of October 2021, there had been an overall decrease in processing times since IRS began training new staff to work these cases, but numbers increased again in November 2021.

While IRS took some remedial actions, it did not have effective preventative control activities or mitigation plans in place to detect or address growing processing times for Forms 1139 and 1045. *Standards for Internal Control in the Federal Government* highlight the design of control activities to achieve an agency's objectives and respond to risks. Control activities can be preventative, meaning they are designed to prevent an entity from failing to achieve an objective or address a risk, in this case, the 90-day statutory requirement to issue refunds.

IRS initiated action after observing the volume of applications it had received, and not when its average processing time consistently surpassed the statutory requirement. A common control activity identified in the *Standards for Internal Control* is the establishment and review of performance measures and indicators by assessing data so that appropriate actions can be taken. We recognize that 2020 and 2021 were unprecedented times, but developing a threshold at which planned preventative mitigation activities would start could help IRS better manage unexpected backlogs and reduce the volume of refunds issued after the 90-day deadline in the future. For example, actions could include an analysis of average processing times with a specified number of days at which preventative actions would occur. These improved controls could help IRS better adapt to circumstances in the future that could create a risk of not meeting its statutory requirement.

IRS is pursuing other efforts that may result in improvements for the carryback process.

In addition to increased staff to process these refund claims, IRS is taking steps to address objectives and activities outlined in an April 2021 Lean Six Sigma Organization (LSSO) opportunity assessment and the National Taxpayer Advocate Service's (TAS) 2022 *Objectives Report to Congress*, according to IRS officials.²⁰² LSSO reviewed the carryback program for improvement opportunities and efficiency gains, with the COVID-19 backlog in mind.²⁰³ IRS said it is working on responding to the recommended opportunities in the report. While this effort presents opportunities to improve processes, it did not focus on monitoring and indicators to help the agency meet its statutory requirement.

In its June 2021 report, TAS stated that due to the CARES Act, it anticipates many taxpayers will file applications for refunds for the 2020 taxable year and that it will work with IRS to identify delays and propose further recommendations to improve the timely payment of tentative refunds. If implemented by IRS, some of the activities that TAS proposed could be integrated into control activities to mitigate the risk of IRS failing to meet the 90-day statutory requirement in the future.²⁰⁴ For example, TAS suggested that IRS open a dedicated fax line to expedite the processing of paper forms, which could include the tentative carryback applications. They also suggested that IRS assign a specific employee unit dedicated to processing Forms 1139 and 1045. Such activities could be components of a mitigation plan that is triggered when processing times cross a certain threshold.

Methodology

To conduct this work, we reviewed IRS data as of November 27, 2021, federal laws, and agency guidance; and interviewed IRS officials. To analyze IRS data, we reviewed processing times for carryback cases from fiscal years 2019 through 2021 and calculated the average days it took to process these forms per month. We determined that the data were sufficiently reliable for our purposes.

²⁰²National Taxpayer Advocate, *Objectives Report to Congress, Fiscal Year 2022*, <https://www.taxpayeradvocate.irs.gov/reports/2022-objectives-report-to-congress/full-report/> (Washington, D.C.: June 2021). The Treasury Inspector General for Tax Administration also issued a report in June 2021 that identified IRS internal control issues within the process to verify tentative carryback refund eligibility. This report did not directly address processing issues because at the time of the review, IRS was processing carryback applications within the 90-day statutory requirement.

²⁰³IRS has an internal Lean Six Sigma Organization whose mission is to support the IRS Wage and Investment Division's strategy of improving service to the taxpayer by leading accelerated process improvement initiatives utilizing the Lean Six Sigma Methodology. LSSO employs experienced process improvement individuals who are specifically trained and certified in the Lean Six Sigma Methodology. To accomplish the mission, the LSSO methodology focuses on eliminating waste and non-value-added activities and improving process effectiveness and efficiency by reducing variation and increasing quality. LSSO is guided by a structured problem-solving approach called Define-Measure-Analyze-Improve-Control.

²⁰⁴The National Taxpayer Advocate Service 2022 Objectives Report to Congress proposed four activities for improving the timeliness of tentative refunds during national emergencies: (1) Work with the IRS to identify issues causing delays, expedite relief to taxpayers, propose recommendations, and collaborate on improved timely payments. (2) Advocate for a dedicated fax line or other means of delivery to expedite the processing of paper forms. (3) Recommend the IRS assign a specific employee unit dedicated to processing Forms 1139 and 1045. (4) Work with the IRS to develop a communication strategy to ensure the IRS is transparent and keeps taxpayers informed about the status of their application for refund and the anticipated delays. IRS officials said any decisions they make will be based on subsequent reviews along with any final TAS recommendations.

Agency Comments

We provided IRS, Treasury, and the Office of Management and Budget with a draft of this enclosure. IRS's written comments are reproduced in [appendix V](#). IRS and Treasury provided technical comments, which we incorporated as appropriate. The Office of Management and Budget did not provide any comments on this enclosure.

In its comments, IRS neither agreed nor disagreed with our recommendation to establish mitigation plans—including indicators, such as a threshold to initiate mitigation activities—to timely address any future challenges to processing applications for tentative refund on Forms 1045 and 1139 within the 90-day statutory requirement. IRS stated that prior to COVID-19, it met the 90-day timeframe for the majority of carryback cases. IRS also said that it would not have been adequately resourced to prevent the overage even with an indicator due to impacts from the pandemic, the high volume of cases, and limited staffing. However, IRS stated that it will take the recommendation into careful consideration as it continues to make improvements to ensure the IRS can serve the needs of the nation's taxpayers well into the future. We continue to believe that taking the recommended action would improve IRS's ability to meet their statutory requirement and enhance accountability in the federal government's response to, and recovery from, the COVID-19 pandemic.

GAO's Ongoing Work

As IRS works to reduce processing times, it will continue to be important that IRS design control activities to mitigate processing backlogs like this in the future. We will continue to monitor IRS efforts.

GAO's Prior Recommendations

The table below presents our recommendations on tax relief for businesses from prior bimonthly and quarterly CARES Act reports.

Prior GAO Recommendations Related to Tax Relief for Business

Recommendation	Status
<p>The Commissioner of Internal Revenue should update the Form 1040-X instructions to include information on the electronic filing capability for tax year 2019 (November 2020 report)</p>	<p>Closed—addressed. On November 10, 2021, IRS posted an update of the Form 1040-X instructions on its website. This revision contains the reminder that taxpayers can file Form 1040-X electronically with tax filing software to amend 2019 or later Forms 1040 or 1040-SR. As a result, taxpayers are more likely to be aware of the electronic filing capability, which enables them to file their amended returns effectively and helps reduce government administrative costs associated with paper submissions.</p>
<p>The Commissioner of Internal Revenue should clearly communicate on the Internal Revenue Service’s website that there are delays beyond the statutory 90-day timeline in processing net operating loss and alternative minimum tax tentative refunds. (July 2021 report)</p>	<p>Closed—addressed. IRS neither agreed nor disagreed with our recommendation. In September 2021, IRS updated its website to address our recommendation. Specifically, the update states, “due to the lingering effects of COVID-19, we continue to experience inventory backlogs and processing times longer than the normal 90-day statutory period.” This will provide taxpayers with more accurate information and expectations for receiving a refund and helps IRS meet its obligation to provide taxpayers with clear explanations of the laws and IRS procedures, as stated in the IRS Taxpayer Bill of Rights.</p>

Source: GAO. | [GAO-22-105291](#)

Related GAO Products

High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas. [GAO-21-119SP](#). Washington, D.C.: March 2, 2021.

Standards for Internal Control in the Federal Government. [GAO-14-704G](#). Washington, D.C.: September 10, 2014.

Contact information: Jessica Lucas-Judy, (202) 512-6806, lucasjudyj@gao.gov

Paycheck Protection Program

In November 2021, the Small Business Administration’s independent auditor issued a disclaimer of opinion on the agency’s 2021 consolidated financial statements, in part because of weaknesses in the Paycheck Protection Program, including its controls over the ongoing loan forgiveness process.

Entities involved: Small Business Administration, Department of the Treasury

Background

Since March 2020, Congress has provided commitment authority of about \$814 billion for the Paycheck Protection Program (PPP) under the Small Business Administration’s (SBA) largest guaranteed loan program, its 7(a) small business lending program.²⁰⁵ PPP loans, made by lenders but guaranteed 100 percent by SBA, are low interest (1 percent) and fully forgivable if certain conditions are met.²⁰⁶

Lenders made about 11.5 million PPP loans, totaling about \$792 billion.²⁰⁷ Of those, lenders made about 5.1 million loans (totaling about \$521 billion) during Round 1 (April through August 2020). SBA relaunched the program (Round 2) on January 11, 2021, following enactment of the Consolidated Appropriations Act, 2021, which authorized additional PPP loans and made changes to the program. Among other things, the act expanded the categories of forgivable nonpayroll costs and allowed PPP borrowers to receive a second PPP loan (second draw loans) of up to \$2 million, provided that they meet certain criteria.²⁰⁸ In Round 2, lenders made about 6.3 million loans totaling about \$271 billion. As of November 30, 2021, SBA had obligated about \$815.2 billion across the two rounds of PPP, including lender fees, and expended about \$815.1 billion, according to SBA.

²⁰⁵See Pub. L. No. 116-136, § 1102(b), 134 Stat. 281, 293-294 (2020); Pub. L. No. 116-139, § 101(a), 134 Stat. 620, 620 (2020); Pub. L. No. 116-260, div. N, tit. III, §323(a) 134 Stat. 1182, 2018-19 (2020); Pub. L. No. 117-2, § 5001(d) 135 Stat. 4, 85 (2021). The program also paid fees to lenders for their participation in the program.

²⁰⁶As originally implemented by SBA, at least 75 percent of the loan forgiveness amount must have been for payroll costs. In addition, the CARES Act required loans to be used within an 8-week period in order for the loans to be fully forgiven. However, the Paycheck Protection Program Flexibility Act of 2020 modified this to at least 60 percent and allowed borrowers to pay or incur those expenses over a 24-week period. Pub. L. No. 116-142, § 3, 134 Stat. 641, 641-42 (2020). Under the Paycheck Protection Program Flexibility Act of 2020, the loan forgiveness covered period for PPP loans was to end the earlier of 24 weeks after origination or December 31, 2020. The Consolidated Appropriations Act, 2021 further modified the covered period for forgiveness to allow the borrower to choose a covered period ending on any date between 8 and 24 weeks after origination. Pub. L. No. 116-260, div. N, tit. III, § 306, 134 Stat. 1182, 1997 (2020).

²⁰⁷New applications were accepted through May 31, 2021, and SBA had until June 30, 2021, to process submitted applications.

²⁰⁸The Consolidated Appropriations Act, 2021 expanded the categories of forgivable nonpayroll costs to include certain operations, property damage, supplier, and worker protection expenditures. PPP borrowers were eligible to receive a second PPP loan of up to \$2 million provided that they met certain criteria, such as having not more than 300 employees, having used the full amount of their initial PPP loan, and having experienced revenue reductions of at least 25 percent in a quarter of 2020 when compared to the same quarter in 2019. Pub. L. No. 116-260, div. N, tit. III, § 311, 134 Stat. 1182, 2001-2007 (2020); see also 86 Fed. Reg. 3712 (Jan. 14, 2021).

SBA implemented the program rapidly, and millions of small businesses have benefited from PPP.²⁰⁹ However, the speed with which SBA implemented the program left it with limited safeguards to identify and respond to program risks, including susceptibility to improper payments and fraud. Consequently, we have made eight recommendations since June 2020 to help ensure program integrity, achieve program effectiveness, and address potential fraud. As discussed in the table below, SBA has partially addressed the four recommendations from our prior bimonthly and quarterly CARES Act reports. In addition, as noted below, SBA has fully addressed one of the four recommendations from our July 2021 PPP report and shared its plans to address the other three.

Overview of Key Issues

Inability to support PPP accounting and related controls. In November 2021, SBA's independent auditor issued a disclaimer of opinion on SBA's fiscal year 2021 consolidated financial statements, meaning the auditor was unable to express an opinion due to insufficient evidence. This was SBA's second consecutive disclaimer on its financial statements. As the basis for the disclaimer, the auditor reported that SBA was unable to provide adequate evidence to support a significant number of transactions and account balances due to inadequate processes and controls related to its implementation of its programs authorized under the CARES Act and related legislation, including PPP and the Economic Injury Disaster Loan program.²¹⁰

The auditor identified several material weaknesses in internal control related to PPP.²¹¹ Specifically, the auditor reported weaknesses concerning (1) SBA's controls over PPP loan guarantee approval, reporting, review, and forgiveness; (2) subsidy reestimates, including the PPP

²⁰⁹SBA worked with the Department of the Treasury (Treasury) to implement PPP.

²¹⁰For more information on the auditor's findings related to the Economic Injury Disaster Loan program, see the enclosure on the [Economic Injury Disaster Loan Program in app. I](#). The auditor also reported that it identified a material weakness in internal control related to SBA's Shuttered Venues Operators Grant program and Restaurant Revitalization Fund program. Specifically, the auditor stated that SBA did not adequately design and implement monitoring controls over program awards to ensure accurate financial reporting as of the fiscal year-end, and to ensure that funds were used in accordance with the CARES Act and related legislation. For example, SBA disbursed numerous awards to restaurants that had a PPP loan guarantee with an alert or flag prior to approval of the award. SBA officials told us in December 2021 that SBA plans to provide details to the auditor that it believes will remedy the finding for the Restaurant Revitalization Fund. They also noted that since the completion of the audit SBA had implemented a process to monitor the use of recipients' funds. We will continue to monitor SBA's efforts to address the deficiencies identified in its financial statement audit. The Consolidated Appropriations Act, 2021, enacted in December 2020, authorized and appropriated \$15 billion to SBA for the shuttered venues program to assist businesses in the performing arts and entertainment industries experiencing economic hardship due to the COVID-19 pandemic. Pub. L. No. 116-260, div. N, tit. III, §§ 323(d)(1)(H), 324, 134 Stat. 1182, 2021, 2022-32 (2020). The American Rescue Plan Act of 2021, enacted in March 2021, appropriated an additional \$1.25 billion for shuttered venues and modified certain eligibility requirements. Pub. L. No. 117-2, tit. V, § 5005, 135 Stat. 4, 91-92 (2021). The American Rescue Plan Act of 2021 also established the restaurant revitalization program and appropriated \$28.6 billion for eligible entities that suffered revenue losses related to the COVID-19 pandemic. Pub. L. No. 117-2, tit. V, § 5003, 135 Stat. 4, 85-90 (2021).

²¹¹A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

subsidy reestimate; and (3) SBA's evaluation of service organizations (contractors), including those relevant to PPP.²¹² In addition, the auditor identified a material weakness in SBA's entity-level controls, citing challenges due to the implementation of new and expanded programs, including PPP.

In its discussion of the material weakness related to controls over PPP loan guarantee approval, reporting, review, and forgiveness, the auditor noted that SBA did not adequately design and implement controls to ensure PPP loan guarantees approved in fiscal year 2021 were in existence, accurate, and in conformance with the CARES Act and related legislation. The auditor also stated that SBA lacked adequate controls to review the status of PPP loan guarantees where lender loan status reports had not been submitted, had been submitted incorrectly, or were not processed, hindering SBA's ability to determine that the status of PPP loan guarantees was complete and accurate. In addition, the auditor noted that SBA lacked controls to ensure the PPP loan guarantees approved in fiscal year 2020 were completely and accurately reviewed to address eligibility flags and determine eligibility for forgiveness. Finally, the auditor stated that SBA did not adequately design and implement controls to ensure that forgiveness payments were accurate and proper in accordance with the CARES Act and related legislation.

The auditor's report included several examples to highlight the control deficiencies contributing to the material weakness described above, such as the following:

- The auditor could not verify existence and accuracy for 32 of 383 sampled items from the PPP loan guarantees approved in fiscal year 2021 because lenders did not respond to confirmation requests.
- As of September 30, 2021, SBA had flagged over 27,000 approved PPP loan guarantees (with an approximate value of \$488 million) in its loan repository system as potentially not in conformance with the CARES Act and related legislation.
- As of September 30, 2021, SBA had reported approximately \$2 billion of PPP loans that were approved but not disbursed due to unsubmitted or unprocessed loan status reports from lenders.
- An analysis of the results of the PPP loan review process and forgiveness payments showed \$49 billion was paid to lenders for forgiveness of PPP loans that were still being reviewed by SBA to address alerts and flags indicative of eligibility concerns.

For the material weakness related to subsidy reestimates, the auditor stated that SBA did not adequately design and implement controls over the review of the data inputs used in the PPP subsidy reestimate. Specifically, SBA did not consider and document the effects of errors from

²¹²The Federal Credit Reform Act of 1990 (FCRA) requires that agencies have budget authority to cover a program's subsidy cost to the government in advance—before new loan guarantee commitments are made. The data used for budgetary subsidy cost estimates are generally updated—or reestimated—annually after the end of the fiscal year to reflect actual loan performance and to incorporate any changes in assumptions about future loan performance. Reestimates that increase subsidy costs are referred to as upward reestimates (an agency would need additional funds), while reestimates that decrease subsidy costs are referred to as downward reestimates (an agency would return funds to the Department of the Treasury).

lender reporting on the reestimate. As a result, SBA did not have sufficient controls to ensure that the unpaid principal balance of loan guarantees that is the basis for the reestimate was complete and accurate. SBA also lacked controls to ensure completeness and accuracy of data sourced from the loan review process and forgiveness transactions that underlie key assumptions in the PPP reestimate calculation.

For the material weakness related to service organizations, the auditor reported that SBA did not obtain reasonable assurance of the operating effectiveness of internal controls within service organizations' control environments. These service organizations included financial service providers involved in the PPP loan approval and forgiveness processes. Additionally, SBA did not provide evidence of adequate monitoring activities performed over the relevant control environments at service organizations, such as obtaining and reviewing attestation reports on the design, implementation, and operating effectiveness of controls at the service organizations.

In total, the auditor made 14 recommendations to SBA to address the issues related to PPP in the three areas of material weakness described above. Among other things, the auditor recommended that SBA

- perform a thorough review of PPP loan guarantees approved in fiscal year 2021;
- develop and enforce a policy and controls that require the adequate training and monitoring of lenders to execute their responsibilities in the PPP loan servicing process;
- develop and enforce a policy and controls to monitor the results of its contractor's loan review processes;
- design adequate controls and processes to ensure forgiveness payments are not processed for loan guarantees that have not been sufficiently reviewed;
- design and implement controls to continue accumulating relevant, complete, and accurate data on which to base the subsidy reestimate models for the PPP portfolio; and
- assess the risk posed by service organizations' control environments, and obtain sufficient assurance of the operating effectiveness of relevant and significant service organization controls.

SBA's auditor also reported a material weakness in SBA's entity-level controls, citing challenges due to the implementation of new and expanded programs. Related to PPP, the auditor stated that the PPP loan guarantee review and forgiveness review processes were not designed to ensure the reviews performed were to a sufficient level of precision to ensure the related balances were free of material misstatement. In addition, the auditor stated that SBA did not develop and implement an adequate monitoring plan for lenders participating in PPP. The auditor issued five recommendations to improve entity-level controls, including recommending, among other things, that SBA:

- document its internal control system and processes related to the implementation of new or expanded programs from new legislation;

- develop and implement monitoring controls to ensure implementation of an effective internal control environment; and
- develop and implement a sufficient plan to test and monitor the design, implementation, and operating effectiveness of key, relevant controls that affect financial reporting and compliance with relevant laws and regulations.

The auditor noted that the deficiencies were primarily caused by SBA prioritizing the implementation of CARES Act provisions and related legislation as quickly and efficiently as possible over implementing internal control processes. In addition, the auditor cited the inherent challenges of implementing new and expanded programs without historical precedence.

SBA disagreed with the severity of the weaknesses related to PPP loan guarantees, subsidy reestimates, and entity-level controls. SBA partially agreed with the material weakness related to service organization oversight. While SBA did not agree or disagree with the auditor's recommendations, in commenting on the auditor's report, SBA stated that it is continuing its efforts to address material weaknesses, strengthen processes, develop fraud risk assessments, and support requirements for the auditability of its financial statements.

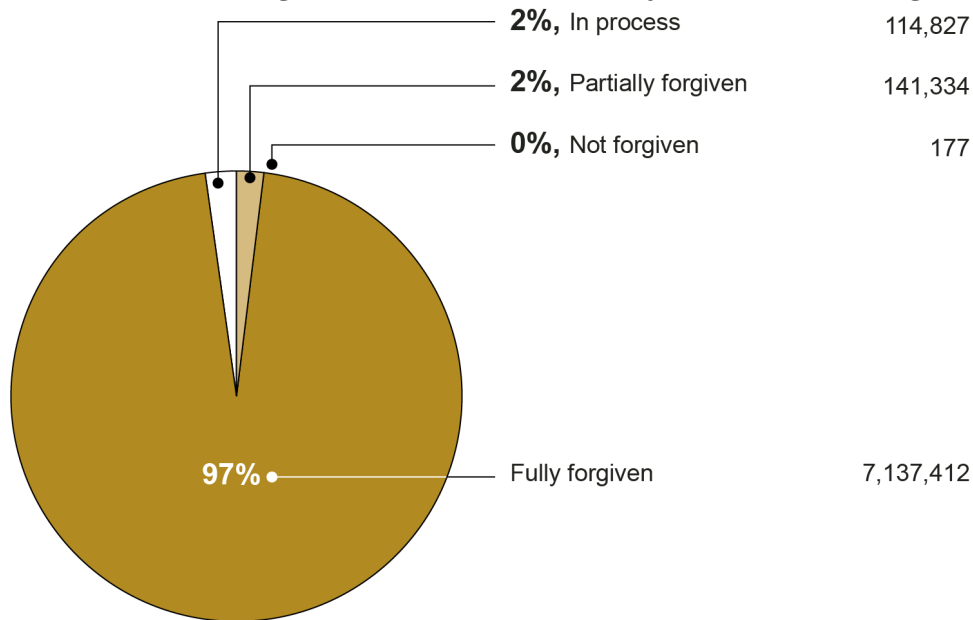
We support the recommendations the auditor provided to address control weaknesses related to PPP, and we encourage SBA to continue to work to improve its controls over the program, as well as to improve its documentation to support future financial statement audits.

Status of SBA's loan forgiveness determinations. Based on our analysis of loan-level SBA data as of September 30, 2021, of the approximately 11.5 million PPP loans, SBA had received forgiveness decisions from lenders for about 7.4 million loans (64 percent).²¹³ SBA had made forgiveness determinations on 7.3 million of these loans, resulting in about 97 percent (7.1 million loans totaling more than \$548 billion) receiving full forgiveness, about 141,000 loans receiving partial forgiveness, and 177 loans not receiving any forgiveness (see figure). About 115,000 loans were still being reviewed by SBA and had not received a forgiveness determination.²¹⁴

²¹³Under SBA rules and guidance, the borrower submits the forgiveness application to the lender. The lender then has 60 days from receipt of the application to review and submit its forgiveness decision (approved in full, approved in part, or denied) to SBA. SBA reviews the lender decision, makes a final forgiveness determination, and remits the appropriate forgiveness amount to the lender. In general, SBA must remit the forgiveness amount to the lender within 90 days of that amount being determined. SBA and Treasury officials told us they interpreted the CARES Act requirement to remit funds within 90 days to be subject to SBA's review of loans. Of the approximately 8.6 million loan forgiveness decisions submitted to SBA by lenders as of November 14, 2021, 4,782,390 were for loans made in 2020 and 3,855,083 were for loans made in 2021.

²¹⁴According to SBA officials, lenders have recommended that about 7,500 of the approximately 115,000 loans still under SBA review not receive any forgiveness.

Status of SBA Loan Forgiveness Determinations on Paycheck Protection Program Loans, as of Sept. 30, 2021



Source: GAO analysis of Small Business Administration (SBA) data. | GAO-22-105291

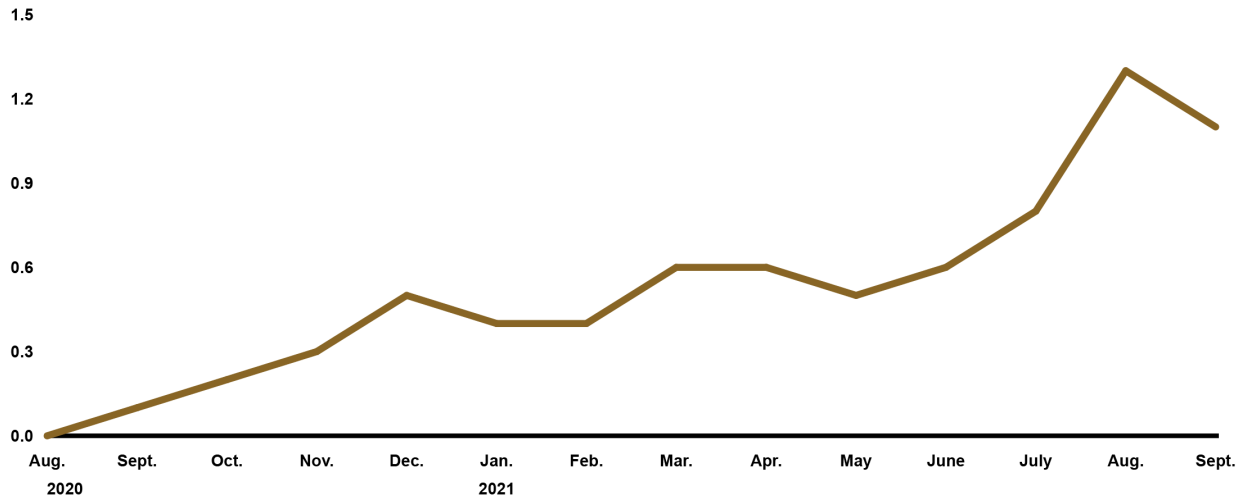
Note: Percentages do not add to 100 because of rounding.

The rate at which lenders are submitting loan forgiveness decisions to SBA has generally increased each month since August 2020 (see figure).²¹⁵ Whereas SBA received fewer than 100,000 loan forgiveness decisions in August and September 2020, SBA received more than 1 million each month in August and September 2021.

²¹⁵According to Treasury officials, there could be a variety of reasons for this increase. For example, the officials noted that the covered period was extended to a maximum of 24 weeks, and borrowers can apply for forgiveness after they have used all the proceeds for which they are seeking forgiveness. See 86 Fed. Reg. 8283 at 8288 (Feb. 5, 2021). Consequently, it would have been reasonable for Round 1 borrowers to wait for the full 24 weeks to elapse before applying for forgiveness. The officials also suggested that another potential reason could be that the Consolidated Appropriations Act, 2021 was passed around the time when many Round 1 borrowers would have been preparing to apply for forgiveness, and resources at lenders were likely diverted to implementing Round 2. As a result, lender processing of forgiveness applications likely picked back up after Round 2 closed in May 2021.

Number of Paycheck Protection Program Loan Forgiveness Decisions Submitted by Lenders to SBA, Aug. 2020–Sept. 2021

Decisions (in millions)



Source: GAO analysis of Small Business Administration (SBA) data. | GAO-22-105291

Status of loan reviews. As we previously reported, an SBA contractor conducted an initial automated review of all Round 1 loans to identify anomalies or attributes that may indicate noncompliance with eligibility requirements, fraud, or abuse.²¹⁶ Loans with any identified issues were subject to manual review by contractor and SBA staff. Any issue identified would need to be resolved before borrowers could receive a second draw PPP loan or have their loan forgiven. According to SBA officials, contractor staff had completed about 78,000 manual reviews and referred about 8,900 loans to SBA for further review, as of November 15, 2021.²¹⁷

Of the approximately 7.3 million loans for which SBA had made a forgiveness determination as of September 30, 2021, about 98,000 loans (totaling around \$37.5 billion) required further review by SBA based on contractor concerns or perceived risk. The reviewed loans fell into one of three loan amount categories: (1) loans of less than \$150,000 (65,600), (2) loans between \$150,000 and \$2,000,000 (15,239), and (3) loans of more than \$2 million and loans with flags that required an escalated review (17,387).

SBA progress in addressing previous recommendations. Of the four recommendations we made in July 2021 to improve its loan review and forgiveness processes, SBA has fully addressed one. Specifically, we previously found that as of early July 2021, SBA had not yet finalized a process for PPP lenders to claim the loan guarantee if a borrower ceases operations or defaults on a loan. We therefore recommended that SBA establish time frames for finalizing and issuing a PPP-specific loan guarantee purchase process, including allowing lenders to claim the SBA guarantee when they have evidence the business ceased operations or declared bankruptcy.

²¹⁶For a discussion of potential fraud in PPP, see the enclosure on [Federal Fraud-Related Cases in app. I](#).

²¹⁷The contractor referred an additional approximately 3,300 loans to SBA automatically and without manual review based on agreed parameters.

On July 15, 2021, SBA issued a procedural notice on lenders' servicing responsibilities for PPP loans and SBA's guarantee purchase process. According to the notice, SBA will honor its guarantee and purchase 100 percent of the outstanding balance of the loan in applicable circumstances provided that the lender has complied with all the PPP requirements, including the lender's underwriting requirements and the document collection and retention requirements. The process outlined in the procedural notice would also apply to requests for guarantee purchase and charge-off for loans to businesses that have permanently closed and do not plan to submit a forgiveness application or have filed for Chapter 7 bankruptcy protection, among other circumstances. Based on these actions, we determined that SBA has addressed our recommendation.

SBA has taken some steps or plans to take steps to address our three other July 2021 recommendations.

- In our July 2021 report, we found that SBA had not documented policies and procedures for some elevated reviews conducted when SBA determines that the borrower is ineligible for a PPP loan or for the loan amount or loan forgiveness amount claimed by the borrower. Consequently, we recommended that SBA establish time frames for finalizing and issuing these procedures. SBA agreed with the recommendation, and the agency issued a *Federal Register* notice on November 16, 2021, that delegated certain authorities related to SBA's review of PPP loans and final SBA loan review decisions to two entities within SBA—a Higher Authority Review Team and the Office of Capital Access Committee.²¹⁸ We are reviewing the notice to determine whether it fully addresses our recommendation.
- We also found in July 2021 that although SBA developed tools such as a web portal and lender hotline, its system for responding to lender inquiries was ad hoc. Some lenders, lender associations, and state banking associations also noted that SBA was not responsive to lender inquiries, including on loan reviews and the status of loan forgiveness determinations. Consequently, we recommended that SBA develop and implement a process to help ensure it responds in a timely manner to PPP lender inquiries on loan reviews. SBA agreed with the recommendation, and SBA officials told us in October 2021 that they had taken steps to improve communication with lenders, such as having a customer service team handle all the lender inquiries from the lender platform and communicate to lenders reasons for delays or issues with loan reviews. In late December 2021, SBA provided us with documentation on procedures its customer service staff are to follow. We are reviewing the documentation to determine whether it fully addresses our recommendation.
- Lastly, we found in July 2021 that SBA had not yet implemented the CARES Act requirement that SBA purchase loans prior to loan forgiveness upon submission of reports by lenders concerning the amount expected to be forgiven. Consequently, we recommended that SBA implement this statutory provision or report to Congress why it has not complied, including seeking statutory flexibilities or exceptions that the agency believes appropriate. In response, SBA stated that it would notify Congress of its request to seek statutory flexibility on this matter or would request that Congress repeal the advance purchase requirement. In

²¹⁸86 Fed. Reg. 63437 (Nov. 16, 2021).

December 2021, SBA officials said they planned to send a letter to Congress in the second quarter of fiscal year 2022.

Methodology

To conduct this work, we analyzed SBA loan-level forgiveness data as of September 30, 2021, reviewed data on PPP obligations and expenditures, and interviewed SBA officials. We reviewed SBA's fiscal year 2021 agency financial report and the accompanying independent auditor's report. We assessed the reliability of the SBA data by reviewing documentation and interviewing SBA officials. We determined that the data were sufficiently reliable for reporting the status of loan forgiveness determinations and PPP expenditures.

Agency Comments

We provided SBA, Treasury, and the Office of Management and Budget (OMB) with a draft of this enclosure. SBA and Treasury provided technical comments, which we incorporated as appropriate. OMB did not provide comments on this enclosure.

GAO's Ongoing Work

Our work on PPP is ongoing. We continue to examine SBA's loan review and forgiveness processes and the fraud risks in the program. We also continue to monitor SBA's progress toward developing and implementing corrective actions to address the material weaknesses identified in December 2020 and November 2021 by its independent financial statement auditor.

GAO's Prior Recommendations

The table below presents our PPP recommendations from prior bimonthly and quarterly CARES Act reports.

Prior GAO Recommendations Related to the Paycheck Protection Program

Recommendation	Status
<p>The Administrator of the Small Business Administration (SBA) should conduct and document a fraud risk assessment for the Paycheck Protection Program (PPP). (March 2021 report)</p>	<p>Open—partially addressed. SBA agreed with the recommendation. In December 2021, SBA provided a fraud risk assessment that had been prepared by its contractor. Based on our initial review of the assessment, it adhered to many but not all fraud risk management leading practices. For example, SBA did not determine its fraud risk tolerance as called for by leading practices. We intend to follow up with SBA to discuss the fraud risk assessment and agency actions in response to the fraud risk assessment.</p>
<p>The Administrator of SBA should develop a strategy that outlines specific actions to monitor and manage fraud risks in the Paycheck Protection Program on a continuous basis. (March 2021 report)</p>	<p>Open—partially addressed. SBA agreed with the recommendation, stating that it would work to ensure that fraud risks are monitored on a continuous basis. In December 2021, SBA provided a fraud risk assessment, which would inform an antifraud strategy. We intend to follow up with SBA to discuss agency actions in response to the fraud risk assessment and plans for developing an antifraud strategy.</p>
<p>The Administrator of SBA should expeditiously estimate improper payments and report estimates and error rates for PPP due to concerns about the possibility that improper payments, including those resulting from fraudulent activity, could be widespread. (November 2020 report)</p>	<p>Open—partially addressed. SBA neither agreed nor disagreed with our recommendation at the time of our report. In response to our recommendation, SBA stated that it was planning to conduct improper payment testing for PPP and that it takes improper payments seriously. SBA officials stated that SBA had submitted a sampling plan to the Office of Management and Budget in February 2021. In July 2021, they said that SBA would use this sampling plan to estimate both improper payments and error rates for PPP in the fourth quarter of fiscal year 2021. They noted in August 2021 that SBA would officially report the improper payment rate in its Fiscal Year 2022 Agency Financial Report, not in the same report for fiscal year 2021, because of timing.</p>
<p>The Administrator of 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. (June 2020 report)</p>	<p>Open—partially addressed. At the time of our report, SBA neither agreed nor disagreed with our recommendation. As we reported in September 2020, SBA had said that it planned to review all PPP loans of \$2 million or more and further stated that it may review any PPP loan it deems appropriate, including loans of less than \$2 million. In late December 2020, SBA provided a Loan Review Plan outlining steps it planned to take to review PPP loans. The document describes three steps in the process: automated screenings of all loans, manual reviews of selected loans, and quality control reviews to ensure the quality, completeness, and consistency of the review process. In July 2021, SBA officials told us that the agency had</p>

Recommendation	Status
	begun updating its review plan to incorporate programmatic changes, including its oversight of loans of \$2 million or more. As of December 2021, SBA was still finalizing the updated plan.

Source: GAO. | [GAO-22-105291](#)

Related GAO Product

Paycheck Protection Program: SBA Added Program Safeguards, but Additional Actions Are Needed. [GAO-21-577](#). Washington, D.C.: July 29, 2021.

Contact information: William B. Shear, (202) 512-8678, shearw@gao.gov

State Small Business Credit Initiative

Treasury is in the process of implementing the reauthorized State Small Business Credit Initiative to help support small business financing programs and expects to begin disbursing funds to states, territories, and tribal governments in the first quarter of 2022.

Entities involved: Office of Recovery Programs and Office of Domestic Finance, within the Department of the Treasury

Background

Under the State Small Business Credit Initiative (SSBCI), reauthorized in March 2021 by the American Rescue Plan Act of 2021 (ARPA), \$10 billion was appropriated for small business capital access programs and other credit support programs of state, territory, District of Columbia, and tribal governments.²¹⁹ ARPA requires Treasury to complete all disbursements and remaining obligations before September 30, 2030. Any amount that remains unexpended by Treasury on that date is to be rescinded and deposited into Treasury's general fund.

Congress first authorized SSBCI in the Small Business Jobs Act of 2010, appropriating \$1.5 billion in funding following the 2007-2009 financial crisis. This original SSBCI program ended in September 2017. As with the original program, the current program may fund (1) capital access programs that provide insurance for business loans (in the form of loan loss reserve funds) for participating financial institutions;²²⁰ and (2) other credit support programs that include collateral support, loan participation, loan guarantee, venture capital, and other similar programs.²²¹ Through different mechanisms, each program type shares a portion of the risk of loan repayment or equity financing with lenders, thereby facilitating transactions that might not otherwise have occurred.

The current program also retains the original formula for allocating a portion of the funds (\$6 billion) to states (and municipalities, if their states do not submit a complete application to Treasury), territories, and the District of Columbia; disbursement structure (three installments over the life of the program); and the requirement for participants to use at least 80 percent of the previous disbursement before receiving the next installment. In addition, each participating jurisdiction (state, territory, District of Columbia, tribal government, or any participating municipality) is required to demonstrate a "reasonable expectation" that its other credit support programs, taken together, would generate an amount of small business lending and investment at least 10 times its SSBCI funding (a 10:1 leverage ratio).

In contrast to the original program, the current program received a much larger appropriation and includes an allocation for tribal governments and additional funding for very small businesses and business enterprises owned and controlled by socially and economically disadvantaged

²¹⁹ For purposes of the SSBCI program, tribal government is defined as the recognized governing body of any Indian or Alaska Native tribe, band, nation, pueblo, village, community, component band, or component reservation, individually identified (including parenthetically) in the list published most recently as of March 11, 2021 pursuant to 25 U.S.C. § 5131. 12 U.S.C. § 5701(19).

²²⁰ Eligible businesses may have no more than 500 employees.

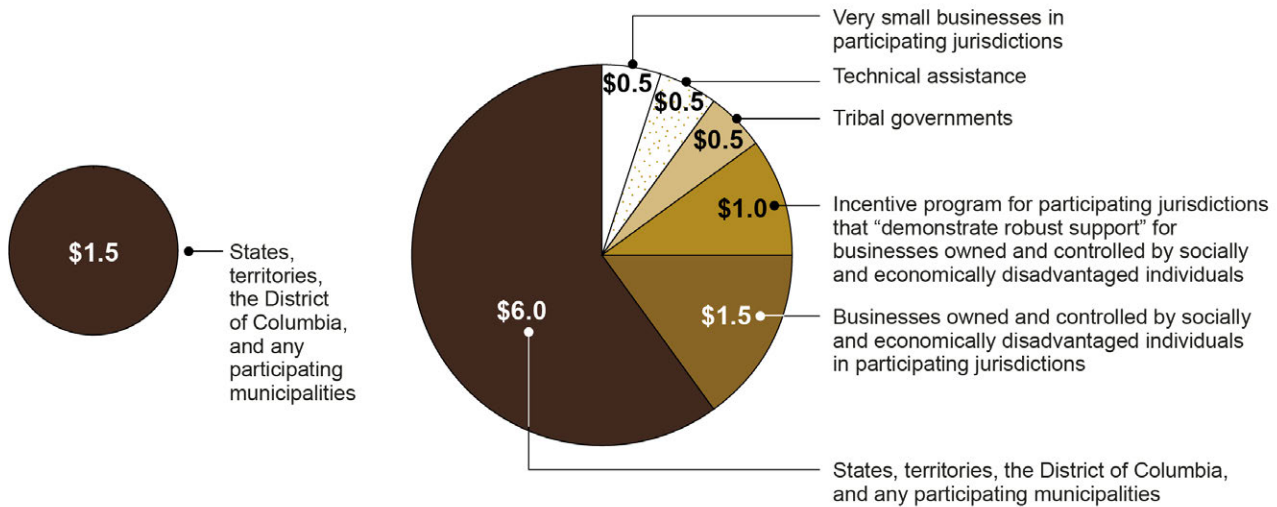
²²¹ Other credit support programs are required to target an average borrower or investee size of 500 employees or fewer and are not permitted to extend credit support to borrowers that have more than 750 employees.

individuals (see figure).²²² It also includes technical assistance funds that can be used to provide legal, accounting, and financial advisory services to support very small businesses and businesses owned by socially and economically disadvantaged individuals that apply to participate in an SSBCI program or another government small business program.

State Small Business Credit Initiative Funding Allocations, 2010 and 2021

2010 allocation (Total: \$1.5 billion)

2021 allocation (Total: \$10.0 billion)



Source: GAO analysis of 12 U.S.C. Ch. 54, Small Business Jobs Act of 2010, and American Rescue Plan Act of 2021. | GAO-22-105291

Note: Only municipalities located in states that do not submit complete applications are eligible to receive funding. In addition to the allocations of \$6.0 billion for states, territories, the District of Columbia, and any participating municipalities, and \$0.5 billion for tribal governments, these jurisdictions may receive portions of the funding for very small businesses, technical assistance, and businesses owned and controlled by socially and economically disadvantaged individuals.

Overview of Key Issues

Preliminary funding allocations and program time frames. In November 2021, Treasury updated the preliminary allocation amounts it had previously published for states, territories, and the District of Columbia (see map).²²³ The updated preliminary amounts include the main allocation and allocations for very small businesses, businesses owned and controlled by socially and economically disadvantaged individuals, and jurisdictions that demonstrate “robust support” for such businesses. Treasury also published the aggregate preliminary allocation to all tribal governments and communicated individual amounts to each tribal government directly.

²²² Very small businesses are defined as businesses with fewer than 10 employees and may include independent contractors and sole proprietors. 12 U.S.C. § 5702(f)(2). Business enterprises owned and controlled by socially and economically disadvantaged individuals are defined as businesses that, if privately or publically owned, are at least 51 percent owned by one or more socially and economically disadvantaged individuals or in the case of a mutual institution, a majority of the Board of Directors, account holders, and the community which the institution services is predominately comprised of socially and economically disadvantaged individuals. 12 U.S.C § 5701(15).

²²³ Treasury published initial preliminary allocation amounts, including main allocations and allocations for very small businesses, for states, territories, and the District of Columbia in April 2021 and communicated preliminary allocation amounts to tribal governments in June 2021. In November 2021, Treasury published updated preliminary allocation amounts and communicated individual amounts to tribal governments.

For states and territories, preliminary main allocations and allocations for very small businesses were based on each state's or territory's decline in employment from 2019 through 2020 as a proportion of national employment decline.²²⁴ Preliminary allocations related to businesses owned and controlled by socially and economically disadvantaged individuals were based on the percentage of each jurisdiction's total population residing in Community Development Financial Institution Investment Areas.²²⁵ All preliminary allocations for tribal governments were based on the total number of enrolled tribal members for each tribe using available enrollment data.²²⁶

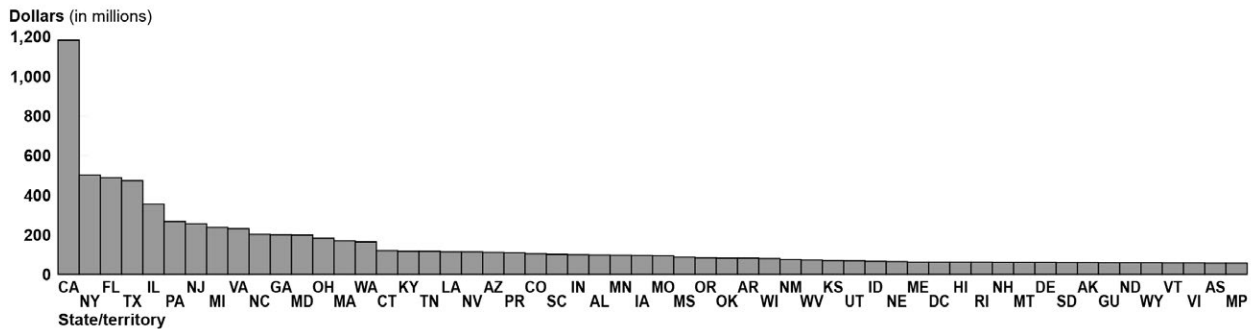
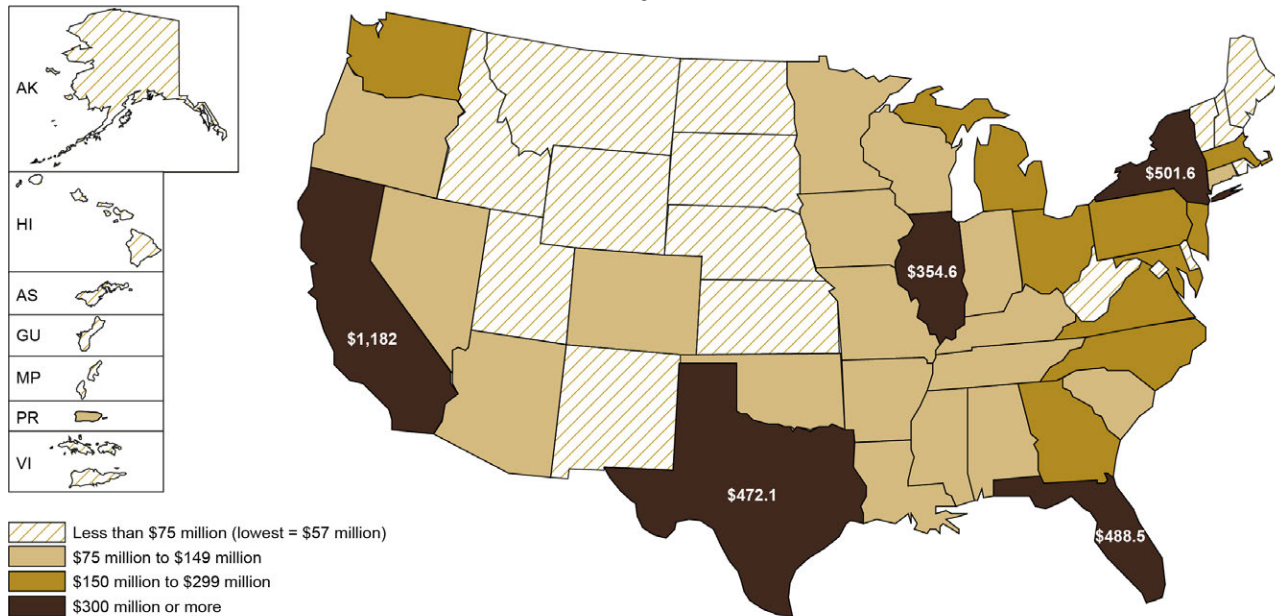
Total potential funding amounts varied among states and territories. California received the highest allocation (approximately \$1.2 billion), followed by New York (approximately \$502 million) and Florida (approximately \$488 million). The Northern Mariana Islands and American Samoa received the lowest allocations (approximately \$57 million each). Tribal governments in aggregate received a total of approximately \$709 million. Treasury officials told us they have not published data on individual tribal government preliminary allocations because of concerns from tribal governments about disclosing sensitive tribal data on which the allocations are partially based.

²²⁴ Each state, territory, and the District of Columbia was guaranteed a minimum allocation amount.

²²⁵ Community Development Financial Institution Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii), are generally low-income, high-poverty areas that receive neither sufficient access to capital nor support for the needs of small businesses.

²²⁶ The preliminary minimum allocation amount for each tribal government was \$432,000, according to Treasury's methodology for allocating funds to tribal governments.

State Small Business Credit Initiative 2021 Preliminary Allocations to States and Territories



Source: GAO analysis of Department of the Treasury data. | GAO-22-105291

According to Treasury officials, all states and territories and 395 tribal governments submitted a notice of intent to apply for the program.²²⁷ States, territories, and the District of Columbia must have initiated their SSBCI applications for capital access and other credit support programs by the statutory deadline of December 11, 2021, and fully complete their applications by February 11, 2022. The deadline for tribal governments to initiate and submit their complete SSBCI applications for this funding was extended to May 11, 2022. Officials said applications will be accepted and reviewed by Treasury on a rolling basis. As of November 1, 2021, Treasury officials told us they anticipate the first round of completed application reviews and disbursements will likely occur during the first quarter of 2022. Applications for technical assistance funding are due by March 31, 2022 for states, territories, and the District of Columbia, and July 11, 2022 for tribal governments.

Staffing of program office continues. Treasury has determined preliminary staffing needs for the SSBCI program office (part of Treasury’s Office of Recovery Programs) and has been

²²⁷ According to Treasury officials, Treasury identified 582 tribal governments—574 federally recognized tribes and 8 component bands of those tribes that had submitted tribal enrollment data to the Bureau of Indian Affairs—as eligible to apply to the program. Multiple tribal governments may apply jointly to the SSBCI program.

hiring staff. According to Treasury officials, as of October 20, 2021, 11 positions were staffed, out of 23 total authorized positions in the program office. Treasury officials said the office will include (1) a compliance group that trains participating jurisdictions on compliance rules and answers their questions about eligible transactions; (2) an outreach group that assists jurisdictions with applications and other Treasury processes and facilitates knowledge sharing through white papers, webinars, and subject matter experts; (3) a policy group that releases guidance and frequently asked questions (FAQs) and responds to new policy issues; and (4) a technical assistance group that will assist states through contractors. The structure of the compliance, outreach, and policy groups will be similar to the original program. While some staff will be assigned to a specific group, program analysts will work across the four groups.

Original program guidance was updated to reflect some of the new components. Treasury released updated guidance for the current SSBCI program on November 10, 2021. The guidance covers (1) requirements for borrowers, lenders, and investors participating in capital access and other credit support programs, (2) the funding methodology and requirements for using the additional funds to assist very small businesses and businesses owned and controlled by socially and economically disadvantaged individuals, and (3) eligibility and reporting requirements for jurisdictions applying to the program. Treasury published application instructions and launched an online application portal on November 22, 2021. Treasury plans to announce the availability of technical assistance funding and issue separate guidelines for this component of the program in early 2022, according to officials.

Treasury has conducted initial outreach to eligible jurisdictions. According to officials, prior to releasing the November 2021 guidance, Treasury had held over 50 listening sessions with state and territory officials and other organizations, and approximately 15 webinars and seven regional leadership meetings to provide support to tribal governments, which did not participate in the original program. Treasury officials said that outreach to eligible jurisdictions occurred through the December 11 initial application deadline, with daily office hour sessions supplemented by webinars. Officials said Treasury plans to host webinars on program design and separate office hours for eligible jurisdictions on an ongoing basis, and provide direct assistance related to the specific types of programs applicants propose implementing.

Lessons learned from the original SSBCI program may inform implementation of the current program. Our reviews of the original SSBCI program from 2011 through 2014, as well as audits by Treasury's Office of Inspector General, included recommendations to improve Treasury's implementation. For example, we made three recommendations related to measuring program performance that Treasury implemented, including a recommendation that Treasury establish targets for selected performance measures such as the amount of SSBCI funds used over time. In addition, a 2016 program evaluation commissioned by Treasury identified lessons learned and effective practices from Treasury's experience with the original program.

Treasury officials provided examples on how Treasury plans to apply lessons learned to the current program. For example, Treasury officials noted that in developing updated guidance, they were aware of the need to provide appropriate flexibility to participants so that they can adapt programs to their jurisdiction's needs and adjust their programs over time. In addition, Treasury officials recognized the importance of information sharing across participants and said they plan to facilitate ongoing discussions among participants so they can learn about implementing specific

programs from their counterparts. Treasury officials also said they identified the top 11 risks states faced during the original program and best practices for managing those risks, which are publicly available on Treasury's website.

Increased size and new program features present potential challenges. As Treasury operationalizes a larger and more complex SSBCI program, potential challenges for Treasury and program participants include:

- *Meeting the overall program leverage ratio.* ARPA increased total funding for states and territories by over \$5 billion, creating a larger pool of money for lending and investing. Many states were unable to meet the 10:1 leverage ratio requirement for the original program, and state officials expressed some concerns about meeting the same leverage ratio for the current program. For example, one state official said meeting the leverage ratio requirement will be a challenge given the amount of money the state will receive for the current program. Representatives from a financial organization we interviewed noted that participants have a better understanding of opportunities to leverage funds and which types of programs result in higher leverage ratios for the current program.
- *Managing allocations related to very small businesses and businesses owned and controlled by socially and economically disadvantaged individuals.* ARPA included \$1.5 billion to be expended for businesses owned and controlled by socially and economically disadvantaged individuals (as well as \$1 billion to be provided to jurisdictions that demonstrate robust support for these businesses), and \$500 million to be expended for very small businesses. State officials we interviewed said assisting these businesses can be difficult. For example, officials from one state said it may be difficult to incentivize banks to take on the level of risk necessary to serve these businesses and that they plan to address this by working closely with community development financial institutions.
- *Managing funds for tribal governments.* ARPA included a \$500 million set-aside for tribal governments, who as first-time participants will likely require additional guidance and technical assistance from Treasury, according to representatives from a financial organization that helped states set up their programs during the original SSBCI round. Tribal governments may also receive additional SSBCI funding from the allocations related to very small businesses and businesses owned and controlled by socially and economically disadvantaged individuals. We reported in October 2021 that Treasury faced various challenges that slowed distribution of funds from the Coronavirus Relief Fund to tribes.
- *Managing technical assistance funds.* ARPA included a \$500 million set-aside for technical assistance to very small businesses and businesses owned by socially and economically disadvantaged individuals. Treasury may provide these funds to participating jurisdictions, transfer them to the Minority Business Development Agency, or use them to directly contract with technical assistance providers. State officials we interviewed said the technical assistance component would be an important component of the current program and receiving additional guidance from Treasury in this area will help them plan how to use the SSBCI funds. One official noted that allowing participating jurisdictions to administer these funds may improve access for underserved businesses. As previously noted, Treasury officials plan to release guidance for this component in early 2022.

Methodology

To conduct this work, we reviewed relevant federal laws, agency guidance, notices, and reports, and interviewed Treasury officials. We also interviewed officials from three states that implemented the 2010 program, and representatives from four organizations familiar with the program. We also analyzed data from Treasury on preliminary funding allocations for states and territories. We obtained information from Treasury on how they determined and verified these allocations, and determined the data were sufficiently reliable for the purposes of our reporting objective.

Agency Comments

We provided the Department of the Treasury and the Office of Management and Budget with a draft of this enclosure. Treasury provided technical comments, which we incorporated as appropriate. The Office of Management and Budget did not provide comments on this enclosure.

GAO's Ongoing Work

We will continue to monitor Treasury's efforts to make the 2021 SSBCI program operational. We plan to review how states, territories, and tribal governments plan to use SSBCI funds to support small businesses. We also plan to examine Treasury's efforts to ensure compliance with program requirements, manage program risk, and monitor and assess the effectiveness of the program.

Related GAO Products

COVID-19: Lessons Learned from Interior and Treasury's Administration of CARES Act Funds Could Improve Federal Emergency Relief to Tribes. [GAO-22-104349](#). Washington, D.C.: October 29, 2021.

Small Business Credit Programs: Treasury Continues to Enhance Performance Measurement and Evaluation but Could Better Communicate and Update Results. [GAO-15-105](#). Washington, D.C.: December 11, 2014.

State Small Business Credit Initiative: Opportunities Exist to Enhance Performance Measurement and Evaluation. [GAO-14-97](#). Washington, D.C.: December 18, 2013.

Small Business Lending: Opportunities Exist to Improve Performance Reporting of Treasury's Programs. [GAO-13-76](#). Washington, D.C.: December 5, 2012.

State Small Business Credit Initiative: Opportunities Exist to Improve Program Oversight. [GAO-12-173](#). Washington, D.C.: December 7, 2011.

Contact Information: Michael Clements, (202) 512-8678, clementsm@gao.gov

Federal Office Space

Bottom line statement: Most agencies we surveyed expect to reduce office space leases or square footage in the next 3 to 5 years, in part due to the pandemic. Some told us they anticipate making potentially costly office design changes to meet hybrid workforce needs and evolving federal requirements.

Entities involved: The 24 agencies that fall under the Chief Financial Officers Act of 1990, as amended.²²⁸ These agencies collectively occupied approximately 98 percent of all federal office space in fiscal year 2020, according to General Services Administration data.

Background

The COVID-19 pandemic, which resulted in nearly 60 percent of the federal workforce teleworking, has raised questions about the office space needs of the federal government and ways agencies will plan for federal workspace in the future.²²⁹ Furthermore, it is not clear whether previous workspace standards and designs, such as for building ventilation, occupancy rates, and open office configurations, are appropriate in light of COVID-19.

Federal properties include thousands of leased and owned office buildings that cost billions of dollars annually to rent, operate, and maintain, one reason that managing federal real property has been on GAO's High-Risk List since 2003. The General Services Administration (GSA) provides real property guidance to federal agencies, including the 24 Chief Financial Officers (CFO) Act agencies, and assists them in acquiring and leasing properties, including ensuring properties meet federal safety protocols such as those related to ventilation.

Overview of Key Issues

Recent and future decreases in leased office space. In response to a GAO survey of all CFO Act agencies, several agencies reported terminating leases or allowing leases to expire in response to the pandemic and pandemic-related policies allowing more telework. Five of the 24 agencies we surveyed reported terminating leases due to the pandemic and two reported extending current leases to avoid pandemic-related challenges associated with moving offices to a new location. For example:

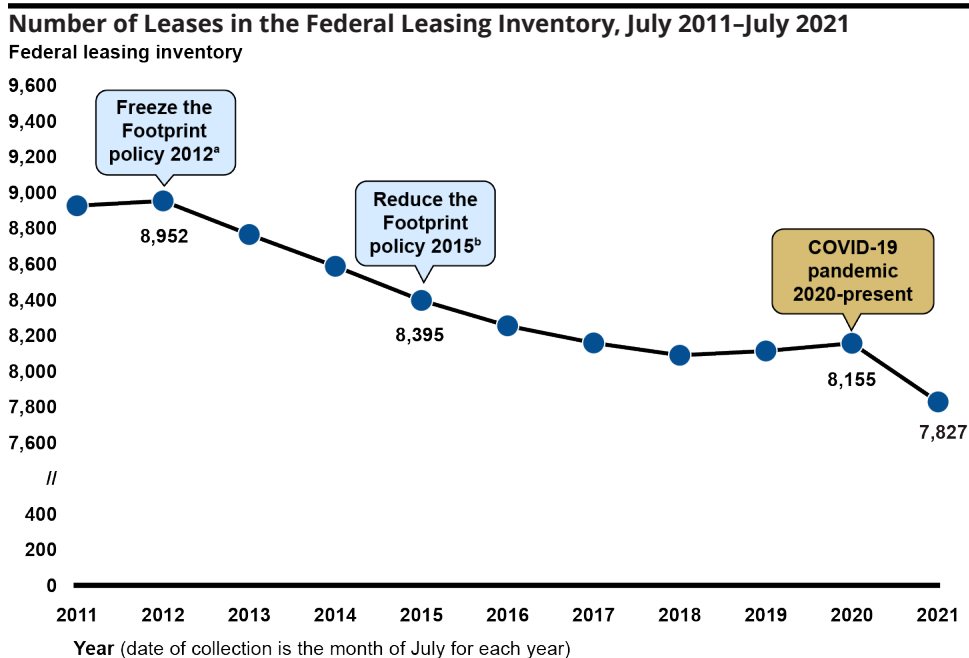
- The Department of Veterans Affairs reduced its leased office space by approximately 237,000 square feet across 18 leases nationwide—through lease terminations and allowing leases to expire—because of teleworking personnel.

²²⁸These agencies include the Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, Interior, Justice, Labor, State, Transportation, the Treasury, and Veterans Affairs; National Aeronautics and Space Administration; Environmental Protection Agency; U.S. Agency for International Development; General Services Administration; National Science Foundation; Nuclear Regulatory Commission; Office of Personnel Management; Small Business Administration; and Social Security Administration.

²²⁹Office of Personnel Management, *Federal Employee Viewpoint Survey 2020: Governmentwide Management Report* (Washington, D.C.: 2020).

- The Environmental Protection Agency delayed its office relocation to a federal building in Washington, D.C. due to the challenges of moving almost 1,000 employees and equipment while the federal government was operating under a maximum telework status. As a result, the agency had to extend its lease in Arlington, Virginia (326,057 square feet) until March 2022 at an annual cost of approximately \$14 million.

Prior to the pandemic, the federal government’s leased and owned real property assets were already decreasing, in part in response to executive branch policies aimed at reducing the federal footprint—for example, Freeze the Footprint (2012) and Reduce the Footprint (2015).²³⁰ However, since the pandemic began in March 2020, federal agencies have reduced leasing at a higher rate (see figure below).



Source: GAO analysis of General Services Administration’s data. | GAO-22-105291

^aIn 2012, the Office of Management and Budget (OMB) directed the 24 Chief Financial Officers (CFO) Act agencies to “freeze” their footprint and maintain their civilian real estate inventory at or below their then-current levels.

^bIn 2015, OMB issued its Reduce the Footprint policy requiring the CFO Act agencies to set annual targets for reducing their portfolio of domestic office and warehouse space.

While there are likely several reasons other than the pandemic for the recent and substantial reduction in leases, according to agencies this downward trend is likely to continue. Most agencies we surveyed told us they plan to reduce the number of leases or reduce square footage in their real estate portfolio starting in the next 3 to 5 years, in part because of the pandemic. For example:

²³⁰According to GSA officials, the Lease Cost Avoidance program, which aggregates cost savings from several efforts, including the Freeze the Footprint and Reduce the Footprint initiatives, has achieved \$4.5 billion in cost avoidance from fiscal year 2018 through fiscal year 2021. However, in prior GAO work issued in March 2020, we raised concerns regarding the reliability of the information used to calculate these cost savings.

- Department of Education officials said they are canceling plans for several new leases because of the pandemic and will reduce square footage between 27 and 50 percent for future leases.
- Department of Defense officials reported plans to reduce their reliance on leased workspace because, in some offices, almost 90 percent of personnel were able to telework.

Additionally, in the next 5 years more than half of federal leases will expire, giving agencies the opportunity to significantly change their leased portfolio.

Needed office design changes and related costs. Multiple agencies reported that they expect potentially costly office design changes will be needed for post-pandemic workforce reentry. Specifically, agencies expect a need to transform traditional offices to hybrid offices, which allow regular and occasional in-office work, and for additional technology investments to enable agency personnel to perform their jobs at home. Several agencies reported that one-time costs to make design changes may offset some savings from reducing the federal footprint.

Additionally, the majority of agencies told us they expect increased costs from construction, driven by increased building supply costs and labor shortages. For example, Department of Defense officials said that data collected from June 2020 to June 2021 show costs for non-residential construction materials rose 26 percent.

Guidance and assistance for agencies on workforce reentry and space planning. Some guidance has been provided to federal agencies regarding workforce reentry issues, including telework and remote work, and updated or additional guidance may be issued.

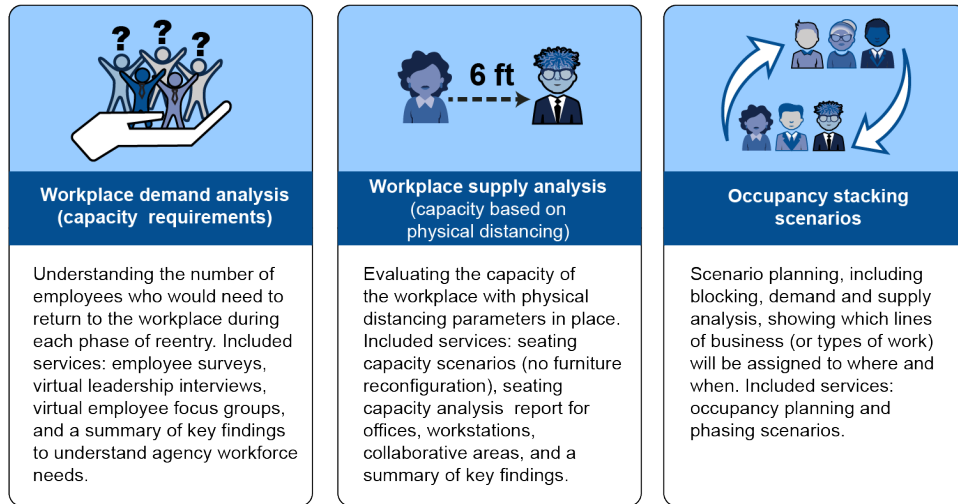
- On June 10, 2021, the Office of Personnel Management (OPM), GSA, and the Office of Management and Budget (OMB) jointly issued a memorandum providing guidance to agencies for reentry and post-reentry work environment and personnel policies. This memorandum included high-level guidance to agencies on telework, remote work, hours of work, labor relations, and performance management.
- On July 23, 2021, OPM issued further guidance for agencies on workforce reentry issues. It covered many topics addressed in the previous guidance but also included information on pay administration, evacuation pay, labor, and employee relations.
- On November 12, 2021, OPM released additional guidance which provides resources and information to help agencies conceptualize the continued evolution of telework, including a new section providing agencies with policy guidance on remote work.

GSA officials said they will consider future guidance updates on space configuration and ventilation. Officials from other federal agencies told us they thought that OMB may provide additional guidance involving space reduction goals in the future. However, OMB officials we interviewed said it was too early to tell whether they would publish new guidance.

GSA officials said the agency has shifted preexisting efforts to assist agencies in the real property planning process to respond more directly to the pandemic, and has added additional services

(see figure below). For example, GSA’s efforts to assist agencies in planning workspace now and after the pandemic include facility capacity analysis and occupancy planning.

Examples of General Services Administration’s (GSA) Return to Workplace Planning Services for Federal Agencies
GSA services available for federal agencies



Source: GAO presentation of General Services Administration information. | GAO-22-105291

Methodology

We sent a survey to all 24 CFO Act agencies and received a 100 percent response rate. The survey asked specifically about the effects of COVID-19 on current changes to and future plans for office space leases, owned buildings, and new construction projects. We also reviewed relevant OPM, OMB, and GSA guidance; interviewed officials from federal agencies; and analyzed GSA leasing inventory data from July 2011 to July 2021. We interviewed cognizant agency officials about the data and reviewed the data for omissions and completeness and concluded the data was reliable for our purposes.

Agency Comments

We provided a draft of this enclosure to the 24 CFO Act agencies and to the Office of Management and Budget. GSA provided technical comments, which we incorporated as appropriate.

GAO’s Ongoing Work

The COVID-19 pandemic continues to have effects on federal office space needs and requirements. We have ongoing work related to the office space of the 24 CFO Act agencies and expect to issue a report in the summer of 2022. GAO is also currently conducting work to examine telework use at the 24 CFO Act agencies during the COVID-19 pandemic.

Related GAO Products

Federal Leasing: Quality Information and Metrics Would Allow GSA to Better Assess the Value of Its Broker Program. [GAO-20-361](#). Washington, D.C.: March 31, 2020.

Contact information: Jill Naamane, Acting Director, (202) 512-2834, naamanej@gao.gov

Coronavirus State and Local Fiscal Recovery Funds

States continue to distribute Coronavirus State and Local Fiscal Recovery Funds awards to smaller local governments, and the Department of the Treasury has extended deadlines for meeting reporting requirements for all recipients.

Entities involved: Department of the Treasury

Background

The Coronavirus State and Local Fiscal Recovery Funds (CSLFRF), established under the American Rescue Plan Act of 2021 (ARPA) and administered by the Department of the Treasury, allocated \$350 billion to the states, the District of Columbia, local governments, tribal governments, and U.S. territories to help cover a broad range of costs stemming from the fiscal effects of the COVID-19 pandemic.²³¹ Local governments consist of metropolitan cities, counties, and smaller local governments (typically serving populations of less than 50,000) referred to as non-entitlement units of local government (NEU).²³²

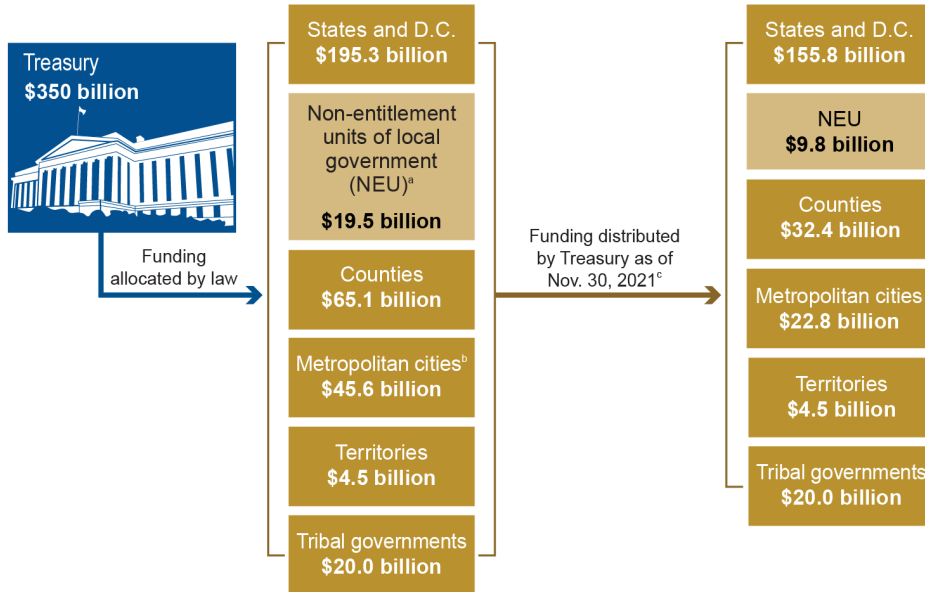
Treasury had distributed more than \$245 billion in CSLFRF allocations to recipients as of November 30, 2021, according to Treasury data. The figure below shows the amounts of funding the CSLFRF allocates to various recipient types as well as the amount of funding Treasury distributed to each recipient type as of November 30, 2021.

CSLFRF recipients have until December 31, 2024, to incur obligations with their CSLFRF awards and, according to Treasury, until December 31, 2026, to liquidate those obligations, in accordance with allowable uses established in ARPA.

²³¹Pub. L. No. 117-2, tit. IX, subtit. M, § 9901, 135 Stat. 4, 223 (2021) (codified at 42 U.S.C. §§ 802-803) (ARPA). Sections 602 and 603 of the Social Security Act as added by section 9901 of ARPA appropriated \$350 billion in total funding for two funds—the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund. For purposes of this report, we discuss these two funds as one—the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF). 42 U.S.C. §§ 802-803. For purposes of the CSLFRF, ARPA establishes that the District of Columbia is considered to be a state. 42 U.S.C. §§ 802(g)(5), 803(g)(9).

²³²42 U.S.C. §§ 803(g), 5302(a).

Coronavirus State and Local Fiscal Recovery Funds Allocations and Treasury Distributions as of Nov. 30, 2021, by Recipient Type



Source: GAO analysis of the American Rescue Plan Act of 2021 (ARPA) and Department of the Treasury (Treasury) information. | GAO-22-105291

^aNon-entitlement units of local government (NEU), are local governments typically serving populations of less than 50,000. 42 U.S.C. §§ 803(g)(5), 5302(a)(5). NEUs include cities, villages, towns, townships, or other types of local governments.

^bA metropolitan city is defined as the central city within a metropolitan area (i.e., a standard metropolitan statistical area as established by the Office of Management and Budget) or any other city within a metropolitan area that has a population of 50,000 or more. 42 U.S.C. §§ 803(g)(4), 5302(a)(3)-(4).

^cARPA provides that to receive their Coronavirus State and Local Fiscal Recovery Funds award, states, the District of Columbia, and U.S. territories must first provide Treasury with a signed certification stating that they require their award to carry out allowable activities and will comply with relevant requirements when they use their award. According to Treasury, states that have experienced a net increase of more than 2 percentage points in their unemployment rate from February 2020 to the date of the latest available data will receive their full award in a single payment; other states will receive award funds in two equal tranches, with the second tranche provided within 12 months after certification. Governments of U.S. territories will receive an award in a single payment. Treasury is required to distribute awards to metropolitan cities, states (for distribution to NEUs), and counties in two equal tranches, providing the first payment within 60 days after ARPA's enactment, or May 10, 2021, to the extent practicable, and providing the second payment no earlier than 12 months after the first. After receiving award funds for distribution to NEUs, states have 30 days to make those distributions, unless Treasury grants an extension. According to Treasury, tribal governments will receive their award funds in two distributions: the first distribution in May 2021 and the second distribution, based on employment data, in June 2021.

Under ARPA, eligible state, territorial, metropolitan city, county, and tribal governments receive funding directly from Treasury. According to Treasury, over 20,000 NEUs are receiving CSLFRF awards through their state governments.²³³ Specifically, Treasury will make payments to states for

²³³42 U.S.C. § 803(b)(2). Territories also allocate and distribute payments to NEUs. For purposes of payments to NEUs, ARPA defines “states” to include territories (i.e., Commonwealth of Puerto Rico, the United States Virgin Islands, the Commonwealth of the Northern Mariana Islands, and American Samoa). 42 U.S.C. § 803(g)(9). However, for purposes of this report we excluded territories from our analysis.

distribution to NEUs in two tranches (approximately 12 months apart), and states are required to allocate and distribute the payments to each NEU within their state.²³⁴

Treasury has issued guidance that includes steps states should follow for allocating and distributing funds to NEUs.²³⁵ Among other things, these steps include identifying eligible NEUs, calculating initial allocation amounts, and establishing a process for NEUs to submit requests for their award.²³⁶ Consistent with ARPA, states must also ensure an NEU's total CSLFRF award (i.e., the sum of both tranches) does not exceed 75 percent of the NEU's most recent budget.²³⁷ According to Treasury guidance, states have some discretion in calculating the initial allocation of funds. For example, the guidance explains that states may divide any overlapping population between NEUs in a number of ways for the purpose of allocating funds.²³⁸ As CSLFRF recipients, NEUs may be subject to single audits, as required by the Single Audit Act. The act establishes requirements for nonfederal entities that receive federal awards to undergo single audits (or, in limited circumstances, program-specific audits) of those awards annually (unless a specific exception applies) when they spend at least \$750,000 in federal awards in their fiscal year.²³⁹

On May 10, 2021, Treasury released an interim final rule for implementing the CSLFRF that identified reporting requirements for all recipients.²⁴⁰

²³⁴Treasury considers state governments that request their own allocations also to have requested allocations for NEUs within their states. Treasury will make payments to states from the Coronavirus Local Fiscal Recovery Fund for distribution to NEUs in two tranches, with the second tranche payment to be made no earlier than 12 months after the date on which the first tranche payment is paid to the state.

²³⁵Department of the Treasury. *Coronavirus Local Fiscal Recovery Fund: Guidance on Distribution of Funds to Non-entitlement Units of Local Government*, accessed Oct. 25, 2021. https://home.treasury.gov/system/files/136/NEU_Guidance.pdf.

²³⁶ARPA requires states to allocate and distribute to NEUs an amount that is the same proportion to the amount of payment as the population in the NEU as a share of the total population of all NEUs in the state. 42 U.S.C. § 803(b)(2)(C).

²³⁷Section 603(b)(2)(C)(iii), as added by section 9901 of ARPA (codified at 42 U.S.C. § 803(b)(2)(C)(iii)), provides that each NEU's total allocation and distribution (i.e., the total of distributions under both the first and second tranche) is capped at 75 percent of its most recent budget, in effect as of January 27, 2020. The supplemental information accompanying Treasury's interim final rule that implements CSLFRF defined a NEU's most recent budget for purposes of the cap to mean the NEU's most recent annual total operating budget, including its general fund and other funds, as of January 27, 2020. *Coronavirus State and Local Fiscal Recovery Funds*, 86 Fed. Reg. 26,786, 26,814 (May 17, 2021). Treasury's final rule specifies that the NEU's total annual budget includes both operating and capital expenditure budgets. See Department of the Treasury, *Coronavirus State and Local Fiscal Recovery Funds, Final Rule* (Jan. 6, 2022), <https://home.treasury.gov/system/files/136/SLFRF-Final-Rule.pdf>. While the final rule does not go into effect until April 1, 2022, recipients may take actions consistent with the final rule prior to the effective date. See, Treasury's *Statement Regarding Compliance with the Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule and Final Rule*.

²³⁸In some states, the boundaries of some NEUs overlap with or encompass other NEUs within the state, typically resulting in overlapping populations between the larger "parent" NEU and the subsidiary NEU (e.g., a township that encompasses a city).

²³⁹The Single Audit Act is codified, as amended, at 31 U.S.C. §§ 7501-06, and implementing Office of Management and Budget (OMB) guidance is reprinted in 2 C.F.R. part 200. The single audit that the statute generally requires covers both the entity's financial statements and its federal awards for the fiscal year. The nonfederal entities covered by the act are states, the District of Columbia, U.S. territories, Indian tribes, local governments, and nonprofit organizations. 31 U.S.C. § 7502; 2 C.F.R. § 200.501.

²⁴⁰Subsequently, on May 17, 2021, Treasury published the interim final rule in the Federal Register. See *Coronavirus State and Local Fiscal Recovery Funds*, 86 Fed. Reg. 26,786. Treasury provided initial guidance on reporting requirements

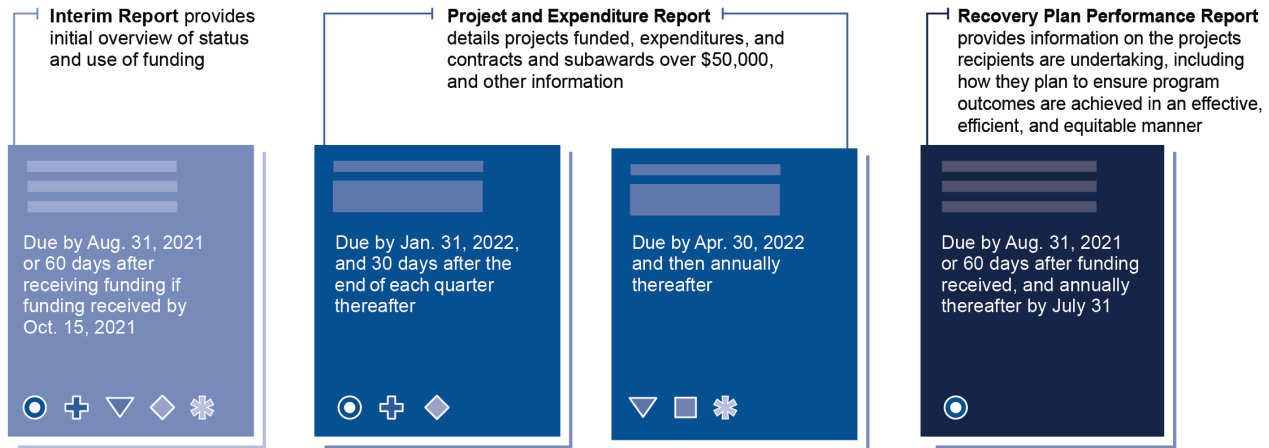
- All recipients—except NEUs—were required to submit an interim report that provided an initial overview of the status and use of their funding.
- All recipients, including NEUs, are required to submit project and expenditure reports on a quarterly or annual basis—depending on the type of recipient—that provide information on their use of the funding and projects undertaken with the funding, among other things.
- States, U.S. territories, and metropolitan cities and counties with a population that exceeds 250,000 residents are also required to submit to Treasury annually, and post on their public websites, a recovery plan performance report (recovery plan). These recovery plans are to discuss planned uses of spending and include, among other things, descriptions of the projects funded.

Treasury released subsequent guidance that provides additional detail and clarification on the compliance and reporting responsibilities for each recipient type, including reporting deadlines as shown in the figure below.²⁴¹ Recipients must submit all required CSLFRF reports through Treasury’s online reporting portal.

for all recipients in the supplemental information section of the interim final rule. The text of the rule in the interim final rule did not contain specific reporting requirements, but rather established recipients’ obligation to provide regular detailed reporting and other information as Treasury requires. This general provision was retained in the final rule which Treasury released on January 6, 2022. See Department of the Treasury, *Coronavirus State and Local Fiscal Recovery Funds, Final Rule* (Jan. 6, 2022), <https://home.treasury.gov/system/files/136/SLFRF-Final-Rule.pdf>.

²⁴¹ Department of the Treasury. *Compliance and Reporting Guidance: State and Local Fiscal Recovery Funds*, ver. 2.1 (Nov. 15, 2021), accessed Dec. 2, 2021, <https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf>.

Treasury's Reporting Requirements for the Coronavirus State and Local Fiscal Recovery Funds, by Recipient Type, as of Nov. 15, 2021



Recipient Type

- States, U.S. territories, and metropolitan cities and counties with a population that exceeds 250,000 residents
- ⊕ Metropolitan cities and counties with a population below 250,000 residents that received more than \$10 million in funding
- ▼ Metropolitan cities and counties with a population below 250,000 residents that received less than \$10 million in funding
- Non-entitlement units of local government (NEU)—local governments typically serving populations of less than 50,000 residents
- ◆ Tribal governments that received more than \$30 million in funding
- * Tribal governments that received less than \$30 million in funding

Source: GAO analysis of Department of the Treasury information. | GAO-22-105291

Overview of Key Issues

States' progress in distributing CSLFRF payments to NEUs. Under ARPA, states have 30 days to distribute funds to NEUs, once they receive the payments from Treasury.²⁴² We asked Treasury officials about data they could provide us on the amount of funds states distributed to NEUs for the first tranche of payment of award funds. Treasury officials told us that states had submitted data on distributions to NEUs, as well as NEUs' contact information (e.g., personal contact and other related information), but that Treasury had concerns with the quality and completeness of the data and was not prepared to share the data at the time of our review.²⁴³

Treasury officials told us that they are in the process of working to ensure the completeness and quality of the data, which includes, among other things, working with states to address missing data and ensuring that the allocation amounts to NEUs met the allowable statutory limits under ARPA. The officials also said they plan to engage directly with NEUs to create accounts in Treasury's

²⁴²Pub. L. No. 117-2, § 9901, 135 Stat. at 229 (codified at 42 U.S.C. § 803(b)(2)(C)).

²⁴³The other related identifying information includes Data Universal Numbering System (DUNS) numbers, which are unique nine-digit identifiers used to identify an organization. By April 2022, the federal government will transition from the DUNS number to the new Unique Entity ID (SAM) assigned by SAM.gov. Treasury requires all CSLFRF recipients to have an active SAM registration.

online portal, which recipients use to submit required reports.²⁴⁴ We will continue to follow up with Treasury on its efforts to address these data concerns.

ARPA also allows states to request from Treasury one or more extensions of up to 30 days, with the initial extension granted if states encounter an “excessive administrative burden” that affects their ability to distribute all CSLFRF payments to their NEUs.²⁴⁵ According to Treasury data, as of January 3, 2022, most states had received multiple 30-day extensions from Treasury for distributing CSLFRF payments to NEUs within their state, as shown in the table below.

²⁴⁴In December 2021, Treasury released a user guide for NEUs to confirm their accounts in Treasury’s online reporting portal and upload required documents, among other things. Department of the Treasury. *NEU and Non-UGLGs Agreements and Supporting Documents User Guide: State and Local Fiscal Recovery Funds*, ver. 1 (Dec. 14, 2021), accessed Dec. 14, 2021. https://home.treasury.gov/system/files/136/SLFRF_Recipient-Reporting-User-Guide-NEU_Non-UGLG.pdf.

²⁴⁵An authorized state officer must certify that CSLFRF distributions to NEUs would constitute an “excessive administrative burden” for the state with respect to one or more of those distributions. After the initial extension, any additional extensions may only be granted by Treasury if (1) the state provides a written plan specifying when it expects to make such distribution and the actions the state has taken and will take in order to make all such distributions before the end of the distribution period (as extended), and (2) Treasury determines such plan is reasonably designed to distribute all such funds to NEUs by the end of the extended period. 42 U.S.C. § 803(b)(2)(C)(ii).

Number of States Receiving One or More 30-Day Extensions from Treasury for Distributing Coronavirus State and Local Fiscal Recovery Funds Payments to Non-Entitlement Units of Local Government, as of Jan. 3, 2022

	First 30-day extension	Second 30-day extension	Third 30-day extension	Fourth 30-day extension	Fifth 30-day extension	Sixth 30-day extension	Seventh 30-day extension
States (50)	44	35	25	21	12	10	4

Source: Department of the Treasury. | [GAO-22-105291](#)

According to Treasury officials, some states faced challenges that affected their ability to distribute all CSLFRF payments to NEUs. Treasury officials said some states have thousands of NEUs and need more time to manage efforts such as reaching out to NEUs and processing NEU requests for funds. For example, they said some states requested an extension so they could have additional time to establish a process for distributing CSLFRF payments. These officials also told us that some states had difficulty contacting NEUs—particularly smaller NEUs—that have limited administrative capacity, such as a lack of full-time staff and limited broadband access and office hours.

Representatives from some state and local government associations described similar challenges. For example, some states encountered difficulties communicating with NEUs that did not have staff readily available to respond to state inquiries, while other states were not able to identify an appropriate NEU contact.

In addition, representatives from one association told us that obtaining the necessary documentation to verify NEUs’ budgets can be challenging for states, particularly because some NEUs do not have a documented budget. For example, an association representative told us that one NEU had provided the state its written budget on a napkin. According to Treasury guidance, states may rely on an NEU’s budget total, rather than actual budget documents, to ensure an NEU’s total CSLFRF award does not exceed 75 percent of its annual budget.²⁴⁶ However, NEUs must provide actual budget documents that validate their budget total when they submit their first project and expenditure report to Treasury due on April 30, 2022.

Status of NEU single audits. Representatives from both the audit community and state and local government associations told us that NEUs may face challenges in conducting the single audits required by the Single Audit Act, given that thousands of NEUs may be subject to single audits for the first time. The act requires auditors to conduct single audits in accordance with generally accepted government auditing standards (GAGAS).²⁴⁷ The representatives expressed concern that there may not be enough qualified state auditors available with the expertise to address the increased COVID-19 workload and the number of entities that may be subject to a single audit.

²⁴⁶Department of the Treasury. *Frequently Asked Questions on Distribution of Funds to Non-entitlement Units of Local Government*, (June 30, 2021), accessed Nov. 2, 2021, <https://home.treasury.gov/system/files/136/NEU-FAQs.pdf>.

²⁴⁷31 U.S.C. § 7502(c). GAGAS provides standards and guidance for auditors and audit organizations, outlining the requirements for audit reports, professional qualifications for auditors, and audit organization quality control. Auditors of federal, state, and local government programs use these standards to perform their audits and produce their reports.

For example, representatives from one association said they estimate that CSLFRF spending may trigger up to 10,000 new single audits.²⁴⁸

Representatives also expressed concern that resources to perform these audits might be stretched beyond auditors' capacity, especially auditors with GAGAS certification. One association's representatives told us that state auditors are using resources to conduct audits of CSLFRF funding at the state level, limiting the staff they can devote to local government audits. Specifically, they said that while state auditors usually conduct audits for local governments, many have been constrained due to an increase in demand and insufficient staffing.²⁴⁹ As a result, local accounting firms may be called on to conduct many single audits.

In addition, association representatives said that the cost of performing single audits may be a challenge for some jurisdictions. For example, representatives from one state and local government association said that some smaller NEUs have to consider the cost of the single audit when determining whether to accept a CSLFRF award and that some have declined their award as a result.²⁵⁰ Representatives at another association said that state auditors often get a set appropriation from the state legislature each fiscal year, making it difficult to obtain additional funding to conduct audits that occur after the state appropriations were originally enacted.

Treasury officials said they are aware of the concerns raised by the associations as well as others in the audit community, including the American Institute of Certified Public Accountants. They told us that they worked with the Office of Management and Budget (OMB) on the Compliance Supplement for single audits to clarify the CSLFRF requirements for auditors.²⁵¹ We will continue to monitor Treasury's progress along with our prior July 2021 recommendation that OMB, in consultation with Treasury, issue timely and sufficient single audit guidance for auditing recipients' uses of CSLFRF payments.

States' planned uses of funds. As discussed above, Treasury required state recipients to submit their recovery plans by August 31, 2021, or 60 days after receiving their CSLFRF award. These plans were to describe planned (i.e., intended and actual) uses of spending that cover the date of the award through July 31, 2021. We analyzed 47 state recovery plans that were publicly available as of December 3, 2021.²⁵² Ten of these recovery plans did not include specified dollar amounts

²⁴⁸Because NEUs qualify as nonfederal entities under the Single Audit Act, any NEU that meets the \$750,000 expenditure threshold in a given fiscal year will need to comply with the act. 31 U.S.C. §§ 7501, 7502.

²⁴⁹As a nonfederal entity subject to the Single Audit Act, each NEU meeting the act's expenditure threshold in a given fiscal year is responsible for obtaining an independent auditor to conduct its single audit. 31 U.S.C. § 7502; 2 C.F.R. § 200.501.

²⁵⁰Pursuant to OMB guidance implementing the Single Audit Act, certain single audit costs may be charged to the recipient's federal award. 2 C.F.R. § 200.425.

²⁵¹OMB's Compliance Supplement provides guidance for performing single audits, including information about programs' objectives, procedures, and compliance requirements. Each year, OMB works with agencies to compile this information and issues the information in the supplement. In December 2021, OMB published single audit guidance for the CSLFRF in an addendum to the 2021 Compliance Supplement.

²⁵²Our review of 47 state recovery plans included the recovery plan for the District of Columbia, which is considered a state under ARPA. 42 U.S.C. § 802(g)(5). The recovery plans we analyzed described the states' planned uses of funds, which includes intended and actual uses, at the time the reports were filed. Our analysis is based only on those states with recovery plans available as of December 3, 2021 and on information that was presented in the state's recovery plan

related to their planned uses of funds. The remaining 37 plans specified dollar amounts for their planned uses of funds that totaled \$80.8 billion across seven spending categories as defined by Treasury:²⁵³

1. *Public Health*. Recipients may address the effects of the COVID-19 public health emergency. Examples include funds for COVID-19 testing and vaccination efforts, procuring personal protective equipment, and providing mental health services.
2. *Negative Economic Impacts*. Recipients may address the negative economic impacts that the COVID-19 pandemic had on individuals, households, and businesses, among other groups. Examples include funds for food programs, job training assistance, and aid to tourism, travel, and hospitality industries.
3. *Services to Disproportionately Impacted Communities*. Recipients may provide services to communities disproportionately impacted by the COVID-19 pandemic. Examples include funds for education assistance to high-poverty school districts, affordable housing, and services for unhoused persons.
4. *Premium Pay*. Recipients may use funds to provide premium pay to eligible public and private sector workers performing essential work during the COVID-19 pandemic.
5. *Infrastructure*. Recipients may use funds for necessary investments in water, sewer, and broadband infrastructure. Examples include funds for wastewater treatment services, managing and treating stormwater, and providing broadband to unserved or underserved users.
6. *Revenue Replacement*. Recipients may use funds for the provision of government services to the extent of the reduction in revenue experienced due to the COVID-19 pandemic.
7. *Administrative and Other*. Recipients may use funds to cover the administrative expenses of managing their CSLFRF award. Examples include costs of consultants to ensure compliance with program requirements and costs of facilities or administrative functions (e.g., a director's office).²⁵⁴

Across the 37 state recovery plans that specified dollar amounts for planned uses of CSLFRF award funds, revenue replacement represented the largest share (about 33 percent of planned

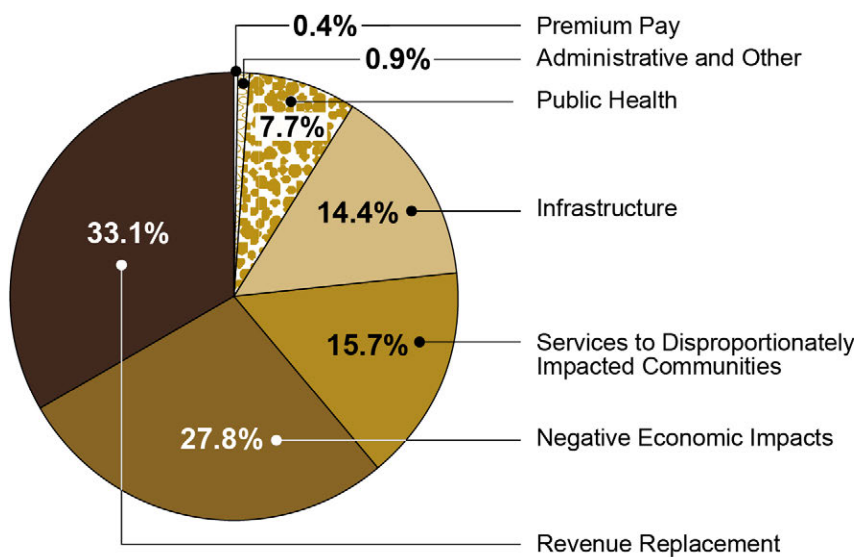
report. A number of states' plans noted that the information contained in their plans is subject to further deliberation and development. We did not assess whether the planned uses were in accordance with statute or Treasury guidance on permissible uses of these funds. In addition, our review did not include U.S. territories' and local governments' recovery plans or their planned uses of funds.

²⁵³According to Treasury guidance, each of these seven spending categories is comprised of one or more sub-categories that recipients use to group their specific projects. See Department of the Treasury, *Recovery Plan Template*, accessed Nov. 30, 2021. <https://home.treasury.gov/system/files/136/SLFRF-Recovery-Plan-Performance-Report-Template.docx>. We excluded from our analysis of recovery plans any dollar amounts that were not identified within one of the seven spending categories.

²⁵⁴Recipients may also report on distributions to NEUs and other units of government. We excluded distributions to NEUs from our analysis because they are distributions of payments from the Coronavirus Local Fiscal Recovery Fund. As previously mentioned, Treasury is in the process of validating state provided data on distributions to NEUs.

specified dollar amounts), as shown in the figure below. Twenty of these 37 states reported plans to use at least some of their award funds for revenue replacement. For example, Washington state reported plans to use \$600 million to replace lost transportation revenue and fund transportation operating expenses due to decreases in travel-related revenue during the pandemic. Pennsylvania planned to use \$4.6 billion to replace lost revenue in a number of areas related to the state’s government operations, including higher education, housing finance programs, and emergency medical services.

Percentage of States’ Planned Uses of Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) by Spending Category, Based on States’ Recovery Plan Performance Reports that Were Publicly Available as of Dec. 3, 2021
Total Planned Uses: \$80.8 Billion



Source: GAO analysis of states’ Recovery Plan Performance Reports. | GAO-22-105291

Note: Our analysis is based on 47 states’ recovery plan performance reports (recovery plan), including the District of Columbia, that were publicly available as of December 3, 2021. Based on our analysis, 37 states’ recovery plans specified dollar amounts for planned uses of CSLFRF award funds in at least one of the seven spending categories defined by the Department of the Treasury. Our analysis does not include U.S. territories’, metropolitan cities’, and counties’ recovery plans or their planned uses of CSLFRF award funds.

Addressing the negative economic impacts of COVID-19 represented the second largest share (about 28 percent) of specified dollars for states’ planned uses of CSLFRF award funds. Twenty-nine states reported plans to spend some of their CSLFRF award funds in this spending category. Some states reported planned uses for contributing to unemployment insurance trust funds. For example, Arizona provided nearly \$759 million to replenish its unemployment insurance trust fund to pre-pandemic levels. Other states reported planned uses of CSLFRF award funds in support of their tourism industries. For example, Alaska reported that it planned to spend \$90 million to help more than 2,000 businesses remain viable during the 2022 tourism season, due to economic losses the state experienced in 2020 and 2021.

For the 10 state recovery plans that did not specify a dollar amount for their planned use of funds, some included general descriptions of planned uses in one or more spending categories. For example, Arkansas reported plans to use some funds to increase staffing in the state’s health care systems and cover expenses related to skilled nursing facilities. Other states reported that

they had not made decisions as of July 31, 2021, and were in the process of determining how to spend their award at the time the reports were due. For example, Missouri reported that it was evaluating potential uses for its CSLFRF award and that most funds would be appropriated when the state legislature reconvenes in 2022.

CSLFRF reporting requirement extensions. Treasury extended the deadlines to all CSLFRF recipients for submitting the first project and expenditure reports. While prior Treasury guidance specified that such reports were originally due on October 31, 2021, states, territories, certain metropolitan cities and counties, and tribal governments receiving more than \$30 million must now meet a January 31, 2022 deadline, with reports covering the period between March 3, 2021, and December 31, 2021.²⁵⁵ For NEUs, other metropolitan cities and counties, and tribal governments receiving less than \$30 million, the first reports are now due on April 30, 2022, and will cover the period between March 3, 2021 and March 31, 2022.²⁵⁶

Treasury officials told us that the deadline extensions were due, in part, to technological issues with the online reporting portal. For example, they said recipients attempting to submit their interim reports (due August 31, 2021) were not able to upload large amounts of data for certain required information due to an issue with the portal's bulk upload feature. Officials told us that, in these cases, Treasury provided recipients with emergency technical assistance or uploaded the data on the recipients' behalf. In addition, Treasury officials told us that the extended timeframes would allow them to improve the portal's capabilities, including the bulk data upload feature, and to make reporting more user-friendly.

In addition, Treasury officials said that reporting deadlines were extended due to challenges some recipients faced using ID.me—a commercial identity verification service—to access Treasury's portal. Specifically, they said some recipients—particularly those from smaller jurisdictions—were not familiar with ID.me and faced challenges uploading the required evidence to verify their identity, such as copies of government identification or physical address listings. However, in December 2021, Treasury implemented Login.gov—which does not require the same level of personal identification and verification as ID.me—as an alternative way for recipients to access the portal.²⁵⁷

²⁵⁵The metropolitan cities and counties required to submit the first quarterly project and expenditure reports by January 31, 2022 are (1) metropolitan cities and counties with populations that exceed 250,000 residents and (2) metropolitan cities and counties with populations below 250,000 residents that are allocated more than \$10 million in CSLFRF funding. Department of the Treasury. *Compliance and Reporting Guidance: State and Local Fiscal Recovery Funds*, ver. 2.1 (Nov. 15, 2021), accessed Dec. 2, 2021, <https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf>.

²⁵⁶The metropolitan cities and counties required to submit the first annual project and expenditure reports by April 30, 2022 are metropolitan cities and counties with populations below 250,000 residents that are allocated less than \$10 million in CSLFRF funding.

²⁵⁷In an October 2021 report, we described various challenges taxpayers faced using ID.me to access the Internal Revenue Service's Child Tax Credit Update Portal. This online portal allows qualified individuals to check their eligibility for the advance payments, opt out of receiving the payments, update their bank account information, and change their mailing address. We also reported that applicants to the Coronavirus Economic Relief for Transportation Services (CERTS) Program faced challenges using ID.me, which Treasury required applicants to use to verify their identity before they could complete a CERTS Program application.

Association representatives told us that recipients are unclear about what information to include in the project and expenditure reports because Treasury had not released a user guide for these reports. In early January 2022, Treasury released a user guide that contained detailed instructions to help recipients navigate the portal and adhere to reporting requirements.²⁵⁸ Treasury officials also told us they were testing the portal's functionality for the project and expenditure reports, based on feedback from selected CSLFRF recipients, and planned to make improvements to the portal before the first reports are due in January 2022.

Representatives from state and local government associations told us that some recipients also face challenges in meeting CSLFRF reporting requirements due to limited broadband access and outdated technology. Treasury officials told us that they are aware that some smaller NEUs and rural communities, among other recipients, have limited technological capacity, which could affect their ability to meet reporting requirements. Officials added that, for those recipients with limited technological capacity, the extended reporting timeframes will provide them with additional time to obtain technical assistance from Treasury. Treasury officials also told us that Treasury is planning to engage directly with NEUs and other recipients with limited technological capacity to help them comply with reporting requirements.

Methodology

We reviewed federal laws and Treasury guidance and documentation regarding the CSLFRF, interviewed Treasury officials, and collected Treasury's written responses to questions that we posed. To gather perspectives about CSLFRF recipients' experiences with reporting and auditing requirements, we interviewed representatives from 11 organizations that collectively represent state and local governments and the audit community: the American Institute of Certified Public Accountants; the Council of State Governments; the Government Finance Officers Association; the International City/County Management Association; the National Association of Counties; the National Association of State Auditors, Comptrollers and Treasurers; the National Association of State Budget Officers (NASBO); the National Conference of State Legislatures; the National Governors Association; the National League of Cities; and the United States Conference of Mayors. We also analyzed 47 states' recovery plan performance reports that were publicly available based on our search of state government websites, and that were collectively available on the NASBO and the Pandemic Response Accountability Committee websites as of December 3, 2021. We determined that the state recovery plans, and the data they contained, were reliable for the purpose of reporting aggregate spending regarding states' planned uses of funds as of the date of their reports.

²⁵⁸Department of the Treasury, *Project and Expenditure Report User Guide: State and Local Fiscal Recovery Funds*, ver. 1 (Jan. 7, 2022), accessed Jan. 7, 2022, <https://home.treasury.gov/system/files/136/Project-and-Expenditure-Report-User-Guide.pdf>.

Agency Comments

We provided Treasury and OMB with a draft of this enclosure. Treasury provided technical comments, which we incorporated as appropriate. OMB did not provide comments on this enclosure.

GAO's Ongoing Work

Our work on the CSLFRF is ongoing. We will continue to review how CSLFRF recipients use their awards, address challenges they face in managing the funds, and evaluate outcomes of their funded projects. We will continue to monitor OMB's and Treasury's efforts to provide CSLFRF guidance, monitor funds, and ensure adequate audit coverage. We will also continue to follow up on open recommendations.

GAO's Prior Recommendations

The table below presents our recommendations on single audits and CSLFRF from prior bimonthly and quarterly CARES Act reports.

Prior GAO Recommendations Related to Single Audits and Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)

Recommendation	Status
<p>The Secretary of the Treasury should design and document timely and sufficient policies and procedures for monitoring recipients of Coronavirus State and Local Fiscal Recovery Funds to provide assurance that recipients are managing their allocations in compliance with laws, regulations, agency guidance, and award terms and conditions, including ensuring that expenditures are made for allowable purposes. (October 2021 report)</p>	<p>Open—partially addressed. Treasury agreed with the recommendation. In December 2021, Treasury officials stated the agency expects to have drafts of internal control policies and procedures for CSLFRF finalized in the coming weeks. We will continue to monitor the actions Treasury takes in response to our recommendation.</p>
<p>The Director of the Office of Management and Budget (OMB), in consultation with the Secretary of the Treasury, should issue timely and sufficient single audit guidance for auditing recipients' uses of payments from the Coronavirus State and Local Fiscal Recovery Funds. (July 2021 report)</p>	<p>Open—partially addressed. OMB neither agreed nor disagreed with our recommendation. In December 2021, OMB issued single audit guidance for the Coronavirus State and Local Fiscal Recovery Funds in Addendum 1 of the 2021 Compliance Supplement. We will review Addendum 1 and obtain feedback from members of the audit community (e.g., agency Offices of Inspector General; National Association of State Auditors, Comptrollers, and Treasurers; and American Institute of Certified Public Accountants) to determine if the guidance is sufficient.</p>
<p>The Director of the Office of Management and Budget (OMB) should work in consultation with federal agencies and the audit community (e.g., agency Offices of Inspector General; National Association of State Auditors, Comptrollers, and Treasurers; and American Institute of Certified Public Accountants), to the extent practicable, to incorporate appropriate measures in OMB's process for preparing single audit guidance, including the annual Single Audit Compliance Supplement, to better ensure that such guidance is issued in a timely manner and is responsive to users' input and needs. (March 2021 report)</p>	<p>Open—partially addressed. OMB neither agreed nor disagreed with our recommendation. In response to this report, OMB stated that it is actively working, to the extent practicable, to update processes to better ensure that the single audit guidance is issued in a timely manner and is responsive to users' input and needs. OMB also stated that it continues to work with federal agencies and the audit communities to develop and publish audit guidance for major programs in the Compliance Supplement.</p> <p>As we previously reported, auditors who conduct single audits for entities with June 30 year-ends have expressed a need to obtain the Compliance Supplement by no later than April of each year in order to effectively plan their audits and conduct interim testing. The 2021 Compliance Supplement was not issued until August 2021 and lacked guidance for several American Rescue Plan Act of 2021 (ARPA) programs.</p> <p>In December 2021, OMB issued single audit guidance for two ARPA programs in Addendum 1 of the 2021 Compliance Supplement and stated that Addendum 2 is projected for publication in early 2022. OMB also issued a Controller Alert in December 2021, which included a timeline for preparing the 2022 Compliance Supplement (in collaboration with federal agencies and the audit community) and such timeline estimated publication by April 30, 2022. We continue to meet periodically with OMB and the audit community</p>

Recommendation	Status
	to discuss the audit community's concerns and the additional single audit guidance needed. We will continue to monitor the actions OMB takes in response to our recommendation.

Source: GAO. | [GAO-22-105291](#)

Related GAO Products

Government Auditing Standards: 2018 Revision Technical Update April 2021 (Supersedes [GAO-18-568G](#)). [GAO-21-368G](#). Washington, D.C.: April 14, 2021.

Contact Information: Jeff Arkin, (202) 512-6806, arkinj@gao.gov, and Beryl Davis, (202) 512-2623, davisbh@gao.gov

Federal Contracts and Agreements for COVID-19

As of December 15, 2021, federal agencies continued to obligate billions of dollars monthly in support of COVID-19 response efforts through contracts and other transaction agreements, with drugs and treatments continuing to be the predominant type of good and service procured.

Entities involved: Department of Defense and Department of Health and Human Services, among others

Background

Federal agencies have used a variety of contracting mechanisms to provide vital goods and services in support of federal, state, and local COVID-19 response efforts.²⁵⁹ For example, federal agencies have reported billions of dollars in obligations on contracts subject to the Federal Acquisition Regulation—which provides uniform policies and procedures for acquisitions by all executive agencies.²⁶⁰ Our prior work on disaster contracting has found that contracts play a key role in federal emergency response efforts, and that contracting during an emergency can present a unique set of challenges as officials can face significant pressure to provide critical goods and services as expeditiously and efficiently as possible.

The January 2021 *National Strategy for the COVID-19 Response and Pandemic Preparedness* emphasizes the important role contracts will continue to play during the response. The strategy states that the federal government will fully leverage contract authorities to strengthen the vaccine supply chain; staff vaccination sites; and fill supply shortages for personal protective equipment, drugs, and therapeutics.

In addition, federal agencies like the Department of Defense (DOD) and Department of Health and Human Services (HHS) have relied on the use of other transaction agreements—which are not subject to the Federal Acquisition Regulation—for activities such as vaccine development and manufacturing in response to COVID-19.²⁶¹ Our prior work has noted that the flexibility to tailor other transaction agreements can help agencies attract companies that do not typically do business with the government. However, their use also carries a risk of reduced accountability and transparency. The CARES Act relaxed certain requirements on the use of other transaction agreements in response to COVID-19 for HHS and DOD—for example, related to congressional reporting and who can approve certain transactions.²⁶²

²⁵⁹The CARES Act includes a provision for GAO to provide a comprehensive audit and review of federal contracting pursuant to the authorities provided in the Act. In addition to specific contracting reviews, we have reported on federal contracting in response to the pandemic as part of regularly issued government-wide reports on the federal response to COVID-19.

²⁶⁰For the purposes of this report, “contract obligations” refers to obligations on procurement contracts that are subject to the Federal Acquisition Regulation and does not include, for example, grants, cooperative agreements, loans, other transactions for research, real property leases, or requisitions from federal stock.

²⁶¹Other transaction authorities allow certain agencies to enter into agreements “other than” standard government contracts or other traditional mechanisms. Agreements under these authorities are generally not subject to federal laws and regulations applicable to federal contracts or financial assistance, allowing agencies to customize their other transaction agreements to help meet project requirements and mission needs.

²⁶²Pub. L. No. 116-136, §§ 3301, 13006, 134 Stat. 281, 383, 522 (2020).

As federal contracting activity through contracts and agreements continues to play a critical role in response to the pandemic, it is important to ensure that these contracts and agreements in response to COVID-19 are accurately reported and visible to congressional decision makers, entities with oversight responsibilities, and taxpayers. National Interest Action (NIA) codes were established in 2005 following Hurricane Katrina to enable the consistent tracking of emergency or contingency-related contracting actions in the Federal Procurement Data System (FPDS).²⁶³ The COVID-19 NIA code was established on March 13, 2020, to track contract actions and associated obligations in response to the pandemic in FPDS. The Department of Homeland Security (DHS) and DOD have subsequently extended the code four times—generally in 6-month increments, and most recently until March 30, 2022.²⁶⁴

Overview of Key Issues

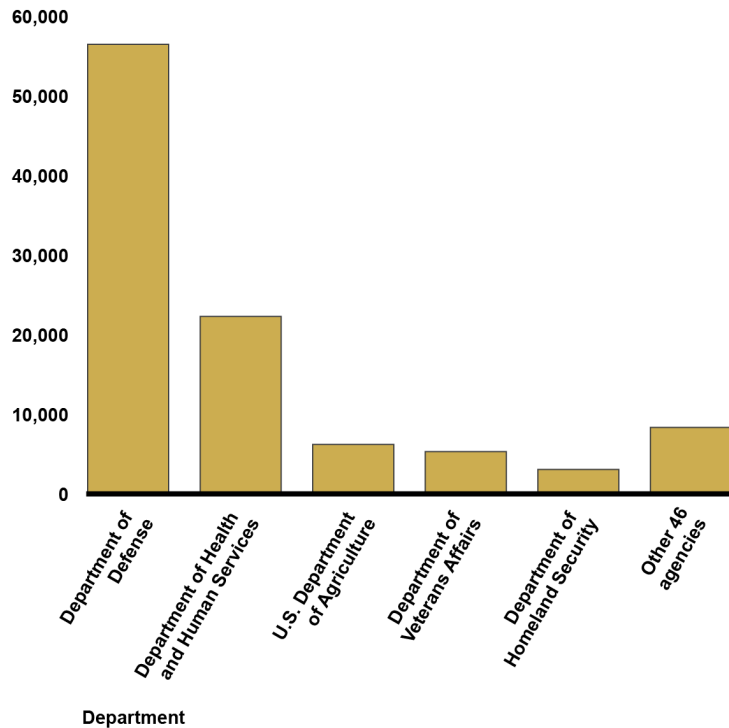
Agencies obligated more than \$100 billion on federal contracts, with DOD and HHS accounting for over three-quarters of obligations as of December 15, 2021. At the beginning of the response, HHS accounted for the most federal contract obligations. However, as the response has progressed, DOD’s contract obligations exceeded HHS’s. The increase in DOD’s contract obligations is due, in part, to DOD’s support of interagency acquisition needs, which has included awarding contracts on behalf of HHS for vaccine and therapeutic production and medical supplies. As of December 15, 2021, DOD accounted for about 56 percent and HHS for about 22 percent of the total obligations made by federal agencies in response to the COVID-19 pandemic. See figure for obligation amounts by federal agency.

²⁶³The memorandum of agreement guiding the use of NIA codes does not address tracking of other transaction agreements. Our prior work has identified challenges with how the Departments of Defense, Health and Human Services, and Homeland Security tracked other transaction agreements in response to COVID-19.

²⁶⁴According to the memorandum of agreement guiding the management of the NIA code, DHS and DOD are responsible for making determinations about whether to establish or close a code, based on a variety of considerations. The General Services Administration (GSA)—the agency that operates and maintains FPDS—is responsible for adding or updating the NIA code in the system based on DHS’s and DOD’s decisions. The extensions of the code are consistent with our prior recommendations to DHS, DOD, and GSA related to the importance of ensuring federal agencies, the public, and Congress have visibility into contract actions and associated obligations related to emergency response efforts.

Contract Obligations in Response to COVID-19 by Federal Agency, as of Dec. 15, 2021

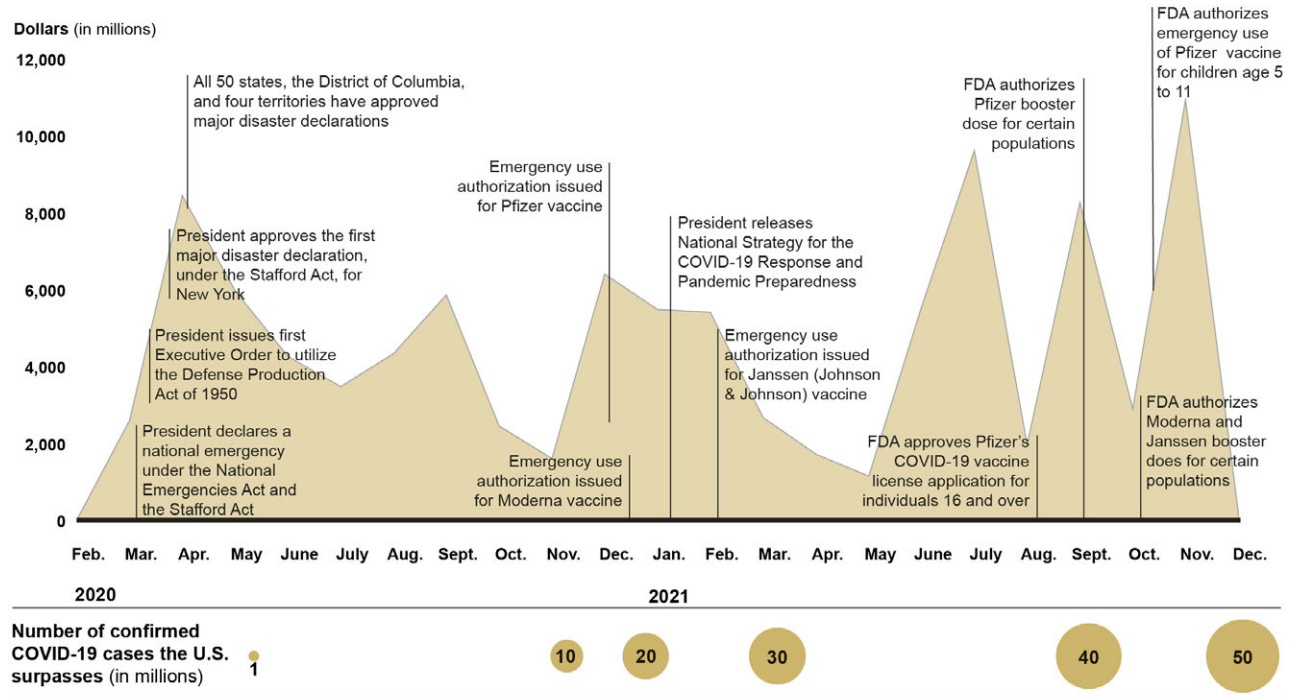
Dollars (in millions)



Source: GAO analysis of Federal Procurement Data System data. | GAO-22-105291

In our October 2021 report, we reported that government-wide contract obligations related to COVID-19 totaled \$86.9 billion through September 30, 2021; by December 15, 2021, those obligations had increased by about \$14.7 billion—to \$101.6 billion. DOD accounted for about \$12.5 billion, or about 85 percent of the increase in total contract obligations since September 30, 2021. Significant increases in obligations early in the pandemic were due to large purchases of medical equipment and supplies—such as ventilators and personal protective equipment. Large vaccine and therapeutic purchases explain more recent spikes in obligations. For example, following purchases of about \$4 billion in Pfizer and Moderna vaccines in December 2020, multi-billion dollar vaccine purchases by DOD in February, June, and July 2021 contributed to monthly increases in reported contract obligations. Additionally, multi-billion dollar purchases of therapeutics from Pfizer and Regeneron contributed to monthly increases in September and November 2021. See figure for government-wide obligations and confirmed COVID-19 cases by month.

Government-wide COVID-19-Related Contract Obligations and Confirmed COVID-19 Cases by Month, Feb. 2020–Dec. 15, 2021



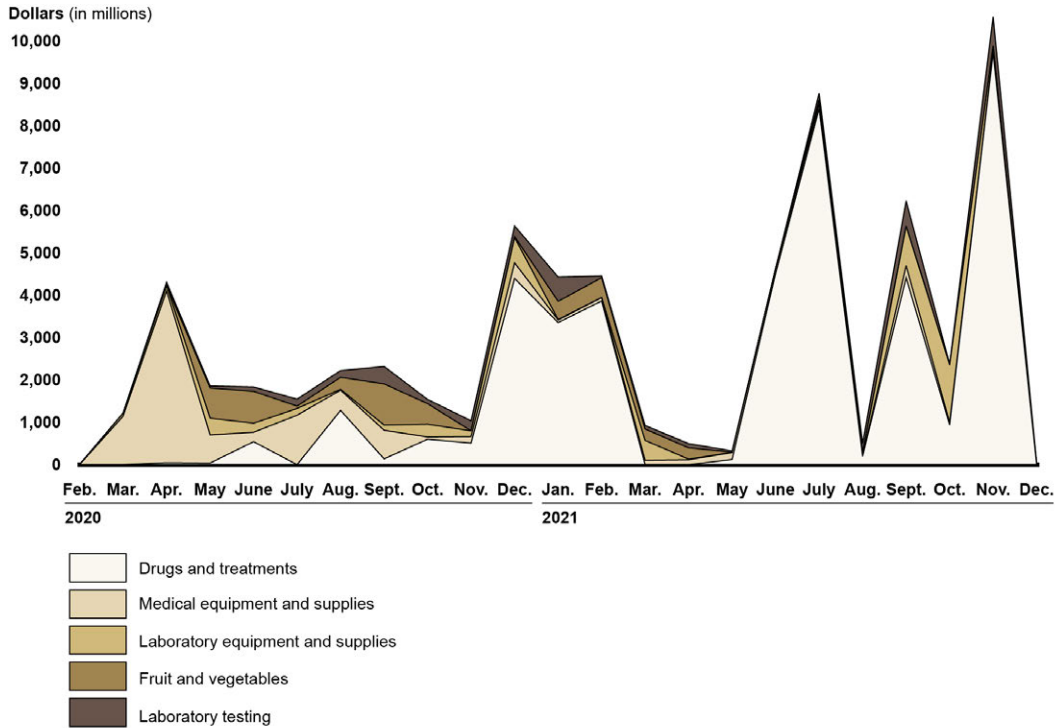
Source: GAO analysis of Federal Procurement Data System data. | GAO-22-105291

Types of goods and services purchased and competition rate changed over the course of the pandemic. As the response to the pandemic has progressed, the types of goods and services purchased have shifted from primarily medical equipment and supplies—such as ventilators and personal protective equipment—to drugs and treatments, such as COVID-19 vaccines and therapeutics. Drugs and treatments have become the largest area of government-wide obligations, accounting for 42 percent of total obligations over the course of the pandemic, and 63 percent of the total obligations in response to COVID-19 in calendar year 2021. These obligations increased over tenfold from \$3 billion as of November 2020, prior to the Food and Drug Administration’s emergency use authorizations for the Pfizer, Moderna, and Janssen vaccines, to about \$42.6 billion as of December 15, 2021.²⁶⁵ In calendar year 2021, increases in obligations for drugs and treatments have included \$19 billion in obligations for COVID-19 vaccines to Pfizer and Moderna, with the most recent increases in obligations since June 2021 due to purchases to support booster shots, pediatric vaccinations, international vaccine donations, and therapeutics to treat COVID-19.

See figure for obligation amounts for the most-procured goods and services over time.

²⁶⁵Emergency use authorizations allow for the temporary use of unapproved medical products. Janssen Pharmaceutical Companies are a part of Johnson & Johnson.

Contract Obligation Amounts for Top Five Goods and Services Procured in Response to COVID-19 by month, Feb. 2020–Dec. 15, 2021



Source: GAO analysis of Federal Procurement Data System data. | GAO-22-105291

Note: In addition to what is reflected in the figure, agencies canceled, or deobligated, \$176.5 million and \$335.1 million for drugs and treatments in July 2020 and April 2021, respectively. Obligations for fruits and vegetables were made primarily in support of the U.S. Department of Agriculture’s Farmers to Families Food Box Program.

As of December 15, 2021, COVID-19-related contracts for goods continued to be competed less frequently than contracts for services. About 64 percent of the obligations for goods were on contracts that were not awarded competitively, compared with about 41 percent of the obligations for services. For example, about \$32 billion, or 75 percent, of the \$42.6 billion in obligations for drugs and treatments and about \$8.2 billion, or 81 percent, of the \$10.1 billion in obligations for medical and surgical equipment were on contracts awarded noncompetitively.

Since our October 2021 report, the proportion of COVID-19 related contracts identified as having been awarded noncompetitively decreased from about 62 percent as of September 30, 2021 to 57 percent, or \$58 billion as of December 15, 2021.²⁶⁶ Throughout the course of the pandemic, the percentage of obligations on these noncompetitive contracts has fluctuated from a low of 21 percent of obligations in November 2021 to a high of 94 percent of obligations in July 2021. The higher rate of obligations on noncompetitively awarded contracts in July 2021 was driven in part by large noncompetitive awards for vaccine production.

Agencies must provide for full and open competition when awarding contracts, unless one of several limited exceptions applies, such as when there is an unusual and compelling urgency for a needed supply or service. Agencies cited an urgent need for awarding contracts noncompetitively

²⁶⁶Our methodology for identifying noncompetitive contracts is explained in detail at the end of this enclosure.

for about 85 percent, or about \$49.1 billion, of the contract obligations associated with noncompetitive awards.²⁶⁷

Federal agencies' use of undefinitized contracts increased. Undefinitized contracts are one technique that agencies have reported using to respond to COVID-19. Undefinitized contracts can enable the government to quickly fulfill requirements that are urgent or need to be met quickly by allowing contractors to begin work before reaching a final agreement with the government on all contract terms and conditions.²⁶⁸ Undefinitized contract obligations for COVID-19 increased from about \$5.5 billion as of September 30, 2021 to \$6.2 billion as of December 15, 2021, continuing to total about 6 percent of government-wide obligations on contracts awarded in response to COVID-19. A majority of the increase was driven by undefinitized contracts awarded by HHS for the purposes of increasing community access to COVID-19 testing at pharmacy and retail locations. DOD continued to report the highest amount of undefinitized contract obligations, identifying about \$4.3 billion, or about 8 percent of its overall COVID-19-related contract obligations, as being on undefinitized contracts.

Our prior work reviewed DOD's, HHS's, and the Department of Homeland Security's use of undefinitized contracts in response to COVID-19, including the use of CARES Act flexibilities for such contracts. We found that the timing of definitization and amount obligated prior to definitization varied across our selected contracts, and that officials at DOD—which accounted for the majority of undefinitized contract obligations—cited the ability to quickly award undefinitized contracts as a major benefit during the pandemic.

Use of other transaction agreements by DOD remained the same. In addition to contract obligations, DOD, HHS, and DHS have reported using other transaction agreements in response to COVID-19, with obligations on these agreements remaining at \$12.5 billion as of December 15, 2021. In July 2021, we reported almost all of the obligations on other transaction agreements were for vaccine development and manufacturing; medical research and development, such as COVID-19 rapid test kits; and applied defense research and development, such as COVID-19 therapeutics.

²⁶⁷For the purposes of this report, obligations on contracts identified as using the unusual and compelling urgency exception include those associated with contracts subject to Federal Acquisition Regulation 6.302-2, as well as orders under multiple award contracts, which are subject to separate requirements under Federal Acquisition Regulation subpart 16.5. Specifically, under Federal Acquisition Regulation 16.505(b)(2), orders on multiple award contracts require contracting officers to give every awardee a fair opportunity to be considered for a delivery order or task order exceeding \$3,500, with exceptions, including if the agency need for the supplies or services is so urgent that providing a fair opportunity would result in unacceptable delays. When using the unusual and compelling urgency exception to full and open competition, agencies still must request offers from as many potential sources as is practicable under the circumstances.

²⁶⁸Undefinitized contracts include letter contracts, as well as other undefinitized actions. Letter contracts are a preliminary contract that authorizes the contractor to begin work immediately, and undefinitized contract actions include any contract action for which the contract terms, specifications, or price are not agreed upon before performance has begun under the action. Federal Acquisition Regulation 16.603 and Defense Federal Acquisition Regulation Supplement 217.74.

Methodology

To identify agencies' federal contract and other transaction agreement obligations and competition rate on contracts in response to COVID-19, we reviewed data reported in FPDS through December 15, 2021.²⁶⁹ We primarily identified contract obligations related to COVID-19 using the NIA code. We supplemented the use of the NIA code by searching for "COVID-19" and "coronavirus" in the contract description field to identify a limited number of additional contract obligations.²⁷⁰ For contract actions over \$1 million, we removed obligations that were identified in the contract description as not related to COVID-19.

We assessed the reliability of federal procurement data by reviewing existing information about FPDS and the data it collects—specifically, the data dictionary and data validation rules—and by performing electronic testing. For the other transaction agreements that HHS misreported as contracts, we removed the \$1.6 billion in associated obligations from our reported contract obligations and reported them instead as other transaction agreement obligations. We supplemented our FPDS analysis with analysis of agency-provided data and interviews with agency officials. We determined that the data were sufficiently reliable for the purposes of describing agencies' reported contract obligations in response to COVID-19.

Agency Comments

We provided DOD, HHS, and the Office of Management and Budget with a draft of this enclosure. The agencies did not provide comments on this enclosure.

GAO's Ongoing Work

We have work underway related to DOD's use of advance and progress payments during the response to COVID-19.

²⁶⁹FPDS data from SAM.gov accessed through December 15, 2021. For purposes of this report, "competition rate" is the percentage of total obligations associated with contracts awarded competitively. We calculated competition rates as the percentages of obligations on competitive contracts and orders over all obligations on contracts and orders. Competitive contracts included contracts and orders coded in the FPDS as "full and open competition," "full and open after exclusion of sources," and "competed under simplified acquisition procedures" as well as orders coded as "subject to fair opportunity," "fair opportunity given," and "competitive set aside." Noncompetitive contracts included contracts and orders coded in the FPDS as "not competed," "not available for competition," and "not competed under simplified acquisition procedures," as well as orders coded as an exception to "subject to fair opportunity," including "urgency," "only one source," "minimum guarantee," "follow-on action following competitive initial action," "other statutory authority," and "sole source." Even for contracts identified as noncompetitive, agencies may have solicited more than one source.

²⁷⁰In November 2019 we identified some inconsistencies in the information agencies report in the contract description field in the FPDS. Data on DOD contract obligations based on information in the description field were available only through September 15, 2021, due to differences in the time frames for which DOD data are made publicly available.

GAO's Prior Recommendations

The table below presents our recommendations on federal contracts and agreements for COVID-19 from prior bimonthly and quarterly CARES Act reports.

Prior GAO Recommendations Related to Federal Contracts and Agreements for COVID-19

Recommendation	Status
<p>The Secretary of Agriculture should direct the Administrator of the Agricultural Marketing Service to issue guidance—such as an acquisition alert or a reminder to contracting officials—on the use of the COVID-19 National Interest Action code for the Farmers to Families Food Box Program or successor food distribution program to ensure it accurately captures COVID-19-related contract obligations in support of the program (March 2021 report).</p>	<p>Closed-Implemented. The U.S. Department of Agriculture (USDA) neither agreed nor disagreed with our recommendation. In February 2021, following our identification of contract data reporting challenges using the COVID-19 National Interest Action code for the Farmers to Families Food Box Program, Agricultural Marketing Service officials said they conducted training with staff to review National Interest Action code data entry protocols. At that time, a senior Agricultural Marketing Service official also sent an email reminder to procurement division personnel about OMB’s guidance on the use of the COVID-19 National Interest Action code. Following this training and email, officials took action to retroactively report contract actions for the program with the National Interest Action code. In May 2021, the Agricultural Marketing Service updated its instructions for entering contract actions into the Federal Procurement Data System to include a reminder to utilize the proper National Interest Action code, if applicable.</p>
<p>The Secretary of Agriculture should direct the Administrator of the Agricultural Marketing Service to assess the contracting personnel needed to fully execute the award and administration of existing contracts in support of the Farmers to Families Food Box Program or successor future food distribution program, and take the necessary steps to ensure it has adequate contracting staff in place to award and administer any future contracts for the program (March 2021 report).</p>	<p>Open-Partially Addressed. USDA neither agreed nor disagreed with our recommendation, and as of December 2021 had not fully assessed the contracting personnel needed to execute and administer contracts in support of the Farmers to Families Food Box Program or successor food distribution program. According to Agricultural Marketing Service officials, they have discontinued the program, and are using other methods of hunger relief, so they do not anticipate needing additional permanent staff. Agricultural Marketing Service officials are planning to use an existing contract vehicle to obtain additional staff support for contract documentation needs for the awards that have been made under the Farmers to Families Food Box Program and other food purchasing efforts. Agricultural Marketing Service officials have prepared a statement of work for the contract support services needed, which includes information on the number of Farmers to Families Food Box program contracts needing support services and other tasks. Agricultural Marketing Service officials expect interested vendors to submit staffing plans identifying the number of staff needed to accomplish the work under the contract. Agricultural Marketing Service officials said they planned to award the contract by the end of calendar year 2021, but as of December 2021, had not provided an update on the status of doing so.</p>

Recommendation	Status
<p>The Assistant Secretary for Preparedness and Response (ASPR), in coordination with the appropriate offices within the Department of Health and Human Services (HHS), should accurately report data in the federal procurement database system and provide information that would allow the public to distinguish between spending on other transaction agreements and procurement contracts (January 2021 report).</p>	<p>Open-Partially Addressed. ASPR agreed with our recommendation, and as of April 2021, ASPR officials stated that they have discussed within ASPR the need to consistently identify other transaction agreements in the Federal Procurement Data System (FPDS) and explored how their contract writing system may interface with the FPDS other transaction agreement module in the future. In December 2021, ASPR officials added that in the meantime, they have issued guidance to their contracting teams to manually track other transaction agreements in their contract writing system. We will continue to monitor ASPR's efforts to implement our recommendation.</p>
<p>The Secretary of Homeland Security, in coordination with the Secretary of Defense, should (1) revise the criteria in the 2019 National Interest Action (NIA) code memorandum of agreement to clearly identify steps they will take to obtain input from key federal agencies prior to extending or closing a National Interest Action code, (2) establish timelines for evaluating the need to extend a National Interest Action code, and (3) define what constitutes a consistent decrease in contract actions and routine contract activity to ensure the criteria for extending or closing the National Interest Action code reflect government-wide needs for tracking contract actions in longer term emergencies, such as a pandemic (September 2020 report).</p>	<p>Closed-Implemented. The Department of Homeland Security (DHS) did not agree with our recommendation. However, in March 2021, DHS, in coordination with the Department of Defense (DOD), issued a revised memorandum of agreement. The revised agreement establishes a process and timelines for communicating and evaluating NIA code extensions by requiring the General Services Administration to notify other federal agencies no less than seven days before a NIA code is set to expire so that agencies can request an extension as needed. The revised agreement also more clearly defines what constitutes a consistent decrease in contract actions to ensure criteria for extending or closing a NIA code is consistently applied.</p>
<p>The Secretary of Defense, in coordination with the Secretary of Homeland Security, should (1) revise the criteria in the 2019 National Interest Action code memorandum of agreement to clearly identify steps they will take to obtain input from key federal agencies prior to extending or closing a National Interest Action code, (2) establish timelines for evaluating the need to extend a National Interest Action code, and (3) define what constitutes a consistent decrease in contract actions and routine contract activity to ensure the criteria for extending or closing the National Interest Action code reflect government-wide needs for tracking contract actions in longer term emergencies, such as a pandemic (September 2020 report).</p>	<p>Closed-Implemented. DOD did not agree with our recommendation. However, in March 2021 DOD, in coordination with DHS, issued a revised memorandum of agreement. The revised agreement establishes a process and timelines for communicating and evaluating NIA code extensions by requiring the General Services Administration to notify other federal agencies no less than seven days before a NIA code is set to expire so that agencies can request an extension as needed. The revised agreement also more clearly defines what constitutes a consistent decrease in contract actions to ensure criteria for extending or closing a NIA code is consistently applied.</p>

Source: GAO. | [GAO-22-105291](#)

Related GAO Products

COVID-19 Contracting: Actions Needed to Enhance Transparency and Oversight of Selected Awards. [GAO-21-501](#). Washington, D.C.: July 26, 2021.

COVID-19 Contracting: Observations on Federal Contracting in Response to the Pandemic. [GAO-20-632](#). Washington, D.C.: July 29, 2020.

Defense Acquisitions: DOD's Use of Other Transactions for Prototype Projects Has Increased. [GAO-20-84](#). Washington, D.C.: November 22, 2019.

DATA Act: Quality of Data Submissions Has Improved but Further Action Is Needed to Disclose Known Data Limitations. [GAO-20-75](#). Washington, D.C.: November 8, 2019.

Disaster Contracting: FEMA Continues to Face Challenges with Its Use of Contracts to Support Response and Recovery. [GAO-19-518T](#). Washington, D.C.: May 9, 2019.

2017 Disaster Contracting: Actions Needed to Improve the Use of Post-Disaster Contracts to Support Response and Recovery. [GAO-19-281](#). Washington, D.C.: April 24, 2019.

2017 Disaster Contracting: Action Needed to Better Ensure More Effective Use and Management of Advance Contracts. [GAO-19-93](#). Washington, D.C.: December 6, 2018.

Department of Homeland Security: Further Action Needed to Improve Management of Special Acquisition Authority. [GAO-12-557](#). Washington, D.C.: May 8, 2012.

Department of Homeland Security: Improvements Could Further Enhance Ability to Acquire Innovative Technologies Using Other Transaction Authority. [GAO-08-1088](#). Washington, D.C.: September 23, 2008.

Contact information: Marie A. Mak, (202) 512-4841, makm@gao.gov

International Trade

Shipping costs for importing goods into the U.S. have significantly increased since the beginning of the pandemic; U.S. import values of COVID-19-related products, such as face masks, ventilators, gloves, and hand sanitizer, have continued to fluctuate; and U.S. exports of COVID-19 vaccines have increased in recent months.

Background

Global trade has rebounded from the initial steep decline at the beginning of the COVID-19 pandemic, but international supply chains continue to experience disruptions. According to United Nations trade statistics, trade in world merchandise grew by 22 percent from the second quarter of 2020 through the second quarter of 2021, after declining by 15 percent from the second quarter of 2019 through the second quarter of 2020. According to the United Nations, imbalances between global demand and supply of merchandise have created congestion at U.S. and European ports and a shortage of vessels and equipment needed to export products from China, Malaysia, India and parts of Europe. According to the same reporting, port congestion and export bans imposed by other countries have challenged the delivery of life-saving products such as medicine, water, and hygiene-related products.

The overall U.S. trade deficit of goods and services increased by 75 percent, from \$42 billion in February 2020 to \$73 billion in August 2021.²⁷¹ The U.S. goods trade deficit increased by 40 percent from \$64 billion in February 2020, the month before the World Health Organization (WHO) declared the start of a pandemic, to roughly \$89 billion in August 2021. U.S. exports of goods and services increased by between 4 and 5 percent from February 2020 through August 2021 and U.S. imports of goods and services increased by 16 percent from February 2020 through August 2021.

Overview of Key Issues

Increasing shipping costs and port congestion. The cost of shipping goods across country borders has significantly increased in 2021 (see figure). Throughout 2019 and before the pandemic started in 2020, U.S. importers paid an average of about \$283 in import charges, which includes freight cost, per \$10,000 of merchandise imported. After March 2020, the cost relative to dollar imported has increased. In August 2021, U.S. importers paid close to \$400 per \$10,000 of merchandise imported.²⁷² According to an executive briefing by the United States International Trade Commission (USITC), there are a number of factors that contributed to the increase in shipping prices, including a shortage of shipping containers in East Asian countries. A shortage of port workers has created delays in unloading shipping containers, which further contributes to the shortage of available shipping containers.

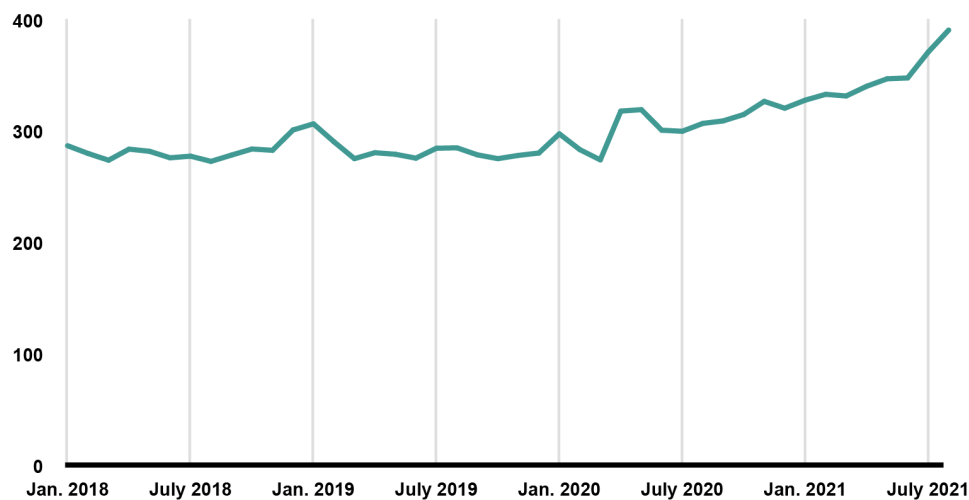
²⁷¹The overall trade deficit is calculated as total imports in goods and services subtracted from exports in goods and services.

²⁷²U.S. Census import data contains information on total monthly import charges paid on all imported shipments. Census cannot reliably account for shipments valued below \$2,000. As such, Census implements statistical methodologies to account for imported shipments below \$2,000 to improve coverage, timeliness and relevance of the international merchandise trade statistics. Import charges include cost of freight; insurance; and other charges, excluding duties.

The number of shipping containers flowing through the ports of Los Angeles and Long Beach, the two major U.S. ports on the west coast, has increased to record levels. According to press releases issued by the port of Los Angeles, the port of Los Angeles saw its busiest September on record after processing over 900,000 twenty-foot equivalent units (TEU) in September 2021, which was a 26 percent increase from the previous year.²⁷³ According to a press release issued by the port of Long Beach, the port of Long Beach experienced its second busiest October on record after processing almost 800,000 TEUs. On October 13, 2021, after a meeting between port leadership and the President, the U.S. administration announced that the port of Los Angeles agreed to operate 24/7 in order to clear the backlog of ships waiting to unload their containers in the U.S. Approximately 40 percent of containerized freight flowing through the United States arrives or departs the ports of Los Angeles and Long Beach.

Monthly Trends in U.S. Import Charges Relative to Value Imported from Jan. 2018–Aug. 2021

Cost (per \$10,000)



Source: GAO analysis of U.S. Census Bureau trade statistics. | GAO-22-105291

Note: U.S. Census import data contains information on total monthly import charges paid on all imported shipments into the United States. Census cannot reliably account for shipments valued below \$2,000. As such, Census implements statistical methodologies to account for imported shipments below \$2,000 to improve coverage, timeliness and relevance of the international merchandise trade statistics. Import charges include cost of freight; insurance; and other charges, excluding duties. August 2021 was the latest month of trade data available at the time of our analysis.

Fluctuations in U.S. trade of COVID-19-related products. U.S. import values of COVID-19-related products (e.g., face masks, ventilators, gloves, and hand sanitizer) have continued to fluctuate. U.S. import values of products in categories related to the COVID-19 response decreased by 14 percent from March through May 2021 before rebounding by 13 percent from May through August 2021.²⁷⁴ Import values of these products in August 2021 were 34 percent higher than in February 2020, the last month before the declaration of the COVID-19 pandemic by the World Health Organization (see figure).²⁷⁵

²⁷³The TEU is a measure of volume in units of 20-foot long shipping containers.

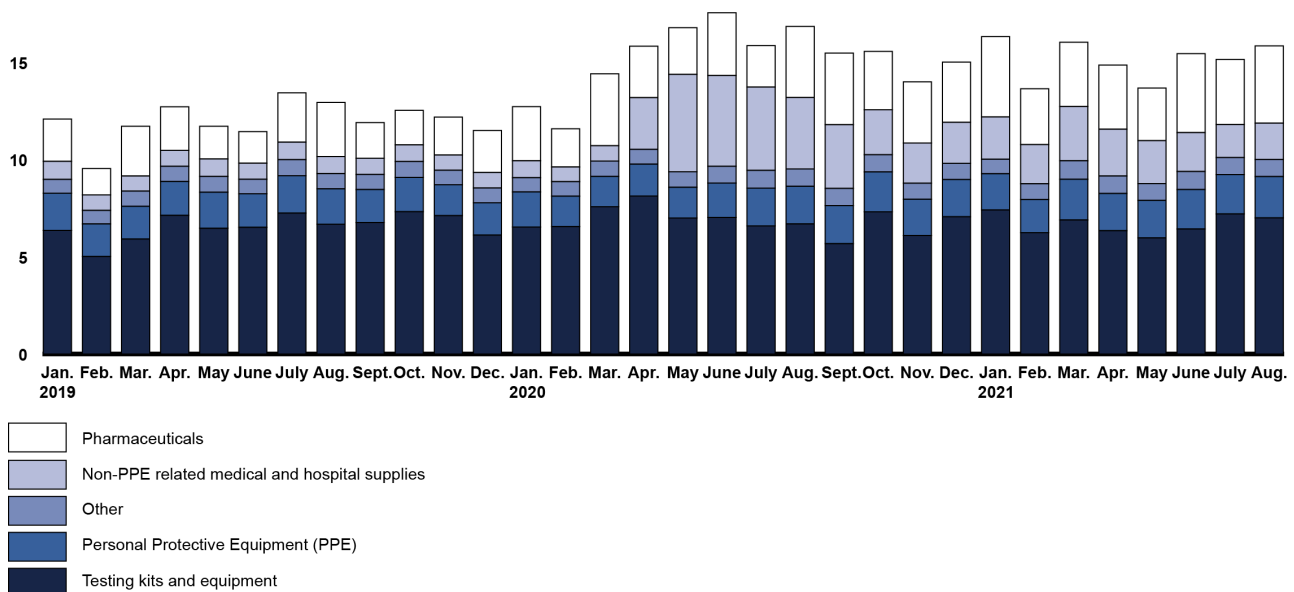
²⁷⁴For the purposes of our analysis, U.S. import values refer to the value of imports for consumption, which is a measure of the total of merchandise that has physically cleared through customs.

²⁷⁵U.S. Census Bureau trade statistics—a widely used source analyzing U.S. international trade—do not contain precise data on imports of COVID-19-related products. As a result, we estimated the import value of all product types and

Monthly U.S. Imports of COVID-19-Related Products, by Product Type, Jan. 2019–Aug. 2021

Dollars (in billions)

20



Source: GAO analysis of Census Trade Statistics. | GAO-22-105291

Note: U.S. Census Bureau trade statistics—a widely used source analyzing U.S. international trade—do not contain precise data on imports of COVID-19-related products. As a result, we estimated the import value of all product types and categories within those types using Harmonized Tariff Schedule of the United States (HTS) statistical reporting numbers and associated product groupings listed by the U.S. International Trade Commission (USITC). Examples of products included in the “Other” category of product type include hospital beds and wheelchairs. See U.S. International Trade Commission, *COVID-19 Related Goods: U.S. Imports and Tariffs*, Investigation No. 332-576, USITC Publication 5073 (Washington, D.C.: June 2020). Revisions to the HTS on July 1, 2020, January 1, 2021, and July 1, 2021, provided several new HTS-10 statistical reporting numbers for previously identified COVID-19-related product categories. We identified these product categories and included them in our analysis. Some HTS categories represent more than one product, and some categories contain products that are not directly relevant to COVID-19 response. Product categories that USITC identified as COVID-19 related refer only to the subset of goods considered to be COVID-19 related in each HTS-10 statistical reporting number. Therefore, the values shown may overestimate the imports of products directly relevant to COVID-19 response. Nevertheless, the values shown are useful indicators for tracking import trends for such products. For more information about factors influencing import trends in various types of COVID-19-related products, see U.S. International Trade Commission, *COVID-19 Related Goods: The U.S. Industry, Market, Trade and Supply Chain Challenges*, Investigation No. 332-580 (December 2020). August 2021 was the latest month of trade data available at the time of our analysis.

A rise in import values of personal protective equipment (PPE) and testing equipment has been driving the increase in import value of COVID-19-related products. Import values of PPE increased more than 500 percent from February 2020 through June 2020. Import values of PPE in August 2021 remained nearly 150 percent greater than in February 2020, before the pandemic. Import values of testing equipment also doubled from February 2020 through August 2021. Meanwhile, import values of pharmaceutical products; non-PPE-related hospital equipment (e.g., surgical

categories within those types using Harmonized Tariff Schedule of the United States (HTS) statistical reporting numbers and associated product groupings listed by the U.S. International Trade Commission (USITC) in *COVID-19 Related Goods: U.S. Imports and Tariffs*, Investigation No. 332-576, USITC Publication 5073 (Washington, D.C.: June 2020). Revisions to the HTS on July 1, 2020, January 1, 2021, and July 1, 2021, provided several new HTS-10 statistical reporting numbers for previously identified COVID-19-related product categories. We identified these product categories and included them in our analysis.

towels); and other medical products (e.g., hospital beds and wheel chairs) increased by 6 percent, 35 percent, and 17 percent, respectively, from February 2020 through August 2021.

There are many factors that could contribute to fluctuations in import values of COVID-19-related products. First, changes in import values are related to changes in both the quantity and price of the imported products. For instance, import values for a specific product can decrease despite an increase in the number of units imported if the decrease in price is large enough.²⁷⁶ In addition, changes in the number of COVID-19 cases may shift the demand for some COVID-19-related products, such as pharmaceuticals and diagnostic equipment, over time.

According to the United Nations Conference on Trade and Development, more than 80 countries banned exports of medical and personal protective equipment in the early phases of the pandemic, and 60 percent of those restrictions remained in place as of June 11, 2021. Overall, the need for medical supplies in response to the pandemic explains the increase in import values of these products since early 2020 despite increased constraints on the global supply chain mentioned above.

Increased U.S. exports of COVID-19 vaccines. The U.S. has increased exports of COVID-19 vaccines in recent months. As of September 2, 2021, the U.S. had exported over 130 million doses to over 90 countries and as of November 7, the U.S. State Department reported over 230 million vaccines had been delivered to foreign countries. In October 2021, we reported that the U.S. government had taken several actions to increase the availability of COVID-19 vaccines to other countries, and, in July 2021, we reported that the U.S. government had taken several steps to increase domestic production of COVID-19 vaccines. In February 2021, the U.S. announced it would provide an initial \$2 billion to COVID-19 Vaccines Global Access (COVAX) to support access to COVID-19 vaccines for 92 low- and middle-income countries.²⁷⁷ The U.S. Agency for International Development obligated \$2 billion for COVAX in March 2021 and an additional \$2 billion in July 2021. We also reported that the U.S. government has taken steps through COVAX and other means to provide COVID-19 vaccines to other countries. In addition, we reported in July that the administration has taken several actions to increase domestic production of COVID-19 vaccines. In September 2021, the administration announced plans to expand domestic production of vaccine inputs by investing an additional \$3 billion in the vaccine supply chain.

U.S. exports of vaccines significantly increased after the first COVID-19 vaccine was approved for emergency use authorization (EUA). According to U.S. Census Bureau trade statistics, the value of exports of vaccines for human use, which include COVID-19 vaccines, increased over 16-fold from

²⁷⁶As an example, the number of imported N-95 respirators increased by 15 percent from June 2021 through August 2021 while the unit values of these products declined by 42 percent in the same time period. Overall, U.S. import values for N-95 respirators fell by 33 percent from June 2021 through August 2021. Unit values equal the total import value of the product divided by the quantity imported. Trends in this measure serve as a proxy for understanding fluctuations in import price.

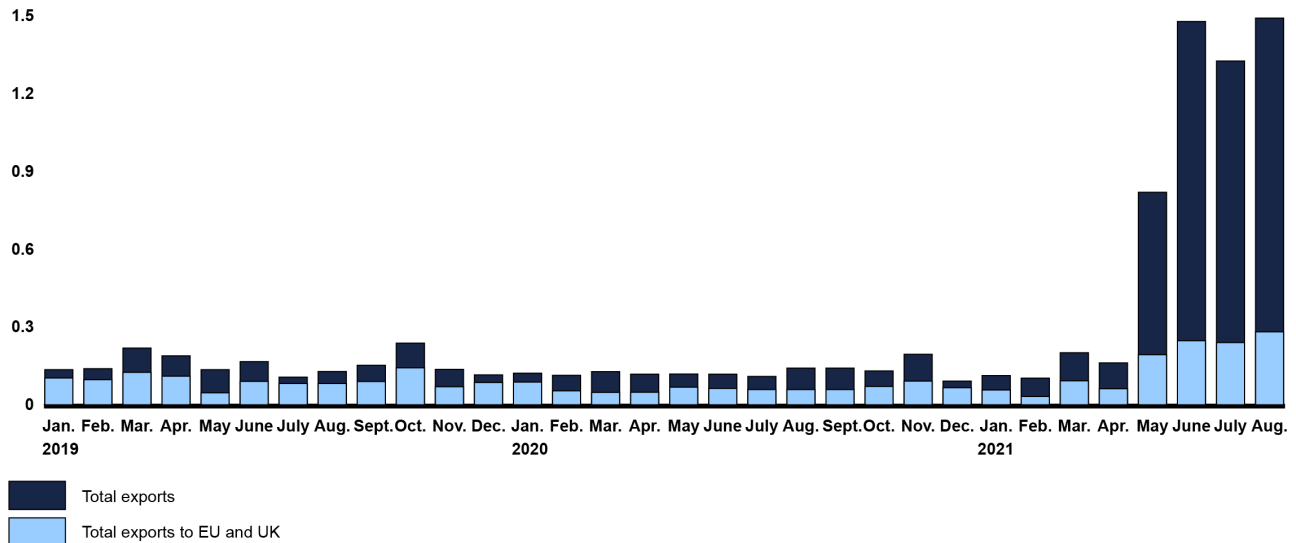
²⁷⁷In April 2020, WHO and seven other global health organizations created the Access to COVID-19 Tools Accelerator (ACT-Accelerator), an effort to rapidly develop and provide equitable access to vaccines, diagnostics, and therapeutics. The vaccine-related component of the ACT-Accelerator is known as COVID-19 Vaccines Global Access (COVAX).

\$91 million in December 2020, when the first COVID-19 vaccine was granted EUA, to over \$1.4 billion in August 2021 (see figure).²⁷⁸

The value of U.S. export of vaccines for human use averaged \$128 million per month in 2020, but averaged over \$1.2 billion from May 2021 through August 2021 (see figure). Generally, the majority of U.S. vaccine exports—by value—prior to December 2020 went to EU member countries and the United Kingdom (UK), averaging 52 percent in 2020. However, the share of vaccine exports going to EU member countries and the UK dropped to under 20 percent by August 2021, from roughly 70 percent in January 2021. This suggests that, as of August 2021, more U.S. vaccine exports were going to other countries outside the EU and the UK.

Value of U.S. Exports of Vaccines for Human Use, Overall and to EU Member Countries and the United Kingdom, January 2019 through August 2021

Dollars (in billions)



Source: GAO analysis of U.S. Census Bureau trade statistics. | GAO-22-105291

Note: Domestic export data for products described in Schedule B code 3002.20.0000 reported in the figure above contain exports on all vaccines for human use (See Schedule B code 3002.20.0000—Vaccines for Human Medicine), including authorized COVID-19 vaccines, to every country. Schedule B product categories are a systematic grouping of commodities used by the U.S. Census Bureau to track exports of different products, which is based on the headings and subheadings in the International Harmonized System used by WTO members. As of October 2021, Schedule B product categories do not contain sufficiently granular information required to identify exports of COVID-19 vaccines specifically. August 2021 was the latest month of trade data available at the time of our analysis.

Methodology

To conduct this work, we reviewed the most recent publicly available U.S. trade statistics from the U.S. Census Bureau as well as U.S. International Trade Commission data on product categories

²⁷⁸The Census uses Schedule B product categories, a systematic grouping of commodities used by the Census Bureau to track exports of different products, which is based on the headings and subheadings in the International Harmonized System used by WTO members. As of October 2021, Schedule B product categories do not contain more granular information required to identify exports of COVID-19 vaccines specifically.

that contain COVID-19-related products.²⁷⁹ We also analyzed trends in U.S. export data of vaccines for human use to provide context behind U.S. efforts to supply the COVID-19 vaccine to other countries. We determined that the trade data were sufficiently reliable to provide an overview of U.S. trade of COVID-19-related products and the costs related to importing goods into the U.S.

Agency Comments

We provided a draft of this enclosure to the Office of Management and Budget, which had no comments on this enclosure.

GAO's Ongoing Work

We will continue to monitor U.S. trade of COVID-19-related products and COVID-19 vaccines, as well as international supply chain issues and Customs and Border Protection's trade facilitation during COVID-19.

Related GAO Products

COVID-19: Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response. [GAO-22-105051](#). Washington, D.C.: October 27, 2021.

Contact information: Kimberly Gianopoulos, (202) 512-8612, gianopoulosk@gao.gov

²⁷⁹We compared COVID-19-related HTS-10 statistical reporting numbers before and after July 1, 2020, before and after January 1, 2021, and before and after July 2021. If no data existed for an HTS-10 statistical reporting number, we checked USITC guidance to determine whether the original reporting number had been annotated or discontinued. If it had been annotated or discontinued, we included import values of those codes after July 1, 2020, January 1, 2021 or July 1, 2021 in our analysis. For instance, on July 1, 2020, according to guidance provided by the USITC, the HTS statistical reporting number 4818.50.0000 split into two new HTS-10 statistical reporting numbers, 4818.50.0080 and 4818.50.0020. Therefore, we included imports for products contained in 4818.50.0080 and 4818.50.0020 after July 1, 2020, in our calculations. As such, we may overestimate the value of imports for COVID-19 related products. Nevertheless, the values shown are useful indicators for tracking import trends for such products. August 2021 was the latest month of trade data available at the time of our analysis.

Federal Fraud-Related Cases

Federal agencies' enforcement actions on fraud-related charges help protect consumers and ensure that taxpayer dollars and government services related to COVID-19 serve their intended purposes.

Entities involved: Government-wide

Background

The public health crisis, economic instability, and increased flow of federal funds associated with the COVID-19 pandemic present increased pressures and opportunities for fraud.²⁸⁰ By proactively managing fraud risks, federal officials can help safeguard taxpayer dollars to ensure they serve their intended purposes, particularly given that about \$4.6 trillion had been provided as of November 30, 2021, to fund COVID-19 response and recovery efforts.

According to GAO's *A Framework for Managing Fraud Risks in Federal Programs*, among other things, effective managers of fraud risks refer instances of potential fraud to Offices of Inspector General (OIG) or other appropriate parties, such as law enforcement entities or the Department of Justice (DOJ), for further investigation.

The extent of fraud associated with the COVID-19 relief funds appropriated to date has not yet been determined. One of the many challenges is that because of fraud's deceptive nature, programs can incur financial losses related to fraud that are never identified, and such losses are difficult to reliably estimate. However, many individuals have already pleaded guilty to federal charges of defrauding COVID-19 relief programs—including the Small Business Administration's (SBA) Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) program, the Department of Labor's (DOL) unemployment insurance (UI) programs, and economic impact payments (EIP) issued by the Department of the Treasury and Internal Revenue Service.²⁸¹ Also, two individuals have been convicted at trial of PPP-related fraud, and four individuals have been convicted at trial of fraud related to both the PPP and EIDL program.²⁸² In addition, numerous others faced related federal charges as of October 31, 2021.

Further, federal hotlines have received numerous complaints from the public, many of them alleging potential fraud involving COVID-19 relief funds. For example, from March 2020 through October 2021, our hotline—known as FraudNet—received over 3,200 complaints related to the

²⁸⁰Fraud and "fraud risk" are distinct concepts. Fraud—obtaining something of value through willful misrepresentation—is challenging to detect because of its deceptive nature. Fraud risk (which is a function of likelihood and impact) exists when individuals have an opportunity to engage in fraudulent activity, have an incentive or are under pressure to commit fraud, or are able to rationalize committing fraud. Fraud risk management is a process for ensuring program integrity by continuously and strategically mitigating the likelihood and impact of fraud. When fraud risks can be identified and mitigated, fraud may be less likely to occur. Although the occurrence of fraud indicates there is a fraud risk, a fraud risk can exist even if actual fraud has not yet been identified or occurred.

²⁸¹In July 2021, we reported that SBA's initial implementation of PPP contributed to increased risk of improper payments and extensive fraud. Also in July 2021, we reported on efforts SBA has taken to address risks of fraud in the EIDL program and provision of funds to ineligible applicants. Further, in our October 2021 quarterly report, we reported on fraud risks in UI programs and strategies DOL is implementing to address potential fraud in UI programs.

²⁸²We consider convictions to be cases where an individual was convicted of a fraud-related charge at trial.

CARES Act, about half of which involve SBA's PPP and EIDL program, DOL's UI program, and EIPs (see text box).²⁸³

Report Fraud, Waste, and Abuse

GAO's FraudNet supports accountability across the federal government. Allegations of fraud, waste, or abuse can be submitted via the [FraudNet portal](#) or by calling the hotline at 1-800-424-5454.

Source: GAO. | [GAO-22-105291](#)

In addition to fraud against federal programs, scammers are also targeting consumers, which can result in financial losses and undermine health and safety. For example, the Federal Trade Commission (FTC) is tracking complaints related to COVID-19 fraud against consumers. According to FTC reporting, the agency had received nearly 280,000 reports about fraud and over 192,000 reports about identity theft as of December 2, 2021.²⁸⁴ Also according to FTC reporting, nearly half of the reports about fraud indicated a financial loss and cost Americans over an estimated \$627 million.

In prior quarterly reports, we made recommendations to SBA and DOL to better manage fraud risks to COVID-19 relief programs, in accordance with the Fraud Risk Framework. For example, in our March 2021 quarterly report, we recommended, among other things, that SBA conduct and document fraud risk assessments for the PPP and EIDL programs. In our October 2021 quarterly report, we made several recommendations to DOL, including to designate a dedicated entity for managing the process of assessing fraud risks to the UI programs and identify and assess fraud risks facing the UI programs. We are reviewing agency efforts to address these recommendations.

Overview of Key Issues

Since March 2020, DOJ has publicly announced charges in numerous fraud-related cases involving COVID-19 relief programs, COVID-19-related consumer fraud schemes, or other types of fraud related to COVID-19.²⁸⁵ The charges—filed across the U.S. and investigated by a range of law enforcement agencies—include making false statements and engaging in identity theft, wire and bank fraud, and money laundering.²⁸⁶ The number of individuals facing fraud-related charges has continued to grow in the past year and will likely increase, as these cases take time to develop.²⁸⁷

²⁸³The remainder of the complaints relate to a variety of other programs and issues, including other federal programs, such as the Restaurant Revitalization Fund Grant program and Higher Education Emergency Relief fund; COVID-19-related mortgage fraud; and testing and vaccines. While not all of the complaints received involve allegations of potential fraud, many of them do.

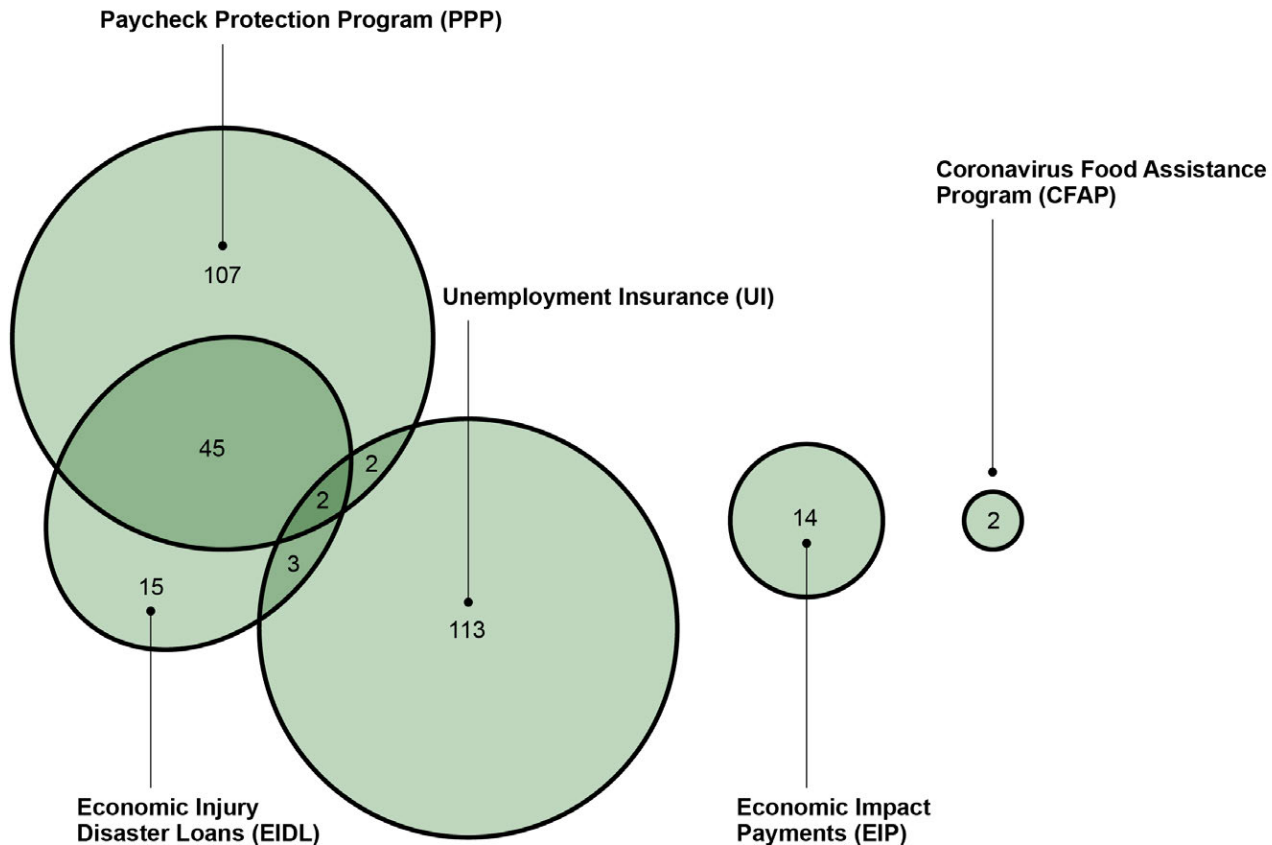
²⁸⁴According to FTC, the fraud reports reflect complaints in the Consumer Sentinel Network that mention COVID, stimulus, N95, and related terms. The identity theft reports reflect complaints that mention COVID, stimulus, or related terms in the following identity theft subtypes: tax, employment and wage, government benefits, and government documents.

²⁸⁵A charge is merely an allegation, and all defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

²⁸⁶The federal government may enforce laws through civil or criminal action. Such action may be resolved through a trial, a permanent injunction, a civil settlement, or a guilty plea. Since March 2020, DOJ has resolved an EIDL fraud-related case against one individual and PPP fraud-related cases against eight individuals or entities through civil

Fraud against federal programs. From March 2020 through October 2021, 303 individuals pleaded guilty to federal charges of defrauding COVID-19 relief programs, including SBA’s PPP and EIDL program and DOL’s UI programs, among others. See the figure below for the number of individuals who have pleaded guilty to federal fraud-related charges against COVID-19 relief programs as of October 31, 2021.

Number of Individuals or Entities That Have Pleaded Guilty to Federal Fraud-Related Charges by COVID-19 Relief Program, as of Oct. 31, 2021



Source: GAO. | GAO-22-105291

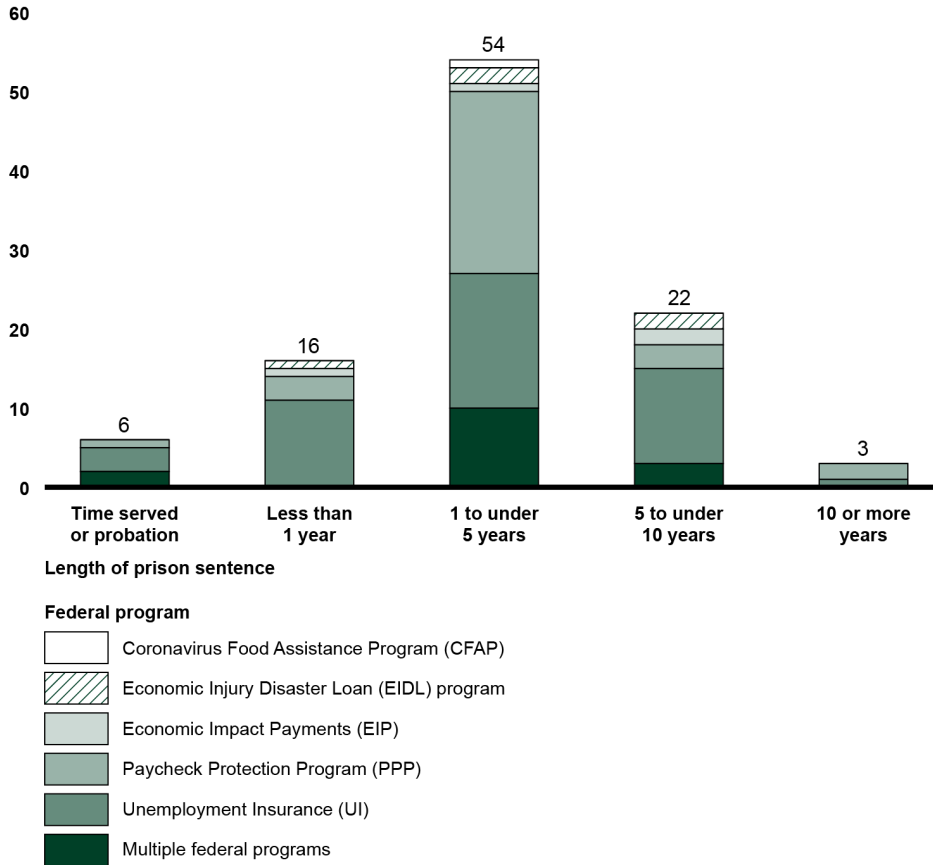
Of the 303 individuals who pleaded guilty, 101 had been sentenced as of October 31, 2021. See the figure below for additional sentencing details.

settlements. For example, in one case, an individual agreed to pay over \$280,000 to settle allegations brought by a former employee that this individual misappropriated PPP loan proceeds obtained on behalf of this individual’s company for personal expenses. In addition to the federal government, state governments have brought COVID-19-related unemployment insurance fraud charges.

²⁸⁷The statute of limitations for mail fraud and wire fraud prosecutions is 5 years (18 U.S.C. § 3282), except for mail and wire fraud schemes that affect a financial institution, in which case the statute is 10 years (18 U.S.C. § 3293). Also, based on our analysis, these cases can take many years to resolve. For example, the Department of Housing and Urban Development OIG closed cases in 2017–2020 resulting from Hurricane Sandy in 2012.

Number of Individuals Who Have Pleaded Guilty to Federal Fraud-Related Charges and Have Been Sentenced, as of Oct. 31, 2021

Number of individuals



Source: GAO analysis. | GAO-22-105291

Note: Some of these individuals were sentenced for additional charges not related to COVID-19 relief programs. Also, sentences can include things in addition to prison time such as restitution or other fees.

For example:

- The first person in the country charged with fraudulently seeking SBA loans was sentenced to 56 months in prison followed by 3 years supervised release in connection with a PPP loan scheme. This individual and a co-conspirator pleaded guilty to conspiracy to commit bank fraud after filing four fraudulent PPP loan applications in the names of businesses they falsely claimed to own. In total, these individuals sought over \$500,000. In fact, this individual had no ownership interest in three of the businesses and the fourth business had no employees and did not pay any wages.²⁸⁸ See the enclosure on the [Paycheck Protection Program in appendix I](#) for more information on the program.
- In another case, an individual pleaded guilty to wire fraud and aggravated identity theft associated with a scheme to defraud SBA’s EIDL program. This individual created multiple

²⁸⁸This individual also pleaded guilty to failure to appear in court after removing an electronic monitoring device while released to home detention and staging suicide.

fictitious businesses and submitted three fraudulent EIDL applications for the businesses, providing false statements on the loan applications using the stolen identification of another person. As a result of these applications, this individual received over \$110,000 and spent the funds on unauthorized personal expenses and to make money transfers to individuals in another country. As of October 31, 2021, this individual had not yet been sentenced. See the enclosure on the [Economic Injury Disaster Loan Program in appendix I](#) for more information on the program.

- One individual pleaded guilty to wire fraud, conspiracy to commit wire fraud, and identity theft associated with a scheme to defraud UI. This individual was hired by the state unemployment agency shortly after being released from prison following a conviction for aggravated identity theft. Using this position with the agency, this individual submitted fraudulent UI claims for personal benefit and for the benefit of a co-conspirator. The co-conspirator—who was also the individual’s spouse and was incarcerated at the time of the application and therefore ineligible for UI—also pleaded guilty to wire fraud. As of October 31, 2021, neither individual had yet been sentenced. For more information on the UI programs, including information on state and territory reporting of overpayments that are due to fraud and DOL’s efforts to address potential fraud in the UI programs, see the enclosure on [Unemployment Insurance Programs in appendix I](#).
- One individual was sentenced to 70 months in prison followed by 5 years supervised release and ordered to pay over \$50,000 in restitution after pleading guilty to bank fraud and aggravated identity theft in connection with a mail theft and EIP fraud scheme. This individual admitted, among other things, to stealing mail, including bank statements, credit cards, credit card statements, W-2 forms, and more than \$700,000 in checks, including an EIP check. This individual used the stolen EIP check to create six counterfeit EIP checks, ranging from \$1,200 to \$2,400. Further, this individual admitted to attempting to deposit his own EIP check through an online banking platform after having already cashed it the prior day.
- As part of another case, one individual pleaded guilty to theft of government money associated with a scheme to defraud the Coronavirus Food Assistance Program. This individual submitted an application to the program, falsely claiming that this individual’s livestock business sustained significant losses because of the COVID-19 pandemic, and received over \$70,000 in benefits as a result. As of October 31, 2021, this individual had not yet been sentenced.

As of October 31, 2021, six individuals had been convicted at trial for COVID-19 relief fraud.²⁸⁹ For example, a federal jury convicted an individual of bank fraud, making false statements to a federally insured financial institution, aggravated identity theft, and making false statements to a federal agency. This individual submitted fraudulent applications seeking more than \$1.5 million in PPP and EIDL loans for fictitious businesses. Specifically, this individual used the identities of

²⁸⁹Two of these individuals had been sentenced as of October 31, 2021. One of these individuals was sentenced to 37 months in federal prison and 3 years of supervised release and ordered to pay restitution of over \$2 million for PPP-related fraud. The other individual was sentenced to one year and one day in federal prison and 3 years of supervised release and ordered to pay restitution of over \$10.7 million for PPP- and EIDL-related fraud. As of October 31, 2021, there had not been any convictions related to UI, EIP, or other federal COVID-19 relief programs.

elderly residents of senior living facilities and falsified official documents about these fictitious business to support the PPP and EIDL applications.

Federal charges were pending against 499 individuals for attempting to defraud COVID-19 relief programs as of October 31, 2021.²⁹⁰

Consumer fraud. In addition to fraud against federal programs, fraud can result in financial losses to consumers and undermine health and safety. From March 2020 through October 2021, 18 individuals or entities pleaded guilty to federal charges related to consumer fraud and one individual was convicted of a consumer fraud-related charge.²⁹¹ For example, one individual pleaded guilty to wire fraud related to a personal protective equipment (PPE) fraud scheme. For instance, this individual agreed to provide approximately 1.5 million medical gowns to multiple individuals, but instead used the funds for personal expenses, including online gaming. As part of the guilty plea, this individual admitted to defrauding eight individuals of close to \$1 million. In another case, an individual pleaded guilty to importation contrary to law associated with a scheme to smuggle hydroxychloroquine sulfate into the U.S. to sell in COVID-19 “treatment kits.”²⁹² This individual sold one of the treatment kits, which the individual claimed would cure COVID-19, to an undercover agent for \$4,000.

There were also federal charges pending against 53 individuals or entities related to consumer fraud as of October 31, 2021.

As of October 31, 2021, the majority of individuals and entities that had pleaded guilty, faced federal charges for, or were convicted of COVID-19-related consumer fraud schemes were allegedly involved in schemes related to prevention or treatment of COVID-19 or PPE sales (see figure).

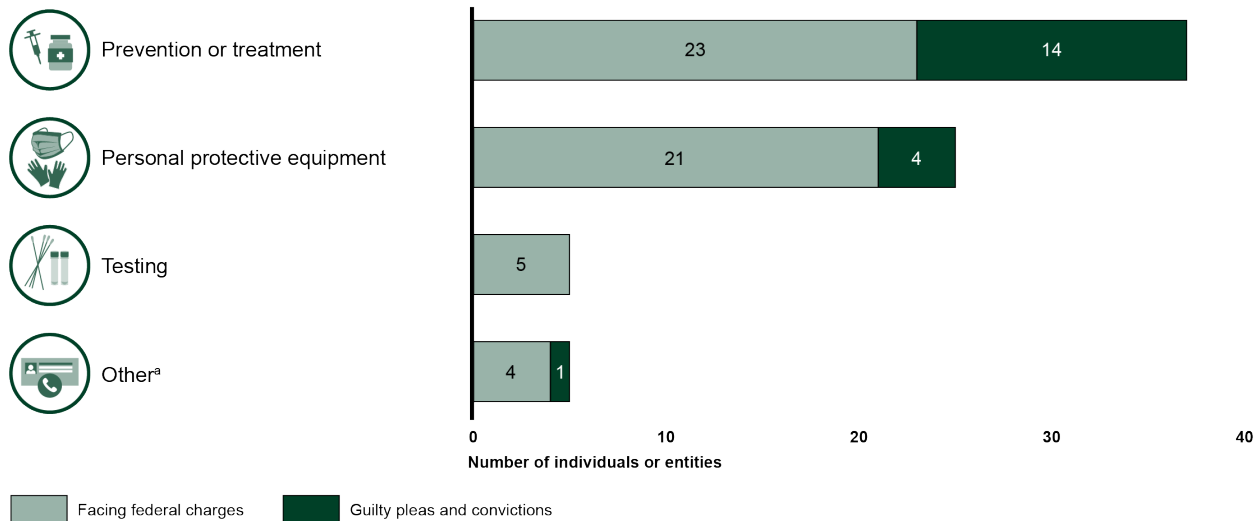
²⁹⁰The majority of these individuals were charged with attempting to defraud SBA’s PPP and EIDL program and DOL’s UI programs, or fraudulently accessing EIPs. Eight individuals were charged with attempting to defraud only other federal COVID-19 relief programs, including the Higher Education Emergency Relief Fund and the Provider Relief Fund. Seventy-eight of the 499 individuals faced charges related to more than one federal COVID-19 relief program. For example, 60 individuals faced federal charges related to both PPP and EIDL, 10 individuals faced federal charges related to both EIDL and UI, and one individual faced federal charges related to PPP, the Accelerated and Advance Payments Program, and the Provider Relief Fund as of October 31, 2021. Some of these individuals also faced federal charges related to consumer fraud or other types of COVID-19-related fraud.

²⁹¹One of the 18 individuals or entities has also pleaded guilty to federal charges of defrauding a COVID-19 relief program. Also, 11 of the 18 individuals or entities had been sentenced as of October 31, 2021. Sentences for individuals ranged from 6 months of probation and almost \$5,000 of restitution to more than 5 years in prison followed by 5 years of supervised release. In addition to these 18 individuals or entities, since March 2020, DOJ resolved a civil complaint of consumer fraud against one entity through a civil settlement.

²⁹²The Food and Drug Administration approved the use of hydroxychloroquine sulfate on an emergency basis for hospitalized COVID-19 patients in March 2020 and revoked this emergency use authorization in June 2020 after finding, based on clinical research data, that hydroxychloroquine sulfate may not be effective in the treatment of COVID-19 and that the drug’s potential benefits for such use do not outweigh its known and potential risks.

Number of Individuals or Entities That Have Pleaded Guilty to, Faced Federal Charges for, or Were Convicted for Consumer Fraud, as of Oct. 31, 2021

Consumer fraud type



Source: GAO analysis. | GAO-22-105291

^aThe “other” category can include individuals or entities that engaged in deceptive business practices, making COVID-19-related claims that caused consumers to suffer or potentially suffer financial or other losses unrelated to prevention or treatment, personal protective equipment, or testing. For example, one individual pleaded guilty and was sentenced to 63 months in prison for, among other things, creating a website to sell other goods that were sought after during the pandemic and not delivering those goods.

Other federal cases. The federal government is also pursuing charges including conspiracy, wire fraud, and theft that are related to COVID-19 but separate from consumer fraud and fraud against the federal programs discussed earlier. From March 2020 through October 2021, 24 individuals pleaded guilty to these types of federal charges.²⁹³ For example, one individual pleaded guilty to hoarding and price gouging after purchasing 100,000 KN95 facemasks that he offered for resale at markups of as high as 500 percent. This individual was sentenced to 3 years of probation and ordered to pay a \$2,500 fine. In another case, two individuals pleaded guilty to conspiracy to commit health care fraud and were sentenced to 3 years of probation and ordered to pay restitution of about \$14,000. These individuals admitted to approaching residents of senior complexes to offer “COVID-19 screening tests”—which were actually general respiratory pathogen screening panels—and submitting inaccurate and medically unnecessary claims to Medicare for the tests.²⁹⁴

²⁹³Twelve individuals had been sentenced as of October 31, 2021. Sentences ranged from 2 years of probation and a \$75,000 fine to almost 4 years in prison, 3 years of supervised release, and an order to pay over \$530,000 in restitution and to forfeit \$527,000, among other things, in the case of an individual who also pleaded guilty to an additional fraud scheme that was not related to COVID-19. In addition to these 12 individuals, since March 2020, DOJ resolved complaints against three individuals or entities for activities such as hoarding and price gouging through settlements.

²⁹⁴In September 2021, DOJ announced charges against numerous individuals as part of a national health care fraud enforcement action. The action resulted in charges against five defendants who allegedly engaged in the misuse of Provider Relief Fund monies and nine defendants, including these two individuals, who allegedly engaged in various health care fraud schemes designed to exploit the COVID-19 pandemic, resulting in the submission of over \$29 million in false billings.

There were also other federal charges pending against 32 individuals as of October 31, 2021. For example, one individual was charged with 16 counts of health care fraud and one count of money laundering associated with a Medicare fraud scheme. This individual allegedly submitted \$100 million in false Medicare claims, at least \$42 million of which was billed after the onset of the COVID-19 public health emergency, including claims for fraudulent respiratory test billings submitted alongside COVID-19 tests. This individual allegedly spent the funds on luxury cars, real estate, and jewelry, among other things.

In prior quarterly reports, we have reported that, while the extent of vaccine-related fraud is unknown, DOJ has publicly announced charges or other actions in consumer fraud cases involving individuals or entities that claimed to offer vaccines to prevent COVID-19. As COVID-19 vaccines have become increasingly available, and government and private entities have begun implementing vaccination requirements, other types of fraud involving COVID-19 vaccines have emerged. For example:

- In one case, an individual pleaded guilty to participating in a felony conspiracy associated with a vaccine-related Medicaid fraud scheme. Specifically, this individual illegally vaccinated minors who were ineligible to receive a COVID-19 vaccine and submitted corresponding claims to Medicaid.
- In another case, DOJ announced charges against two individuals in two separate cases for allegedly selling or attempting to sell COVID-19 vaccination record cards via social media. In one of the cases, the individual is alleged to have stolen authentic COVID-19 vaccination record cards from a Department of Veterans Affairs hospital, while the second individual is alleged to have imported fraudulent cards.

Federal agency warnings to help prevent future fraud-related cases. As a result of complaints from the public alleging potential fraud involving COVID-19 relief funds received through hotlines and other fraud detection efforts, federal agencies have warned the public about emerging fraud schemes, which can help prevent future cases of fraud against federal programs and consumers. For example:

- In October 2021, the FTC warned the public about scams related to the Federal Communications Commission’s Emergency Broadband Benefit Program—a program designed to help qualified households afford internet service during the COVID-19 pandemic by providing a one-time discount on an internet-connected device and monthly discounts for internet service. Specifically, the FTC warned the public about impersonators offering to help individuals sign up for a “free” device and internet service in exchange for money or personal information and offered tips to avoid such scams.
- In August 2021, the FTC warned the public about schemes in which identity thieves use text messages to gather personal information necessary to steal UI benefits or file fraudulent UI benefits claims.
- Also in August 2021, the Department of Health and Human Services Office of Inspector General alerted the public about COVID-19-related scams in which fraudsters offer

unapproved and illegitimate COVID-19 tests, federal grants, and Medicare prescription cards in exchange for personal information.

- In addition, federal officials have continued to warn the public against making or buying fake COVID-19 vaccination cards.

We previously reported on examples of agency warnings to the public about emerging fraud schemes in our quarterly July and October 2021 reports. In addition, in our October 2021 report, we reported on other federal efforts to address and prevent future fraud-related cases, such as taking administrative and other enforcement actions and establishing task forces and working groups.

Methodology

To conduct this work, we reviewed information from DOJ to identify federal fraud-related charges related to COVID-19 relief funding as of October 31, 2021. We also analyzed related federal court documents. In addition, we reviewed FTC reports on complaints related to fraud and identity theft and press releases from other federal entities, including the FTC, describing COVID-19 fraud-related efforts.

Agency Comments

We provided a draft of this enclosure to the Office of Management and Budget, which provided no comments.

GAO's Ongoing Work

In our ongoing work, we are reviewing fraud risk management and potential fraud in the PPP, EIDL, and UI programs, among others.

Related GAO Products

Economic Injury Disaster Loan Program: Additional Actions Needed to Improve Communication with Applicants and Address Fraud Risks. [GAO-21-589](#). Washington, D.C.: July 30, 2021.

Paycheck Protection Program: SBA Added Program Safeguards, but Additional Actions Are Needed. [GAO-21-577](#). Washington, D.C.: July 29, 2021.

A Framework for Managing Fraud Risks in Federal Programs. [GAO-15-593SP](#). Washington, D.C.: July 28, 2015.

Contact information: Rebecca Shea, (202) 512-6722, shear@gao.gov

Appendix II: New High-Risk Designation: HHS and Public Health Emergencies

We are adding the Department of Health and Human Services' (HHS) leadership and coordination of public health emergencies—including extreme weather events, infectious disease outbreaks, pandemics, and intentional acts—to GAO's High-Risk List. The department's response to the COVID-19 pandemic has highlighted longstanding concerns we have raised about its ability to execute its role leading federal public health and medical preparedness for, and response to, such public health emergencies. We reported in March 2021 that our ongoing and planned work may lead us to designate HHS's leadership and coordination of public health emergencies as a high-risk issue. We are adding this high-risk designation now to help ensure sustained leadership and attention from the executive branch and Congress so that our nation is adequately prepared for future emergencies.

Why the Area Is High Risk

For more than a decade, we have reported on HHS's execution of its lead role in preparing for, and responding to, public health emergencies and have found persistent deficiencies in its ability to perform this role. These deficiencies have hindered the nation's response to the current COVID-19 pandemic and a variety of past threats, including other infectious diseases—such as the H1N1 influenza pandemic, Zika, and Ebola—and extreme weather events, such as hurricanes.

If left unaddressed, these deficiencies will continue to hamper the nation's ability to be prepared for, and effectively respond to, future threats. Threats from extreme weather are predicted to increase, according to the U.S. Global Change Research Program. In 2020 alone, we saw HHS responding to wildfires, hurricanes, and an earthquake, while also in the throes of the response to the COVID-19 pandemic, which has resulted in catastrophic loss of life and substantial damage to the national economy. As devastating as the COVID-19 pandemic has been, more frequent extreme weather events, new viruses, and bad actors who threaten to cause intentional harm loom, making the deficiencies we have identified particularly concerning. Not being sufficiently prepared for a public health emergency can also negatively affect the time and resources needed to achieve full recovery.

In our March 2021 High-Risk report, we named HHS's leadership and coordination of public health emergencies as an emerging issue requiring close attention. Based on our findings from a body of work related to HHS's preparedness for, and response to, public health emergencies—including 10 new GAO products with recommendations issued since our 2021 High-Risk report—we have now determined that this issue should be on our High-Risk List.

GAO's High-Risk Designation

GAO designates programs and operations as 'high risk' due to their vulnerabilities to fraud, waste, abuse, and mismanagement, or because they need transformation. To determine which federal government programs and functions should be designated high risk, we consider qualitative factors, such as whether the risk

- involves public health or safety, service delivery, national security, national defense, economic growth, or privacy or citizens' rights, or

- could result in significantly impaired service; program failure; injury or loss of life; or significantly reduced economy, efficiency, or effectiveness.

We also consider the exposure to loss in monetary or other quantitative terms. Before making a high-risk designation, we consider corrective measures planned or under way to resolve a material control weakness and the status and effectiveness of these actions.

Source: GAO. | [GAO-22-105291](#)

HHS is responsible for leading and coordinating all matters related to federal public health and medical preparedness for, and response to, emergencies, whether naturally occurring or intentional.²⁹⁵ Preparing for and responding to nationally significant public health emergencies requires a whole-of-nation, multidisciplinary approach involving multiple federal agencies and coordination with nonfederal entities, including state, tribal, and territorial governments, and the private sector.

Within HHS, a variety of agencies and offices are involved, including the following:

- The Office of the Assistant Secretary for Preparedness and Response (ASPR) serves as the principal advisor to the Secretary of Health and Human Services on all matters related to federal public health and medical preparedness and response to public health emergencies.
- The Centers for Disease Control and Prevention (CDC) supports public health preparedness efforts to prevent, detect, and respond to new and emerging disease threats. For example, during infectious disease outbreaks, CDC conducts studies to learn about the link between infection and health outcomes, monitors and reports cases of infection, and provides guidance to travelers and health care providers, among other activities. Additionally, CDC typically develops a diagnostic test for an emerging pathogen when no diagnostic test has been approved, cleared, or authorized by the Food and Drug Administration (FDA) and no adequate alternative is available, such as during H1N1 and Zika.
- FDA plays a critical role in protecting the U.S. from biological threats, including intentional acts and naturally occurring infectious diseases. For example, FDA is responsible for ensuring that medical countermeasures—including drugs, vaccines, diagnostic tests, and personal protective equipment—against these threats are safe and effective.²⁹⁶ FDA may also issue emergency use authorizations to allow the temporary use of unapproved medical products to diagnose, prevent, or treat disease.²⁹⁷

²⁹⁵While HHS is the lead for the public health and medical response, the Federal Emergency Management Agency, an agency within the Department of Homeland Security, leads the overall federal response during emergencies and disasters.

²⁹⁶Medical countermeasures are drugs, biologics, and devices used to diagnose, treat, prevent, or mitigate harm from any chemical, biological, radiological, or nuclear agent.

²⁹⁷The Secretary of Health and Human Services may declare that circumstances, prescribed by statute, exist justifying the emergency use of certain medical products. Once such declaration has been made, FDA may temporarily allow the use of an unapproved product through an emergency use authorization. For FDA to issue an emergency use authorization, it must be reasonable to believe that the product may be effective and that the known and potential benefits of the product outweigh the known and potential risks, among other statutory criteria. See 21 U.S.C. § 360bbb-3.

Key GAO Findings

Through our work on public health emergencies from fiscal year 2007—when ASPR was created and designated the principal advisor to the Secretary of Health and Human Services on public health emergencies—to present day (January 2022), we have made 115 recommendations to HHS related to its leadership and coordination of public health emergencies. Of these,

- 72 recommendations have not been fully implemented—49 stemming from the COVID-19 pandemic (HHS generally concurred with 62 of these 72 recommendations);
- 10 recommendations—all made prior to the COVID-19 pandemic, in fiscal year 2012 or earlier—have been closed as unimplemented as the department does not plan to address them, though we believe these recommendations are still relevant;²⁹⁸ and
- 33 recommendations—nine made during, and the rest prior to the COVID-19 pandemic—have been implemented.

Through our work, we have identified broad principles of an effective national response and 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.**

Establishing clear roles and responsibilities within HHS and between it and its key partners.

The unprecedented scale of the COVID-19 pandemic, and the whole-of-nation response required to address it, highlight the critical importance of clearly defining the roles and responsibilities for the wide range of federal departments and other key partners involved when preparing for pandemics and addressing unforeseen emergencies. Our work has found numerous deficiencies in this critical principle for an effective response, and concerns remain, including the following:

²⁹⁸For example, in 2007, we recommended that the Secretary of Health and Human Services work with the Secretary of Homeland Security to develop and conduct rigorous testing, training, and exercises to ensure that federal leadership roles are clearly defined and understood and to ensure that leaders are able to effectively execute their shared responsibilities. We also made a similar recommendation to HHS with regard to involving state, local, and tribal governments to ensure their leadership roles and responsibilities are clearly defined. These recommendations were not implemented and HHS acknowledged in fiscal year 2012 that while it continued to exercise its pandemic response capabilities, its exercises would not specifically address our recommendation to test leadership roles and responsibilities.

Decision-making roles for national biodefense resources. HHS leads the Biodefense Steering Committee and Coordination Team, which are in charge of facilitating joint decision-making for the National Biodefense Strategy—the national strategy outlining actions needed to protect the nation from potentially catastrophic biological threats.²⁹⁹ In February 2020, we reported that there were no clear, detailed processes, roles, and responsibilities for joint decision-making, and that agency officials reported being unsure how decisions related to prioritizing and allocating national biodefense resources would be made. The lack of clear decision-making roles can especially impede the ability of agencies to address gaps or leverage resources that span department and agency boundaries, which is frequently the situation for biodefense, leading us to recommend that HHS document such roles. As of January 2022, this recommendation has not been fully addressed.

HHS agencies' roles and responsibilities in repatriating U.S. citizens during the COVID-19 pandemic. At the beginning of the COVID-19 pandemic, the U.S. returned, or repatriated, about 1,100 U.S. citizens from abroad and quarantined them domestically to prevent the spread of COVID-19. In April 2021, we reported that HHS put these repatriates, its own personnel, and nearby communities at risk due to a lack of clarity as to which HHS agency was in charge, including which HHS agency was responsible for managing infection prevention. This led to fundamental problems including a delay in issuing a federal quarantine order, during which time a repatriate tried to leave the quarantine facility; inconsistent use of personal protective equipment to protect HHS responders from the virus; and ASPR allowing asymptomatic COVID-19 positive repatriates to return on flights with citizens who had not tested positive, contradicting CDC guidance. As of January 2022, HHS has not fully addressed our recommendations to revise or develop new plans that clarify agency roles and responsibilities during a pandemic, and regularly exercise these plans with key partners.

HHS's role in medical countermeasure management. Safe and effective medical countermeasures—including vaccines, drugs, diagnostics, and related supplies, such as personal protective equipment—are critical for responding to large-scale public health emergencies as demonstrated by the COVID-19 pandemic. As of January 2022, shortages of such supplies continue to plague the nation's pandemic response. HHS has not addressed our recommendation from September 2020 that the department work with the Federal Emergency Management Agency to develop plans outlining specific actions the federal government will take to help mitigate supply chain shortages for the remainder of the pandemic.

The pandemic has highlighted gaps in clearly defined roles and responsibilities for management of these critical supplies, including the following:

- In September 2020, we reported that many responsibilities for medical supply chain management—the process for obtaining and delivering goods and services—that had been shared between multiple agencies for the COVID-19 response were transitioning to HHS. We

²⁹⁹The National Biodefense Strategy outlines a national vision for addressing challenges arising from naturally occurring, deliberate, or accidental biological threats and explains how the federal government can manage its activities more effectively to assess, prevent, prepare for, respond to, and recover from biological threats like the COVID-19 pandemic. HHS chairs the two coordination bodies responsible for facilitating joint decision-making to implement the National Biodefense Strategy. The Secretary of Health and Human Services chairs the cabinet-level Biodefense Steering Committee and a senior HHS official chairs the Biodefense Coordination Team, which consists of subject matter experts from multiple departments and agencies with biodefense responsibilities.

recommended that HHS document roles and responsibilities for supply chain management functions transitioning to HHS, including continued support from other federal partners, to ensure sufficient resources exist to sustain and make the necessary progress in stabilizing the supply chain. As of January 2022, HHS has not addressed this recommendation, which we reiterate as important, especially during a time of ongoing shortages of medical supplies, including testing material and personal protective equipment for the COVID-19 response.

- In January 2021, we reported on challenges facing HHS's Strategic National Stockpile (SNS), among them, its appropriate role and responsibilities during future pandemics. We cited confusion among stakeholders and experts regarding the role of the SNS in the COVID-19 response. The SNS is part of the federal medical infrastructure that can supplement state and other jurisdictional medical countermeasure needs during public health emergencies.³⁰⁰ However, as of January 2022, HHS has not developed a formal process for engaging with key stakeholders on a supply strategy for pandemic preparedness. These stakeholders, including state, local, tribal, and territorial partners and the private sector, have a shared role for providing supplies during a pandemic.

Cross-department roles in pandemic responses. Clear roles and responsibilities during a pandemic have been a longstanding concern. For example, in August 2007, we reported that federal leadership roles and responsibilities, including HHS's, needed to be rigorously and robustly tested as they evolve to ensure clarity in how relationships should work during emergencies. We also reported that because initial actions may help limit the spread of a virus, such as influenza, the effective exercise of shared leadership roles and responsibilities could substantially shape the outcome of a pandemic. The unclear roles and responsibilities observed in aspects of the COVID-19 response, some described above, have emphasized the importance of this key principle further.

Collecting and analyzing complete and consistent data to inform decision-making and future preparedness. Data are critical to inform the response to a public health emergency. For example, during the COVID-19 pandemic, data have been needed to understand who has been infected and their location to enable informed decision-making about resource allocation and steps to limit disease spread. However, the data HHS has relied on during the COVID-19 pandemic have been, and remain, incomplete and inconsistent, highlighting longstanding concerns we have had with the data HHS relies on to respond to public health emergencies.

Data on the spread of COVID-19 at the outset of the pandemic. We reported in July 2021 that the first COVID-19 test developed by CDC was faulty, undermining data collection on the spread of the virus in the U.S. during the early weeks of the pandemic. CDC developed the nation's first diagnostic test for COVID-19 and distributed it to public health and Department of Defense (DOD) laboratories between February 6 and 10, 2020; however, the test was faulty and a new test was not distributed to laboratories until February 28, 2020. Since no other testing options were available in the U.S. outside of CDC headquarters until February 29, 2020, the failure of CDC's test

³⁰⁰See 42 U.S.C. § 247d-6b. The SNS contains a multibillion dollar inventory of medical countermeasures to respond to a broad range of public health emergencies resulting from exposure to chemical, biological, radiological, and nuclear agents, as well as emerging infectious diseases, including pandemic influenza.

limited the nation's understanding of the spread of the virus, even as other countries were able to scale up their own testing faster.

Data collection during the COVID-19 response. Throughout the response to the COVID-19 pandemic, we have reported on numerous ongoing data collection concerns, which have plagued our nation's ability to effectively, efficiently, and equitably respond, including the following:

- *COVID-19 testing, case counts, and hospital capacity data.* We reported in January 2021 that interpreting these data has proven challenging because the data HHS collects are often incomplete and inconsistent. Test positivity rates may be incomplete and inconsistent due, in part, to whether and how states report on certain types of COVID-19 tests. Case counts may be incomplete and inconsistent due, in part, to differences in how states count cases. Available hospital capacity may be inconsistent due, in part, to how hospital staff interpret which data must be reported.
- *Race and ethnicity data for COVID-19 cases, hospitalizations, and deaths.* We reported in September 2020 that persistent gaps in these data limited the nation's ability to effectively target pandemic response efforts for various racial and ethnic groups that available data suggest may be disproportionately affected.
- *Nursing home data for COVID-19 cases and deaths.* We reported in September 2020 that HHS's Centers for Medicare & Medicaid Services began requiring nursing homes to report COVID-19 data to CDC starting with information as of May 8, 2020, but made reporting prior to May 8, 2020, optional. By not requiring nursing homes to submit data from the first 4 months of 2020, HHS limited the usefulness of the data in helping to understand the effects of COVID-19 in nursing homes during the initial stage of the response.

Data on the locations of critical care and dialysis patients evacuated in response to 2017 hurricanes. We reported in September 2019 that ASPR officials indicated that poor patient tracking resulted in HHS personnel having to later search for patients who were evacuated in response to Hurricanes Irma and Maria in 2017. Further, because case workers are not required to report the final status of evacuated patients to ASPR, the office was unable to readily determine if approximately one-fourth of the evacuated patients were appropriately discharged, left against medical advice, or were otherwise unaccounted for.

Long-standing mandate for an HHS-led nationwide public health situational awareness capability. We reported in 2010 that, although required by statute, HHS had made little progress on implementing a nationwide public health situational awareness capability through an interoperable network of systems to help ensure timely and complete collection of public health data to aid a response.³⁰¹ Under the existing process—which HHS has had to rely on during the COVID-19 pandemic—public health data are collected by thousands of different health

³⁰¹The Pandemic and All-Hazards Preparedness Act required the Secretary of Health and Human Services to establish a near real-time electronic nationwide public health situational awareness capability through an interoperable network of systems to enhance early detection of, rapid response to, and management of public health emergencies. Pub. L. No. 109-417, § 202, 120 Stat. 2831, 2845-48 (2006) (codified, as amended, at 42 U.S.C. § 247d-4(c)).

departments and laboratories, as well as multiple federal agencies.³⁰² Technological capabilities vary widely among these entities, which may use systems and software that are not interoperable and unable to exchange and share data.

HHS was originally required to establish the nationwide public health situational awareness network capability by December 2008. The network was to share data and information in near real time from state, local, tribal, and territorial public health entities to enhance early detection of, rapid response to, and management of potentially catastrophic infectious disease outbreaks and other public health emergencies. Subsequent legislation required HHS to establish the network by March 2015, but we found in September 2017 that HHS had only submitted an incomplete implementation plan.³⁰³ Consequently, public health reporting has continued to rely on disparate systems that struggle to share information on a nationwide basis, as has been evident during the COVID-19 pandemic.

Providing clear, consistent communication to key partners and the public. In the midst of a public health emergency, clear and consistent communication—among all levels of government, with health care providers, and to the public—is paramount. Our work over the years has found that HHS has, during critical incidents, provided unclear and inconsistent communications; this was also an identified concern in an HHS exercise to test preparedness.

COVID-19 pandemic response. We have reported on communication concerns throughout the pandemic:

- In April 2021, we reported that some stakeholders said states often did not have information critical to COVID-19 vaccine distribution at the local level, such as how many doses they would receive and when. We reemphasized findings from a prior September 2020 report that a clearly communicated plan for coordination with key federal and non-federal partners remains imperative for effective distribution and administration planning, as well as for effective management of the public's expectations, including to help ensure public acceptance and uptake of the vaccine.
- In March 2021, we reported that there was inconsistent communication to health care providers about the use of certain personal protective equipment, according to association officials. Specifically, there was inconsistent information on the recommended use of decontamination systems for respirators between FDA and CDC, which led to confusion and hesitancy among providers about using such devices, according to some associations we interviewed.
- In January 2021, we reported that HHS had not issued a publicly available and comprehensive national COVID-19 testing strategy, creating the risk of key partners and the public lacking crucial information to support an informed and coordinated testing response. An effective

³⁰²As of our September 2017 report, these health entities included about 59 state and territorial health departments; 3,000 county, city, and tribal health departments; and 180,000 public and private laboratories, as well as multiple federal agencies.

³⁰³See Pandemic and All-Hazards Preparedness Reauthorization Act of 2013, Pub. L. No. 113-5, § 204(a)(4), 127 Stat. 161, 177 (codified, as amended, at 42 U.S.C. § 247d-4(c)). We have ongoing work examining HHS's efforts in establishing this network.

national strategy not only aids coordination, but is also an important tool to help determine resources required to meet future needs and measure progress on national goals. As of January 2022, HHS has not made public a comprehensive national strategy on COVID-19 testing.

ASPR Crimson Contagion exercise. In August 2019, ASPR conducted a pandemic planning exercise, known as Crimson Contagion, in conjunction with multiple federal agencies, states, and stakeholders.³⁰⁴ ASPR's after-action report from this exercise found that HHS's regional staff lacked clear guidance on the distribution of information to state and local partners, and that states lacked clarity on which channels they should use to request information from, and report information to, federal partners throughout the response.³⁰⁵ As we reported in June 2020, HHS officials told us they had not been able to address the Crimson Contagion findings, because they were busy responding to the COVID-19 pandemic.

Zika surveillance and research. In May 2017, we reported that at the beginning of the outbreak when relatively little was known about the disease, there were several challenges for Zika virus disease surveillance and research efforts. This included challenges related to communicating changes to the national Zika virus case definition, which is essential to ensure consistent reporting of cases across entities. For example, officials from a state that had one of the largest number of reported cases said they sometimes received inconsistent guidance because entities within CDC did not talk with each other, and CDC could not come to a quick decision about the Zika virus case definition.

H1N1 response. In June 2011, we reported that selected state officials reported being overwhelmed from the large volume of, and sometimes inconsistent, information received from HHS and the Department of Homeland Security during the H1N1 response. We found that the departments did not effectively coordinate their release of information to state contacts, according to four of the five states we interviewed.

Establishing transparency and accountability to help ensure program integrity and build public trust. When agencies need to quickly disseminate funding and information during public health emergencies, transparency and accountability are especially critical to help ensure program integrity and build public trust. However, we have found deficiencies in these areas both during and prior to the COVID-19 pandemic.

Payment integrity risks for directly shipping SNS materials from vendors during the COVID-19 pandemic. In July 2021, we reported that ASPR did not have documented policies and procedures in place to ensure accountability of funds the office provided to vendors of supplies. Specifically, it could not ensure that state, local, territorial, and tribal governments actually received the correct and

³⁰⁴Crimson Contagion was a multi-state, whole-of-government exercise on the nation's ability to respond to a large-scale outbreak of a novel influenza virus strain, which quickly spreads via human-to-human transmission around the world and across the continental U.S. with high rates of morbidity and mortality.

³⁰⁵Agencies use after-action reports to summarize the agency's performance during an exercise or real-world event, including strengths and areas for improvement. The after-action report for the Crimson Contagion exercise identified a number of areas for improvement related to planning and other response functions, including that the organization of the federal government response when HHS is the lead federal agency was not sufficiently outlined in documents.

undamaged SNS materials that were to be shipped directly from ASPR's vendors. Because of a lack of accountability mechanisms, such as clear policies and procedures, we found that there is an increased risk that ASPR may make improper payments to vendors for incorrect supplies or quantities, or supplies the intended recipients did not receive.

Transparency of changes to testing guidelines for the COVID-19 pandemic. In November 2020, we reported that COVID-19 testing guidelines had changed several times over the course of the pandemic with little scientific explanation of the rationale behind the changes, thereby confusing providers and public health stakeholder groups implementing the guidelines, and risking the erosion of trust in the federal government.

Transparency related to procurement of materials for the SNS prior to the COVID-19 pandemic. In July 2021, we reported concerns related to the transparency of decisions made by the interagency body that recommends procurement of vaccines, supplies, and other materials for the SNS in the years prior to the COVID-19 pandemic. Specifically, some interagency body members reported that ASPR's efforts to restructure this body in the years prior to the COVID-19 pandemic led to a reduced ability to provide input and reduced transparency of the rationale behind decisions made, including for the SNS inventory. Additionally, the restructuring led to a lapse in statutorily required annual reviews that provide transparency to Congress about the priorities and procurements for the SNS.³⁰⁶ Further, ASPR was unable to provide documentation of the interagency body's deliberations during the 2018 to 2020 period, leaving it unclear who was involved in the meetings or what they considered when making decisions.

Transparency and accuracy regarding vaccine availability during H1N1. In June 2011, we reported that the credibility of all levels of government was diminished when the initial supply of the H1N1 vaccine available during the 2009 H1N1 pandemic did not meet expectations HHS conveyed to the public. HHS conveyed to state and local jurisdictions, and to the public, that a robust H1N1 vaccine supply, about 120 million to 160 million doses, was expected to be available in October 2009, but ultimately only 23 million doses were available at that time. Consequently, the public had an unfavorable view of the federal government's ability to provide the country with the H1N1 vaccine.

Understanding key partners' capabilities and limitations. We reported in September 2019 that, in general, ASPR's resource response capacity—personnel and supplies—can support a response to two simultaneous events that occur in different areas in the continental U.S. for 30 days, according to officials. Beyond that, ASPR relies on other response partners. However, ASPR does not have a complete understanding of key partners' capabilities and limitations, which creates a vulnerability. Furthermore, we have concerns that ASPR lacks the capability to fully execute its own responsibilities.

Key partners' capabilities during 2017 hurricane response. In September 2019, we reported that ASPR did not have a full understanding of the capabilities and limitations of its key federal partners during the response to Hurricanes Irma and Maria in the U.S. Virgin Islands and Puerto Rico in 2017—including DOD and the Department of Veterans Affairs. This resulted in some deployed

³⁰⁶See 42 U.S.C. § 247d-6b(a)(2).

resources not being properly and efficiently utilized, according to ASPR documentation and DOD officials.

Response capabilities if DOD is unavailable. DOD has been an integral response partner for HHS, carrying out key medical response activities, such as patient care and evacuation, during public health emergencies. However, we reported in 2018 and 2019 that ASPR does not have a contingency plan for a response in which DOD's assistance is unavailable—for example, if DOD is deployed to defend the nation from outside threats at the same time its support is needed for a domestic public health emergency response. DOD's 2017 hurricane after-action report also included reliance on DOD as a concern and recommended that HHS establish contracts with the commercial sector to ensure the federal government has other options available for larger responses.

Understanding capabilities of nonfederal governments. HHS is responsible for providing assistance to state, local, territorial, and tribal governments during public health emergencies when needed. It is important for ASPR to understand these governments' capabilities and their limitations. In our May 2018 report we found that routine federal public health funding to these entities had generally decreased over the years. Such decreases had limited state and local preparedness capacity, according to CDC officials—such as being able to maintain preparedness staff—and increased the importance of supplemental appropriations to respond to infectious disease threats. In March 2021, we found similar concerns. We reported that while COVID-19 supplemental funding available for testing was helpful in the near term, most selected jurisdictions were concerned about the ability to maintain testing capacity and preparedness in the longer term once supplemental funding was no longer available.

Capacity to execute new and ongoing preparedness and response duties. We have identified concerns with ASPR's capabilities to fully execute its preparedness and response activities, especially as ASPR's responsibilities have increased. These additional responsibilities include leading the Biodefense Coordination Team, which coordinates implementation of the National Biodefense Strategy; oversight of the SNS, including inventory management and supply distribution; and leadership in establishing a resilient medical products supply chain for the nation, including related supply chain data management and tracking, and acquisitions and contracting activities, all of which have been areas of concern during the COVID-19 pandemic. We have reported on the following examples as areas of concern:

- *Vaccine responsibilities.* In January 2022, we reported that federal efforts to accelerate the development, manufacturing, and distribution of COVID-19 vaccines transitioned to a new office within ASPR, when they previously had been led by a partnership between HHS and DOD—known as the HHS-DOD Countermeasures Acceleration Group (and formerly known as Operation Warp Speed). We reported that the partnership and HHS had not completed all tasks necessary to ensure that ASPR could fully assume all of its new responsibilities by the transition date of January 1, 2022. For example, documentation that we reviewed did not indicate that HHS had developed and implemented strategies to resolve identified workforce gaps—such as communication and logistic expertise—resulting from DOD's departure.
- *Domestic manufacturing of medical products.* In December 2021, we reported that HHS created an office in September 2020 in response to ASPR's new responsibility to manage the

expansion of domestic manufacturing of critical medical supplies, according to officials. One year later as the pandemic continues and ASPR has already assumed new responsibilities, ASPR has yet to reveal how it will staff this office.

- *Medical supply acquisition.* In September 2020, we reported that ASPR was expected to take over medical supply acquisition responsibilities from DOD, which would require knowledge of certain legal authorities, according to officials. However, only three of ASPR's 20 contracting officers had experience using these authorities prior to the COVID-19 pandemic and hiring was expected to be a challenge, according to ASPR officials.³⁰⁷
- *Emergency responder workforce.* In June 2020, we reported that when determining the size of its emergency responder workforce, ASPR did not consider the number of responders projected to be needed to respond to multiple or concurrent events, and officials could not tell us why their planning did not take such scenarios into account. This lack of planning was notable given that we had previously reported that during the 2017 hurricane season, ASPR experienced a shortage of these responders, which contributed to a reliance on DOD to provide essential public health and medical service functions.

What Remains to Be Done

The Secretary of Health and Human Services has an imperative, complex, and far-reaching role as the lead for the federal public health and medical response to public health emergencies. Numerous public health emergencies converging and occurring simultaneously can present significant challenges and tax already strained resources. As devastating as the COVID-19 pandemic and the concurrent fires, hurricanes, and earthquake have been, HHS, its partners, and Congress must be prepared for more frequent disasters and new viruses, whether naturally or intentionally introduced.

Sustaining attention on preparing for, and responding to, future public health emergencies will be challenging as the nation continues to address the COVID-19 pandemic. However, waiting to address the deficiencies we have identified in HHS's leadership and coordination of public health emergencies is not an option as it is not possible to know precisely when the next threat will occur; only that it will come. Addressing these deficiencies will require sustained leadership commitment; the necessary capacity to prepare, respond, and recover; and the systems to measure, evaluate, and demonstrate progress. The 72 related GAO recommendations that HHS has yet to implement are a starting place, including the following:

- **Cleary defined roles and responsibilities.** HHS should direct the Biodefense Coordination Team to document agreed upon processes, roles, and responsibilities for making and enforcing joint decisions across federal agencies and their partners involved in protecting the nation against catastrophic biological threats.
- **Complete and consistent data.** HHS should establish the nationwide public health situational awareness network capability, as required by statute, to help ensure timely and

³⁰⁷HHS signed a memorandum of understanding with DOD in May 2021 to establish a framework whereby the departments will identify a path to enhance HHS's own capabilities while incrementally reducing DOD's support.

complete collection of public health data to aid a response, and use an expert committee to systematically review, and help standardize, the ongoing collection and reporting of public health data.

- **Clear, consistent communication.** FDA and CDC should develop a process to ensure consistent guidance for health care providers on the appropriate use of personal protective equipment during future public health emergencies.
- **Transparency and accountability.** ASPR should develop plans to ensure a transparent and deliberative process for making recommendations on the procurement of vaccines, supplies, and other materials for the SNS and maintain related documentation, including the rationale and outcomes for decisions made.
- **Understanding key partners' capabilities and limitations.** ASPR should work with key federal response partners to develop and finalize memorandums of agreement that include information on the capabilities and limitations of these agencies to meet public health and medical services core capabilities during public health emergencies.

In 2021, the administration released high-level plans that help provide HHS and its partners a road map to be better prepared for the next pandemic or biological threat.³⁰⁸ These plans will require a whole-of-nation approach to implementation, including from states, territories, tribes, and localities where public health funding has declined over the years. Health departments at all levels need to be prepared to help HHS respond to ongoing and future public health emergencies.

Through our ongoing and planned work, we will continue to monitor HHS's efforts to address public health emergencies. This includes evaluating HHS's efforts to implement the administration's plans, which will be essential to addressing this High-Risk area overall. We will evaluate HHS's efforts against our five High-Risk criteria: (1) leadership commitment to addressing our concerns; (2) capacity to resolve the risks; (3) development of a corrective action plan that defines the root cause, solutions, and corrective measures needed; (4) monitoring to validate the effectiveness and sustainability of corrective measures; and (5) demonstrated progress in the implementation of those measures. By taking actions to enhance its leadership and coordination of public health emergencies, HHS will be better positioned to help the nation more effectively prepare for, and respond to, future public health emergencies in a timely and effective manner.

Selected Related GAO Products

COVID-19: HHS and DOD Transitioned Vaccine Responsibilities to HHS, but Need to Address Outstanding Issues. [GAO-22-104453](#). Washington, D.C.: January 19, 2022.

COVID-19: Agencies Are Taking Steps to Improve Future Use of Defense Production Act Authorities. [GAO-22-105380](#). Washington, D.C.: December 16, 2021.

³⁰⁸For example, see White House, *American Pandemic Preparedness: Transforming Our Capabilities* (Washington, D.C.: Sept. 2, 2021) and *National Strategy for the COVID-19 Response and Pandemic Preparedness* (Washington, D.C.: Jan. 21, 2021).

Biodefense: After-Action Findings and COVID-19 Response Revealed Opportunities to Strengthen Preparedness. [GAO-21-513](#). Washington, D.C.: August 4, 2021.

COVID-19: HHS Should Clarify Agency Roles for Emergency Return of U.S. Citizens during a Pandemic. [GAO-21-334](#). Washington, D.C.: April 19, 2021.

COVID-19: Efforts to Increase Vaccine Availability and Perspectives on Initial Implementation. [GAO-21-443](#). Washington, D.C.: April 14, 2021.

High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas. [GAO-21-119SP](#). Washington, D.C.: March 2, 2021.

Public Health Preparedness: HHS Should Take Actions to Ensure It Has an Adequate Number of Effectively Trained Emergency Responders. [GAO-20-525](#). Washington, D.C.: June 18, 2020.

National Biodefense Strategy: Additional Efforts Would Enhance Likelihood of Effective Implementation. [GAO-20-273](#). Washington, D.C.: February 19, 2020.

Disaster Response: HHS Should Address Deficiencies Highlighted by Recent Hurricanes in the U.S. Virgin Islands and Puerto Rico. [GAO-19-592](#). Washington, D.C.: September 20, 2019.

2017 Hurricanes and Wildfires: Initial Observations on the Federal Response and Key Recovery Challenges. [GAO-18-472](#). Washington, D.C.: September 4, 2018.

Infectious Disease Threats: Funding and Performance of Key Preparedness and Capacity-Building Programs. [GAO-18-362](#). Washington, D.C.: May 24, 2018.

Public Health Information Technology: HHS Has Made Little Progress toward Implementing Enhanced Situational Awareness Network Capabilities. [GAO-17-377](#). Washington, D.C.: September 6, 2017.

Emerging Infectious Diseases: Actions Needed to Address the Challenges of Responding to Zika Virus Disease Outbreaks. [GAO-17-445](#). Washington, D.C.: May 23, 2017.

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

Public Health Information Technology: Additional Strategic Planning Needed to Guide HHS's Efforts to Establish Electronic Situational Awareness Capabilities. [GAO-11-99](#). Washington, D.C.: December 17, 2010.

Influenza Pandemic: Further Efforts Are Needed to Ensure Clearer Federal Leadership Roles and an Effective National Strategy. [GAO-07-781](#). Washington, D.C.: August 14, 2007.

Contact information: Mary Denigan-Macauley, (202) 512-7114, deniganmacauleym@gao.gov

Appendix III: Highlights Pages from Recently Issued GAO COVID-19 Products

Aviation Industry Recovery

We issued *COVID-19 Pandemic: Observations on the Ongoing Recovery of the Aviation Industry*, [GAO-22-104429](#), on October 21, 2021.

GAO@100 Highlights

Highlights of [GAO-22-104429](#), a report to congressional addressees

Why GAO Did This Study

International flight restrictions, local stay-at-home orders, and a general fear of contracting and spreading COVID-19 through air travel had a sudden and profound effect on the U.S. aviation industry. According to Department of Transportation (DOT) statistics, passenger traffic in April 2020 was 96 percent lower system-wide than April 2019, and remained 60 percent below 2019 traffic levels throughout 2020.

This report examines (1) immediate effects of the COVID-19 pandemic on businesses across the aviation industry; (2) actions those businesses took in response; (3) actions the FAA took to help the industry respond to the pandemic; and (4) the outlook for industry recovery, among other issues.

GAO reviewed DOT airline operational and financial data from calendar years 2019 through 2020, financial statements from various aviation-related businesses, FAA regulations and operational guidance, and industry recovery forecasts. GAO conducted a generalizable survey of 1,136 smaller airports. GAO also interviewed officials from FAA and representatives from a judgmental sample of 47 aviation and aerospace industry stakeholders selected based on location and industry sector.

What GAO Recommends

GAO continues to urge Congress to take legislative action to require DOT to work with relevant agencies, stakeholders, and members of the aviation and public health sectors to develop a national aviation-preparedness plan for communicable disease threats.

View [GAO-22-104429](#). For more information, contact Heather Krause at (202) 512-2834 or krauseh@gao.gov.

October 2021

COVID-19 PANDEMIC

Observations on the Ongoing Recovery of the Aviation Industry

What GAO Found

The COVID-19 pandemic severely affected the aviation and aerospace sectors that depend on commercial passenger travel. As demand for air travel plummeted and remained low throughout 2020, effects cascaded across sectors including U.S. passenger airlines, airports, aviation manufacturers, and repair station operators. For example, in response to reduced demand, airlines parked or retired a substantial portion of their aircraft fleet, which, in turn, reduced demand for aircraft maintenance services.

Aircraft Temporarily Stored at Denver International Airport in 2020



Source: Denver International Airport. | GAO-22-104429

In response to the pandemic's effects, aviation stakeholders reported that they acted quickly to mitigate financial losses and position themselves to maintain business viability until demand increased. Stakeholders' actions included:

- managing costs, such as by implementing early retirement programs;
- raising funds in the private market to increase liquidity; and
- taking steps to mitigate COVID-19's spread among employees and customers.

Stakeholders also noted the importance of the over \$100 billion in payroll support payments, loans, and other financial assistance provided through COVID-19 relief legislation.

The Federal Aviation Administration (FAA) reported taking quick action to help the aviation industry adjust operations in response to the pandemic. These actions included providing temporary relief from some regulatory requirements—such as airline crewmember medical certifications—and issuing guidance to airlines and airports on mitigating COVID-19 risks. FAA has phased out many of these relief measures.

Although airlines experienced a rebound in demand for U.S. leisure travel in 2021, operational challenges and concerns about the COVID-19 Delta variant have slowed recovery. Forecasts suggest that industry recovery will be uneven as business and international air travel—the most profitable segments—are likely to lag. Stakeholders identified areas of concern for policymakers to consider, such as strengthening aviation workforce pipelines, as they determine how or whether to continue to assist the industry in evolving market conditions. Further, developing a national aviation-preparedness plan for communicable disease, as GAO recommended, would provide greater coordination among federal and industry stakeholders and help better prepare the U.S. for future pandemics.

United States Government Accountability Office

Federal Workplace Reentry

We issued *COVID-19: Federal Agencies' Initial Reentry and Workplace Safety Planning*, [GAO-22-104295](#), on October 25, 2021.

GAO@100 Highlights

Highlights of [GAO-22-104295](#), a report to congressional addressees.

Why GAO Did This Study

The federal government employs approximately 2.8 million civilian workers, a workforce that plays an important role in maintaining vital government services. The White House, OMB, and other cognizant agencies issued guidance to support federal agencies as they developed tailored plans for bringing the federal workforce back to offices and safely conducting on-site work.

The CARES Act included a provision for GAO to monitor and oversee the federal government's response to the COVID-19 pandemic. This report (1) examines agencies' approaches to initial reentry planning, (2) assesses the extent to which agencies' workplace safety plans are consistent with federal guidance, and (3) examines the coordination and oversight of federal reentry and workplace safety planning across the government.

GAO analyzed federal guidance from cognizant agencies to identify crosscutting themes for reentry planning, and reviewed OMB guidance on workplace safety principles. GAO assessed workplace safety plans, reentry plans, and relevant documentation from the 24 CFO Act agencies against the themes and principles identified in guidance and interviewed agency officials. GAO also reviewed guidance to identify oversight and coordination responsibilities and reviewed prior GAO work on pandemic preparedness and interagency collaboration.

View [GAO-22-104295](#). For more information, contact Michelle B. Rosenberg at (202) 512-6806 or rosenbergm@gao.gov.

October 2021

COVID-19

Federal Agencies' Initial Reentry and Workplace Safety Planning

What GAO Found

Federal agencies adopted a maximum telework posture following the March 2020 national emergency declaration related to COVID-19. In April 2020, Office of Management and Budget (OMB) guidance established a framework for agencies to plan for the reentry of employees to the workplace and cognizant agencies issued guidance in 2020 on how to plan for the eventual return of the workforce to office locations. In response to the call for office reentry, the 24 Chief Financial Officer (CFO) Act agencies developed reentry plans. Agencies' 2020 reentry plans varied considerably. All the agencies developed phased approaches for reentry, though agencies did not progress through the established phases at the same rate and the characteristics of each phase differed by agency. None of the agencies' plans consistently covered all aspects of recommended federal guidance. For example, reentry planning documents for 10 or more agencies did not fully address employee training on reentry, office ventilation controls, and face covering requirements, as recommended by federal guidance.

In January 2021, the new administration established the Safer Federal Workforce Task Force (Task Force) to provide guidance to agencies and required a 25 percent capacity limit for federal buildings, subject to exceptions with approval. It also issued guidance directing agencies to submit plans addressing a set of model workplace safety principles to the Task Force. Agencies' workplace safety plans, in contrast to initial reentry plans, were generally consistent with the updated federal guidance. Agencies' plans cited most safety principles described in the guidance, including the occupancy limit and additional safety measures to protect the workforce, such as face mask requirements and optimized ventilation and air filtration. Agencies also established COVID-19 coordination teams, as required by January 2021 guidance. These teams developed and monitored agency plans, led decision-making regarding safety procedures and exceptions, and coordinated with external groups, including the Task Force.

Federal oversight and coordination were limited for 2020 reentry planning but increased under 2021 guidance related to workplace safety. Initial reentry guidance did not include clear oversight roles and responsibilities. As a result, there was no government-wide oversight or review of initial agency reentry plans. Guidance issued in January 2021 established model safety principles and specific roles for the Task Force, directing Task Force members to guide and oversee agency COVID-19 workplace safety efforts. This increased clarity and oversight and supported consistency in workplace safety planning. The Task Force also used approaches to coordinate workplace safety planning that GAO previously identified as beneficial to support and sustain effective interagency collaboration. For example, the Task Force is made up of relevant participants, including agencies with expertise in health, emergency response, and employee safety. The Task Force supported agencies' COVID-19 response efforts and contributed input to agency workplace safety plans. Updated guidance released in June 2021 indicates that the Task Force and its members plan to continue these oversight and coordination efforts for continued workplace safety and updated reentry planning.

United States Government Accountability Office

Hiring Authorities

We issued *Federal Hiring: OPM Should Collect and Share COVID-19 Lessons Learned to Inform Hiring during Future Emergencies*, [GAO-22-104297](#), on October 25, 2021.

GAO@100 Highlights

Highlights of [GAO-22-104297](#), a report to congressional addressees

Why GAO Did This Study

The COVID-19 pandemic has had far-reaching effects on federal programs and operations. To address this public health crisis, Congress and the administration made several hiring authorities available to agencies to hire staff with the needed skills to effectively respond to the pandemic.

The CARES Act includes a provision for GAO to report on ongoing monitoring and oversight efforts related to the COVID-19 pandemic. This report examines: (1) the new hiring authorities provided to federal agencies for COVID-19 response and the extent to which selected agencies have used them; (2) selected agencies' experiences using those hiring authorities, including lessons learned; and (3) OPM's efforts to assess agencies' use of the COVID-19 related hiring authorities.

GAO reviewed documents and interviewed officials from OPM and the 10 agencies that were provided hiring authorities in the CARES Act or DHA for the public health emergency from OPM between March 1 and September 30, 2020. The documents reviewed included data on the agencies' hiring and OPM policies and guidance for its oversight of agencies' use of hiring authorities.

What GAO Recommends

GAO is making one recommendation to OPM to develop and implement a process for collecting and sharing government-wide lessons learned associated with agencies' use of different hiring authorities in response to COVID-19. OPM concurred with the recommendation made in this report.

View [GAO-22-104297](#). For more information, contact Michelle B. Rosenberg, (202) 512-6806, rosenbergm@gao.gov.

October 2021

FEDERAL HIRING

OPM Should Collect and Share COVID-19 Lessons Learned to Inform Hiring during Future Emergencies

What GAO Found

The CARES Act provided temporary hiring authorities to six agencies with responsibilities for responding to the public health and economic crisis caused by COVID-19. A hiring authority is the law, executive order, or regulation that allows an agency to hire a person into the federal civil service. In addition, as of September 30, 2020, five agencies received direct hiring authority (DHA) from the Office of Personnel Management (OPM) in response to the pandemic. DHAs allow agencies to expedite hiring by eliminating competitive rating and ranking procedures and veterans' preference for specific positions. Also, in March 2020, OPM authorized the use of COVID-19 Schedule A hiring authority, which allows agencies to fill positions for up to 1 year as needed in response to, or as a result of, COVID-19. GAO found that the number of staff hired by 10 selected agencies using these three temporary COVID-19 hiring authorities varied.

Figure 1: Availability of COVID-19 Hiring Authorities and Total Number of Hires Made at Selected Agencies, March through December 2020

Agency	CARES Act	COVID-19 Direct Hire Authority	COVID-19 Schedule A ^a
Veterans Affairs	N/A	4,215	913
Health and Human Services	≤10	985	461
Small Business Administration	N/A	0	449
Agriculture	N/A	^b	112
Smithsonian Institution	N/A	0	≤10
Commerce ^c	74	N/A	0
Housing and Urban Development	48	N/A	0
Treasury	0	N/A	≤10
Commodity Futures Trading Commission	0	N/A	0
Securities and Exchange Commission	0	N/A	0

Source: GAO analysis of CARES Act and agency information. | [GAO-22-104297](#)

^aCOVID-19 Schedule A hiring authority allows agencies to fill positions for up to 1 year as needed in response to, or as a result of, COVID-19.

^bAgency received approval to amend an existing authority so hires were not all related to COVID-19.

^cCommerce's CARES Act hiring authority is limited to the Economic Development Administration.

The selected agencies described a few lessons learned that could help other agencies improve the use of hiring authorities in future emergencies including: (1) collaborating with internal stakeholders to maximize information sharing across the agency; and (2) creating an inventory of hiring needs and available authorities to assist in addressing agency workforce needs.

OPM intends to conduct reviews in fiscal year 2022 that may provide insight into agencies' use of hiring authorities in response to the pandemic. However, according to OPM officials, the agency has not yet developed plans to collect and share lessons learned on the use of COVID-19 related hiring authorities. Collecting and sharing lessons learned would help OPM understand how the various hiring authorities could be used during future emergencies and identify opportunities to improve the hiring process.

Emergency Relief to Tribes

We issued *COVID-19: Lessons Learned from Interior and Treasury's Administration of CARES Act Funds Could Improve Federal Emergency Relief to Tribes*, [GAO-22-104349](#), on October 29, 2021.

GAO@100 Highlights

Highlights of [GAO-22-104349](#), a report to congressional committees.

Why GAO Did This Study

GAO has previously found that COVID-19 disproportionately harmed the public health and economies of tribal nations in the U.S. In March 2020, the CARES Act appropriated over \$9 billion for federal programs for tribes and their members—this amount included \$8 billion for Treasury's CRF Tribal Set-Aside and \$453 million for Interior's OIP (CARES Act funds).

The CARES Act includes a provision for GAO to report on its ongoing monitoring and oversight efforts related to the COVID-19 pandemic. This report is part of that body of work. It examines (1) approaches Interior and Treasury took to distribute CARES Act funds to tribes and steps necessary for tribes to access and use these funds, and (2) challenges the agencies and selected tribes faced and lessons learned that could improve future federal emergency relief to tribes.

To do this work, GAO reviewed agency documents and interviewed federal agency officials, representatives of three tribal organizations and two academic research centers—selected for their work related to CARES Act funds—and officials from seven selected tribes that accessed CARES Act funds from the agencies.

What GAO Recommends

GAO is making two recommendations, including that Treasury update its tribal consultation policy to include direction to consult tribes on data the agency is considering for use in decisions that have tribal implications. The Department of the Treasury agreed with GAO's recommendations.

View [GAO-22-104349](#). For more information, contact Anna Maria Ortiz at (202) 512-3841 or ortiza@gao.gov.

October 2021

COVID-19

Lessons Learned from Interior and Treasury's Administration of CARES Act Funds Could Improve Federal Emergency Relief to Tribes

What GAO Found

The Department of the Interior distributed the CARES Act Operation of Indian Programs (OIP) appropriation through existing programs while the Department of the Treasury had to set up a new program to distribute the Coronavirus Relief Fund (CRF) Tribal Government Set-Aside. This resulted in tribes taking fewer steps to access and use Interior's OIP appropriation than Treasury's program.

- **Interior.** The CARES Act required that Interior make at least \$400 million of the OIP appropriation available to meet the direct needs of tribes. Interior disbursed these funds through two existing programs based on tribal enrollment. As a result, tribes needed to take few administrative steps to access and use funds.
- **Treasury.** The CARES Act created the CRF as a new program. The CRF appropriation included an \$8 billion Tribal Set-Aside. Treasury did not have a preexisting allocation methodology or mechanisms for disbursing this funding to tribes, so it had to develop them before it could make payments. Treasury distributed the CRF Tribal Set-Aside in two tranches, using multiple allocation methodologies. Treasury asked tribes to take several administrative steps to access and use CRF payments. For example, tribes had to submit two rounds of data to receive both tranches of CRF payments.

Agencies and selected tribes faced various challenges regarding the CARES Act OIP appropriation and CRF Tribal Set-Aside. Treasury faced greater challenges than Interior, and was delayed distributing CRF payments to tribes. For example:

- Treasury officials said the work needed to develop distribution formulas consistent with the CARES Act contributed to delays in CRF disbursements to tribes.
- Selected tribes told GAO that Treasury used certain data in one of its allocation methodologies without consulting with tribes about the data and their limitations. Such consultation could have allowed the agency to make changes or address tribes' concerns prior to making payments using the data. Consequently, certain tribes did not receive emergency relief in a timely manner to address pandemic needs.
- Selected tribal organizations, academic researchers, and tribes said that adjusting to Treasury's changing guidance on allowable uses of funds further delayed tribes' implementation of projects and increased their administrative burden.

Treasury has applied some lessons learned to its administration of a subsequent relief program established by the American Rescue Plan Act of 2021. For example, Treasury improved its communication to tribes on allowable use of funds. However, Treasury has not formalized other lessons learned into its tribal consultation policy. Specifically, Treasury's tribal consultation policy does not call for the agency to consult with tribes on data it is considering using to make policy decisions with tribal implications. Until Treasury updates its policy, it risks using data without a meaningful dialogue with tribes about any limitations of the data. This deprives Treasury of information that tribes could provide about how to address data limitations and may increase the risk that programs might not be as effective at meeting tribes' needs in a timely manner.

United States Government Accountability Office

State Department Repatriation Effort

We issued *COVID-19: State Carried Out Historic Repatriation Effort but Should Strengthen Its Preparedness for Future Crises*, [GAO-22-104354](#), on November 2, 2021.

GAO@100 Highlights

Highlights of [GAO-22-104354](#), a report to congressional addressees

Why GAO Did This Study

State provides repatriation assistance to U.S. citizens and lawful permanent residents abroad during crises such as the COVID-19 pandemic. State's Office of Crisis Management and Strategy and Bureau of Consular Affairs were primarily responsible for State's COVID-19 repatriation effort.

The CARES Act includes a provision for GAO to report on its ongoing COVID-19 monitoring and oversight efforts. In addition, GAO was asked to examine State's COVID-19 repatriation effort. This report examines, among other things, (1) the results of State's repatriation effort, including lessons State reported learning from challenges it faced; (2) the consistency of selected aspects of State's repatriation effort with its policies and procedures; and (3) State's oversight of its overseas posts' crisis preparedness.

GAO reviewed relevant State documents, such as cables and guidance. GAO also interviewed State officials in Washington, D.C., and in Ghana, Honduras, India, Morocco, and Peru. In addition, GAO surveyed a generalizable sample of passengers repatriated on State-chartered flights.

What GAO Recommends

GAO is making six recommendations to improve State's preparedness to repatriate U.S. citizens during crises—including three recommendations to improve agencywide preparedness and three to improve State's oversight of posts' preparedness. State agreed with all of the recommendations.

View [GAO-22-104354](#). For more information, contact Jason Bair at (202) 512-6881 or bairj@gao.gov.

November 2021

COVID-19

State Carried Out Historic Repatriation Effort but Should Strengthen Its Preparedness for Future Crises

What GAO Found

From January to June 2020, the Department of State carried out a historic effort in response to the COVID-19 pandemic, helping to repatriate more than 100,000 individuals who were in 137 countries. In the previous 5 years, State had repatriated fewer than 6,000 people. Most responses to a GAO survey of repatriated individuals expressed positive views of State's communication, among other things, though some expressed concerns about matters such as the prices of repatriation flights. State reported learning several lessons from challenges it faced, such as the importance of using social media and cell phones to communicate with U.S. citizens.

State Personnel Assisting with Repatriations in Tanzania (Left) and Montenegro (right)



Source: U.S. Department of State (State). | [GAO-22-104354](#)

Despite acting swiftly to assist Americans abroad, State did not follow some of its policies and lacked guidance for certain aspects of its repatriation effort. For example, as of May 2021, an interagency group State established to coordinate plans to evacuate U.S. citizens abroad in emergencies had not met since April 2019, hampering interagency communication early in the crisis. Also, incomplete guidance for calculating and documenting actual costs of State-chartered flights led to missing or inconsistent documentation and limited State's ability to show that the prices it charged passengers complied with its fare policy.

Additionally, while State requires overseas posts to take steps to prepare for crises, its oversight of their preparedness has gaps.

- State requires posts to update emergency action plans but does not ensure timely submission of those plans. In the 20 countries from which State helped repatriate the largest numbers of people, 17 of 30 posts did not submit their updated plans for certification within required time frames in 2020.
- State requires posts to complete annual emergency preparedness drills, but does not ensure completion of the drills. In 2019, 16 of the 30 posts failed to complete all the drills within the required time frames.
- State lacks a mechanism for assessing posts' crisis preparedness. Though State encourages posts to assess their own preparedness annually, data from these assessments are not current or complete.

As a result of these gaps, State lacks assurance that posts will be prepared to respond to a future global crisis such as the COVID-19 pandemic.

United States Government Accountability Office

Vaccine Distribution and Communication

We issued *COVID-19: HHS Agencies' Planned Reviews of Vaccine Distribution and Communication Efforts Should Include Stakeholder Perspectives*, [GAO-22-104457](#), on November 4, 2021.

GAO@100 Highlights

Highlights of [GAO-22-104457](#), a report to congressional committees

Why GAO Did This Study

Vaccination remains critical in the federal response to the COVID-19 pandemic. Vaccine implementation—prioritizing, allocating, distributing, and administering doses—requires coordination among federal, state, and local levels and other stakeholders. HHS agencies—including CDC and HRSA—set up federal vaccine distribution programs, such as CDC's retail pharmacy program that sends doses directly to pharmacies. The federal government also sends vaccine doses to states for further distribution.

The CARES Act includes a provision for GAO to report on its ongoing monitoring and oversight efforts related to the COVID-19 pandemic. This report examines (1) stakeholder perspectives on federal programs to distribute and administer COVID-19 vaccines, (2) efforts to inform health officials, providers, and the public about vaccination, and (3) actions HHS agencies are taking to evaluate their vaccine implementation efforts.

GAO reviewed data and documents from HHS, CDC, and HRSA, and reviewed information from and interviewed state and local health officials in four states and one city selected, in part, for geographic variation. GAO also interviewed other stakeholders, including 12 national associations representing health care providers and others.

What GAO Recommends

GAO is making four recommendations, including that CDC and HRSA obtain input from and share lessons learned with key stakeholders as they conduct their future reviews. HHS concurred with GAO's recommendations.

View [GAO-22-104457](#). For more information, contact Alyssa M. Hundrup at 202-512-7114 or hundrupa@gao.gov

November 2021

COVID-19

HHS Agencies' Planned Reviews of Vaccine Distribution and Communication Efforts Should Include Stakeholder Perspectives

What GAO Found

In late 2020 and early 2021, agencies within the Department of Health and Human Services (HHS) set up federal programs for vaccine distribution and administration. State and local health officials and other stakeholders GAO interviewed said these programs helped higher-risk populations access COVID-19 vaccination. For example, the Health Resources and Services Administration's (HRSA) health center program provided vaccinations in medically underserved areas. However, these stakeholders also cited challenges, such as initially having limited or no information on the doses federal programs were sending to pharmacies and health centers in their communities. They said this made it difficult to decide which sites, including pharmacies and health centers, to send their own allocated doses when supply was limited.

Stakeholders told GAO the Centers for Disease Control and Prevention's (CDC) education materials, such as provider toolkits, were useful to address the public's concerns about the safety of COVID-19 vaccines, but providers would have liked them sooner to be able start promoting vaccination earlier. These stakeholders, including health officials, said they had difficulty managing public expectations and responding to questions about vaccine availability when they did not receive advance notice about changes in federal priority groups for vaccination.

Individual Being Vaccinated as Part of a Federal Program



Source: Defense Visual Information Distribution Service. | [GAO-22-104457](#)

Officials from HHS agencies—CDC and HRSA—stated they intend to conduct after action reviews to identify lessons learned from their COVID-19 vaccine distribution and communication efforts. However, officials said they have not finalized their plans for conducting such reviews, nor do they plan to do so while they continue to respond to the pandemic and have ongoing programs. Thus, it is uncertain whether they will gather input, including on an ongoing basis, from key stakeholders instrumental in vaccine distribution and communication efforts, such as state and local health officials, or whether the results will be shared with those stakeholders. Doing so will help ensure CDC and HRSA learn what worked well and identify areas for improvement to inform future vaccination efforts.

United States Government Accountability Office

Election Assistance Commission Grants

We issued *Election Assistance Commission: Assessment of Lessons Learned Could Improve Grants Administration*, [GAO-22-104313](#), on November 8, 2021.

GAO@100 Highlights

Highlights of [GAO-22-104313](#), a report to congressional committees

Why GAO Did This Study

During the 2020 federal elections, the EAC administered \$400 million in grant funds provided by the CARES Act to help states prepare for and respond to the COVID-19 pandemic.

The CARES Act included a provision for GAO to report on its ongoing monitoring and oversight efforts related to the COVID-19 pandemic. This report (1) describes information that the EAC provided to state and local election officials for conducting elections during the pandemic, (2) describes how the EAC administered CARES Act grant funding, and (3) examines the extent to which the EAC assessed its CARES Act grants administration. GAO reviewed information on the EAC's website on conducting elections during the pandemic and interviewed EAC officials regarding processes for developing and distributing this information. GAO obtained and reviewed the EAC's data on CARES Act grant expenditures, grant guidance for states on expending and reporting funding, and materials the EAC used to review state reports. GAO also interviewed EAC officials regarding grant administration procedures.

What GAO Recommends

GAO recommends that the EAC assess its administration of CARES Act grants to document any lessons learned and, to the extent practicable, implement applicable lessons. The EAC identified ongoing and planned steps to assess and implement lessons learned from its administration of CARES Act grants.

View [GAO-22-104313](#). For more information, contact Rebecca Gambler at (202) 512-8777 or gambler@gao.gov.

November 2021

ELECTION ASSISTANCE COMMISSION

Assessment of Lessons Learned Could Improve Grants Administration

What GAO Found

The U.S. Election Assistance Commission (EAC)—established to serve as a national clearinghouse of information on election administration, among other responsibilities—shared information on a range of topics to help state and local election officials conduct elections during the COVID-19 pandemic. For example, it shared information on in-person voting, absentee/mail voting, and contingency planning. It also established National Poll Worker Recruitment Day and developed graphics as part of a related public awareness campaign (see fig.).

U.S. Election Assistance Commission (EAC) National Poll Worker Recruitment Day Graphic



Source: EAC. | [GAO-22-104313](#)

The EAC administered CARES Act grants by obligating funds and overseeing how states spent the funds, in part by reviewing states' grant reports to check how states spent funds to respond to the pandemic. It also reported information to Congress on how states spent approximately \$326 million in grant funds, and to a committee overseeing the response to the pandemic on the specific activities undertaken by states using these funds.

The EAC identified and addressed some issues with its administration of CARES Act grants. For example, while administering CARES Act grants, the EAC revised required grant reporting forms to more clearly align with requirements and to address difficulties some states were having with narrative questions on the forms. The EAC and GAO identified other issues with administration of the grants. For example, GAO found issues with how states and the EAC categorized expenditures involving nearly 20 percent of the total reported spending nationwide. As a result, in the EAC's annual grant expenditure report to Congress, states' expenditures for similar or the same items or activities could be included under multiple categories, making it difficult to consistently determine, by category, how states spent the grant funds.

However, the EAC has not yet assessed its administration of CARES Act grants and documented lessons learned. According to EAC officials, assessing the administration of these grants could identify lessons learned beyond those that officials identified while administering the grants. Additionally, the EAC could document and implement any lessons learned. This could help improve the EAC's administration of ongoing or future grant programs, particularly in the event of a future emergency.

United States Government Accountability Office

Vaccine Development

We issued *Vaccine Development: Capabilities and Challenges for Addressing Infectious Diseases*, [GAO-22-104371](#), on November 16, 2021.



Highlights of [GAO-22-104371](#), a report to congressional committees

November 2021

Why GAO did this study

The CARES Act included a provision for GAO to report on its ongoing monitoring and oversight efforts related to the COVID-19 pandemic. This report discusses technologies, approaches, and associated challenges for vaccine (1) research and development, (2) testing, and (3) manufacturing, as well as (4) the economic factors that affect vaccine investment.

GAO conducted literature searches including scholarly articles and government reports relevant to these four areas. GAO interviewed stakeholders and experts with a diverse set of perspectives on the science, administration, and economics of vaccine development. GAO also convened a 3-day meeting of 22 experts with expertise in at least one area related to our four objectives with assistance from the National Academies of Sciences, Engineering, and Medicine. GAO received technical comments on a draft of this report from 1 federal agency and 9 participants at its expert meeting, which it incorporated as appropriate.

GAO is identifying policy options in this report.

View [GAO-22-104371](#). For more information, contact Karen L. Howard at (202) 512-6888 or, howardk@gao.gov.

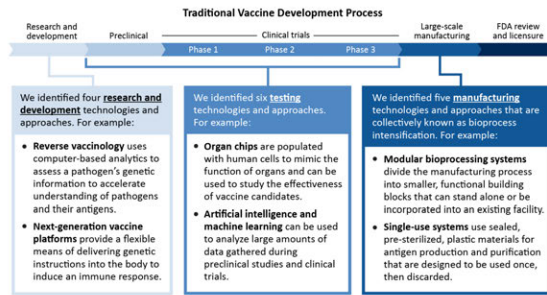
TECHNOLOGY ASSESSMENT

Vaccine Development

Capabilities and Challenges for Addressing Infectious Diseases

What GAO found

Vaccines protect people from disease by preparing the body to respond to an infection. Vaccinations are a key part of individual and community health, but vaccine development remains complex and costly. Innovative technologies and approaches, such as those identified in this report, may enhance the nation's ability to respond to infectious diseases. For example, reverse vaccinology and next-generation platforms—combined with existing research—helped researchers develop some COVID-19 vaccines more quickly and effectively.



Source: GAO analysis. | [GAO-22-104371](#)

However, key challenges may hinder the adoption of these innovative technologies and approaches. Some promising technologies face issues and challenges such as inherent technical limitations and high cost. For example, organ chips may facilitate testing, but they are not yet able to replicate many of the complex functions of the human immune system. Similarly, single-use systems may increase the flexibility of vaccine manufacturing facilities, but may require extensive testing to ensure that they do not negatively affect the resulting vaccine. Further, economic challenges may hinder vaccine development. Experts attribute underinvestment in vaccines to market failures (i.e., market interactions that fall short of what would have been socially beneficial). For example, vaccines benefit those who are vaccinated, and, to some degree, those who are not. This additional benefit is not captured in the price, which reduces return on vaccine investment.

GAO identified 9 policy options that may help address challenges hindering the adoption of vaccine development technologies and approaches or economic challenges. These policy options involve possible new actions by policymakers, who may include Congress, federal agencies, state and local governments, academic and research institutions, and industry. See below for details for some of the policy options and relevant opportunities and considerations.

Selected Policy Options to Address Challenges in Vaccine Development

	Opportunities	Considerations
<p>Prioritize infectious disease pathogens (report page 21)</p> <p>Policymakers could collaborate across sectors (e.g., government, academia, researchers, industry, and nonprofit organizations) to prioritize infectious disease pathogens with pandemic potential for vaccine R&D.</p> <p>For example, policymakers could develop a working group to prioritize pathogens with pandemic potential and work more closely with international organizations to prioritize vaccine development as well as develop monoclonal antibodies.</p>	<ul style="list-style-type: none"> • Prioritizing pathogens with pandemic potential could improve strategic vaccine R&D decision-making and help focus resources on developing and adopting key technologies and approaches that most effectively address those pathogens. • Appropriately matching the technologies and approaches to the prioritized potential pandemic pathogens then leveraging certain technical limitations and cost. • With greater leadership and strategic partnerships, policymakers could more quickly address threats to the U.S. population. 	<ul style="list-style-type: none"> • As new threats are identified, priorities may change, which may cause uncertainty for vaccine developers. • Policymakers may have different priorities based on their respective missions. • There may be disagreements as to which key technologies should be prioritized and used, resulting in the need for policymakers to weigh the potential advantages and disadvantages associated with various options.
<p>Improve preparedness (report page 21)</p> <p>Policymakers could provide support for public-private partnerships to strategically address potential pandemic pathogens identified as priorities. These partnerships could, for example, develop and test vaccine candidates that may provide protection from pathogens with pandemic potential.</p>	<ul style="list-style-type: none"> • This early development could provide a coordinated foundation that can be mobilized in an emergency. Such an approach could speed vaccine development as well as potentially reduce risk for vaccine researchers and developers concerning questions of safety, efficacy, and manufacturability. 	<ul style="list-style-type: none"> • The lack of certainty of the commercial market and government funding for vaccines against pathogens with pandemic potential may be too risky for the private sector to undertake.
<p>Further support development of data standards (report page 32)</p> <p>Policymakers could further support coordinated efforts to obtain the views of all stakeholders and to develop standards for health data and their use in clinical trials.</p>	<ul style="list-style-type: none"> • Integrating researchers' needs into the standards development process could better ensure the necessary data are available. • Access to high-quality data in a standardized format may allow streamlined patient recruitment for clinical trials. 	<ul style="list-style-type: none"> • Expanding access to patient health data requires attention to ensure privacy. • Developing and implementing standardized data formats and IT infrastructure is time-consuming and costly.
<p>Improve preparedness (report page 41)</p> <p>Policymakers could provide support for public/private partnerships to strategically develop manufacturing capacity to respond to surge requirements. To maintain this capacity, partnerships could manufacture prototype vaccine candidates against high-priority pathogens.</p>	<ul style="list-style-type: none"> • Manufacturing, testing, and stockpiling vaccines could be mobilized in an emergency and more rapidly mitigate future pandemics. • By leveraging strategic partnerships, policymakers could take steps to increase the availability of vaccines to more quickly address threats to the U.S. population. 	<ul style="list-style-type: none"> • May require new resources or reallocation of resources from other efforts. • There may be a risk that the vaccines manufactured, tested, and stockpiled against prioritized pathogen classes miss certain pandemic pathogens. • The stockpiled vaccines would need to be regularly replenished prior to expiration.
<p>Evaluate factors that inhibit vaccine investment and mechanisms to increase it (report page 54)</p> <p>Policymakers could collaborate across sectors, such as government, academia, and industry, to conduct a systematic evaluation of factors that inhibit developers from investing in new vaccines.</p>	<ul style="list-style-type: none"> • A clear understanding of the range of factors discouraging vaccine investment would provide the basis for effectively addressing those factors. 	<ul style="list-style-type: none"> • Collaboration between policymakers and other stakeholders to obtain all relevant viewpoints can be time-consuming and it may be hard to reach a consensus.

Source: GAO. | GAO-22-104371

Defense Production Act Loans

We issued *U.S. International Development Finance Corporation: Actions Needed to Improve Management of Defense Production Act Loan Program*, [GAO-22-104511](#), on November 17, 2021.

GAO@100 Highlights

Highlights of [GAO-22-104511](#), a report to congressional committees

Why GAO Did This Study

DFC, the U.S. government's international development finance institution, began operations in December 2019. In June 2020, DFC and DOD started using certain DPA authorities to conduct a 2-year domestic loan program to respond to the COVID-19 pandemic and strengthen relevant U.S. supply chains, under the President's Executive Order 13922. Members of Congress have expressed concern about DFC's ability to manage DPA activities along with its international development mission.

House of Representatives Report 116-444 included a provision for GAO to review DFC's activities under the DPA. This report examines the extent to which DFC has (1) made loans that contributed to the pandemic response and planned to assess program effectiveness; (2) assessed and responded to the organizational risks of carrying out DPA activities along with its international development responsibilities; and (3) implemented internal controls to ensure full accounting of its DPA costs for DOD reimbursement. GAO reviewed DPA Loan Program procedures and documents, analyzed DFC data on loan applications, and interviewed DFC and DOD officials.

What GAO Recommends

GAO is recommending that DFC, in consultation with DOD, develop a plan to evaluate the DPA Loan Program's effectiveness; and that DFC complete its methodologies for accounting for all reimbursable DPA program costs. DFC did not concur with the first recommendation but did concur with the second. GAO continues to believe both recommendations are valid.

View [GAO-22-104511](#). For more information, contact Chelsa Kenney at (202) 512-2964 or KenneyC@gao.gov.

November 2021

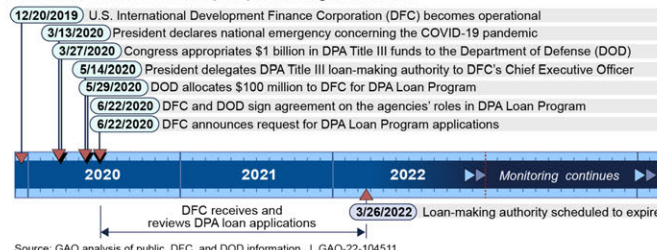
U.S. INTERNATIONAL DEVELOPMENT FINANCE CORPORATION

Actions Needed to Improve Management of Defense Production Act Loan Program

What GAO Found

The primary mission of the U.S. International Development Finance Corporation (DFC) is to partner with the private sector to invest in development projects around the world. Since the Defense Production Act (DPA) Loan Program began in June 2020 to respond to the COVID-19 outbreak and strengthen domestic supply chains, DFC and the Department of Defense (DOD) have received 178 applications. As of mid-October 2021, the agencies have completed no loans (see figure). DFC officials said factors that slowed the process included more applications and more complex interagency involvement than DFC expected. To improve efficiency, DFC and DOD have prioritized medical applications and revised procedures, but they lack plans to evaluate the program's overall effectiveness. Such plans could inform decisions about the future use of DPA lending authority and increase congressional and public confidence that program costs and risks are reasonable relative to outcomes.

DFC Defense Production Act (DPA) Loan Program Timeline



Source: GAO analysis of public, DFC, and DOD information. | [GAO-22-104511](#)

DFC did not fully assess and respond to the risks of carrying out the DPA Loan Program along with its primary mission in fiscal year 2020 because it was still developing an agency-wide risk management approach when the program started. DFC took some steps to mitigate risks when designing the DPA program, such as reducing the use of international development mission resources by hiring dedicated staff to manage DPA loans. DFC took further steps in fiscal year 2021 to assess risks the agency faces, including developing an agency-wide Risk and Opportunity Profile. DFC is on track to complete this profile by October 2021. It has also identified the DFC offices that will be responsible for managing each risk, including risks related to the DPA Loan Program.

DFC has developed methodologies to account for most, but not all of the costs to administer the DPA Loan Program eligible for reimbursement by DOD. As of early October 2021, DFC had submitted six partial invoices, totaling about \$1.4 million, for reimbursement. The invoices were partial because DFC lacks methodologies to calculate all categories of reimbursable costs called for by federal cost accounting standards. For example, DFC has a methodology for allocating labor hours, but not for the DPA program's portion of office space and equipment shared with the rest of DFC. In addition to resulting in incomplete invoices, DFC's incomplete cost accounting methodologies mean DFC and DOD cannot be certain of the full costs of establishing and operating the program.

United States Government Accountability Office

VA Supply Chain

We issued *VA Acquisition Management: Fundamental Challenges Could Hinder Supply Chain Modernization Efforts If Not Addressed*, [GAO-22-105483](#), on November 18, 2021.

GAO@100 Highlights

Highlights of [GAO-22-105483](#), a testimony before the Subcommittee on Oversight and Investigations and Subcommittee on Technology Modernization, Committee on Veterans' Affairs, House of Representatives

Why GAO Did This Study

GAO's prior work shows that VA has long faced challenges in achieving efficient acquisitions. Further, VA faced supply chain challenges during the early stages of the COVID-19 pandemic, as GAO testified in [June 2020](#), [September 2020](#), and [March 2021](#).

This statement discusses VA's supply chain and broader acquisition management challenges, its efforts to address them, and implications for improving VA's overall acquisition management. This statement is largely based on information from GAO reports and testimony statements issued from 2017-2021 and preliminary observations from ongoing work. The ongoing work includes reviews focused on VA's management of major acquisitions and its acquisition workforce, on which GAO plans to issue reports in summer 2022.

To perform the ongoing work, GAO reviewed VA documentation and interviewed VA officials. Information about the scope and methodology of prior work on which this statement is based can be found in those products.

What GAO Recommends

GAO made 51 recommendations since 2015 to improve acquisition management at VA. VA agreed with those recommendations and has implemented 29 of them. VA has yet to fully implement four priority recommendations including one to develop a comprehensive supply chain management strategy.

View [GAO-22-105483](#). For more information, contact Shelby S. Oakley at (202) 512-4841 or oakleys@gao.gov.

November 18, 2021

VA ACQUISITION MANAGEMENT

Fundamental Challenges Could Hinder Supply Chain Modernization Efforts If Not Addressed

What GAO Found

VA has one of the most significant acquisition functions in the federal government, with over \$34 billion obligated in fiscal year 2021. GAO added the Department of Veterans Affairs' (VA) acquisition management to its High-Risk List in 2019 due to long-standing acquisition management challenges, including purchases of goods and services, particularly medical supplies. For example, VA's Medical-Surgical Prime Vendor (MSPV) program is the VA medical centers' primary source for medical supplies. In 2017, GAO reported that VA's initial implementation of the current version of MSPV was flawed. It lacked an overarching strategy, stable leadership, and medical center buy-in. Consequently, despite some improvements, the program has yet to fully meet medical centers' needs for medical supplies.

Additionally, during 2019 and 2020, the Veterans Health Administration piloted the Defense Logistics Agency's version of MSPV and decided to expand it VA-wide. However, it did not evaluate whether the pilot was scalable, as GAO recommended in September 2020. A legal challenge has led to further delays, during which the medical centers continue to face the shortcomings of the current version of the program, including frequent backorders and other issues.

GAO's March 2021 High-Risk Update reported that VA has made limited progress addressing its acquisition management challenges. Since that time, VA has issued a high-risk action plan. While this plan identifies root causes of problems GAO identified in prior work, it lacks specifics. For example, the plan does not identify the scope of VA's supply chain and how existing programs and initiatives will be included in its overall supply chain modernization effort.

In March 2021, GAO made a recommendation that VA develop a comprehensive supply chain management strategy, given existing and continuing supply chain challenges that were highlighted by the COVID-19 pandemic. In response, VA has taken action and, according to the Chief Acquisition Officer, plans to complete a supply chain assessment by the end of 2022, which will inform its supply chain strategy.

While GAO recognizes that VA is taking action on supply chain issues, preliminary observations from its ongoing work underscore that VA has fundamental acquisition management challenges that, if not addressed, could undermine these supply chain efforts. For example, preliminary observations indicate that several of VA's key acquisition programs are not following VA's acquisition framework introduced in 2017—a situation confirmed by senior VA acquisition officials. A good acquisition framework, among other things, can help ensure that VA leaders have a structured process and the necessary information to make decisions at key points as it implements and executes a program. Such a framework also provides leaders with ways to monitor program outcomes and ensure accountability. GAO will be reporting on VA's current framework and actions it is taking to develop and implement a new framework and other actions related to acquisition oversight in the summer of 2022.

United States Government Accountability Office

Behavioral Health and COVID-19

We issued *Behavioral Health and COVID-19: Higher-Risk Populations and Related Federal Relief Funding*, [GAO-22-104437](#), on December 10, 2021.

GAO@100 Highlights

Highlights of [GAO-22-104437](#), a report to congressional committees

Why GAO Did This Study

The COVID-19 pandemic has had repercussions for the behavioral health of the nation. During the pandemic, U.S. adults have reported higher rates of anxiety and depression symptoms and substance use. To address related concerns, the CARES Act; the Consolidated Appropriations Act, 2021; and the American Rescue Plan Act of 2021 appropriated relief funds specifically for behavioral health.

The CARES Act includes a provision for GAO to report on its ongoing monitoring and oversight efforts related to the COVID-19 pandemic. This report describes (1) populations that may be at higher risk of behavioral health effects; (2) the amount and type of funding the federal government provided in COVID-19 relief to address behavioral health needs; and (3) whether COVID-19 relief funds for behavioral health could serve higher-risk populations, and how selected funding recipients plan to use these funds. GAO will continue to monitor behavioral health issues as part of ongoing COVID-19 related oversight.

To conduct this work, GAO reviewed selected research on COVID-19 and behavioral health, and relevant federal funding opportunity and awards documents. GAO also interviewed stakeholders, such as federal officials, researchers, and grantees. Grantees included state officials and providers in four states and Washington, D.C., selected based on state behavioral health metrics and CARES Act-funded grants received, among other factors.

GAO incorporated technical comments from the departments of Health and Human Services and Homeland Security, as appropriate.

View [GAO-22-104437](#). For more information, contact Alyssa M. Hundrup at (202) 512-7114 or hundrupa@gao.gov.

December 2021

BEHAVIORAL HEALTH AND COVID-19

Higher-Risk Populations and Related Federal Relief Funding

What GAO Found

The effects of the COVID-19 pandemic and related economic crisis—such as increased social isolation, stress, and unemployment—have intensified concerns about the number of people in the U.S. affected by behavioral health conditions: mental health and substance use disorders. Based on 32 interviews with federal, state, and other stakeholders, and a review of selected research, GAO found that certain populations may be at higher risk of new or exacerbated behavioral health symptoms or conditions related to the pandemic. Six populations were cited by the most stakeholders as being at higher risk of such behavioral health effects for a range of reasons. Children and adolescents, for example, had rising rates of behavioral health conditions before the pandemic and then faced disruptions to school-based behavioral health services, stakeholders said. They also said that people may be part of multiple higher-risk populations, though not everyone at risk will develop symptoms or conditions. Stakeholders cautioned that with the COVID-19 pandemic ongoing, it will take time to determine how different populations may be affected in the long term.

Populations Cited by the Most Stakeholders as Being at Higher Risk of Behavioral Health Effects

 People from certain racial and ethnic groups	 Health care workers	 Children and adolescents
 People with pre-existing behavioral health conditions	 Young adults	 People facing financial distress

Source: GAO analysis of stakeholder input and selected research. | [GAO-22-104437](#)

As of November 2021, the federal government awarded over \$8 billion in COVID-19 relief funding for behavioral health. Over 97 percent of this funding was provided to states and other recipients through six programs: one Federal Emergency Management Agency program, and five Substance Abuse and Mental Health Services Administration (SAMHSA) programs. For example, SAMHSA awarded about \$5.3 billion to 50 states, Washington, D.C., eight U.S. territories and other jurisdictions, and one tribe through supplements to existing substance abuse and mental health block grants using standard statutory formulas. The Federal Emergency Management Agency also awarded about \$467 million to 46 states, Washington, D.C., and four U.S. territories via the Crisis Counseling Assistance and Training Program.

GAO's review of program documentation shows that the COVID-19 relief funds for behavioral health, as awarded through the six programs, could generally serve the six higher-risk populations identified by stakeholders. Selected funding recipients in four states and Washington, D.C., reported varying ways they were using, or planned to use, relief funds to reach higher-risk populations. For example, officials in one state said they planned to use some mental health block grant funds to assist children and adolescents in the child protective services system. SAMHSA officials said that it would take time to determine who was actually served by COVID-19 relief funded programs, but said that it was important to examine grantee data to determine whether target populations were reached and identify any gaps, and the agency planned to do so.

United States Government Accountability Office

Services for Older Adults

We issued *COVID-19: Selected States Modified Meal Provision and Other Older Americans Act Services to Prioritize Safety*, [GAO-22-104425](#), on December 15, 2021.

GAO@100 Highlights

Highlights of [GAO-22-104425](#), a report to congressional addressees

Why GAO Did This Study

COVID-19 relief funding in 2020 and 2021 totaled over \$2.7 billion to support OAA services during the pandemic. OAA provides services, such as home-delivered meals, in-home personal care, and caregiver support services, to help older adults age in place in their homes and communities.

As part of GAO's CARES Act oversight responsibilities, this report examines (1) states' use of OAA COVID-19 funds and related flexibilities, (2) strategies selected states and localities used to serve older adults during the pandemic, and (3) ACL's efforts to oversee COVID-19 funds and support states.

GAO reviewed national data from ACL on OAA service expenditures from fiscal years 2019 and 2020 (the most recent available), related ACL guidance, and relevant federal laws and regulations. Additionally, GAO interviewed officials from four state units on aging (Georgia, New Mexico, New York, and South Dakota), selected based on their percentages of older adults, and demographic and geographic diversity. In these states, GAO interviewed officials from eight localities that deliver OAA services in both rural and urban areas. GAO also interviewed ACL headquarters and regional officials and representatives from six national aging organizations.

View [GAO-22-104425](#). For more information, contact Kathryn A. Larin, (202) 512-7215 or larink@gao.gov

December 2021

COVID-19

Selected States Modified Meal Provision and Other Older Americans Act Services to Prioritize Safety

What GAO Found

States spent most of their supplemental COVID-19 funding from the Older Americans Act of 1965 (OAA) to provide meals, and reported using certain pandemic-related flexibilities to waive some related requirements. In fiscal year 2020, states overall provided about 24 million more meals—using COVID-19 and other funds—compared to 2019, according to national data from the Department of Health and Human Services' Administration for Community Living (ACL). Compared to meals, states spent much less of the supplemental funding on other OAA services, such as providing in-home care. In addition, officials from four selected states reported using CARES Act flexibilities to help address pandemic-related challenges. For example, officials from most of the selected localities in these states said waiving nutrition requirements for OAA-provided meals helped them meet demand by providing frozen meals, shelf-stable meals, or groceries.

Officials GAO interviewed from the four selected states and eight localities reported adapting to safety concerns during the pandemic by modifying meal services or temporarily suspending other OAA services, although in-person services in most localities resumed by September 2021. For example, some localities reported converting from meals served in group settings to meals that could be taken home (see photos). In addition, most localities reported holding wellness classes or other activities online. Some localities reported reducing or temporarily suspending in-home care services due to safety concerns. Officials from most of the localities reported leveraging new or existing partnerships with public health and emergency agencies, and most localities reported assisting with COVID-19 vaccinations.

Selected Localities Found Alternative Methods for Providing Meals to Older Adults during the Pandemic



Source: GAO photos. | [GAO-22-104425](#)

ACL modified state reporting processes to oversee COVID-19 spending and supported states by providing guidance and information. For fiscal year 2020, ACL asked states to report their use of COVID-19 supplemental funds in narrative form. Due to the flexible format, ACL received varying levels of detail that ACL said required considerable follow-up with states. For fiscal year 2021, ACL developed a template for state reporting, which officials said will help them efficiently collect more consistent information on the use of COVID-19 funds. ACL supported states by providing frequent guidance, sharing information on the use of funds, and suggesting ways to modify services.

United States Government Accountability Office

Improving USAspending.gov

We issued *Federal Spending Transparency: Opportunities Exist for Treasury to Further Improve USAspending.gov's Use and Usefulness*, [GAO-22-104127](#), on December 16, 2021.

GAO@100 Highlights

Highlights of [GAO-22-104127](#), a report to congressional addressees

Why GAO Did This Study

In fiscal year 2020, the federal government spent \$7.4 trillion. USAspending.gov, the Data Lab website, and PandemicOversight.gov provide key information on this spending.

Congress included a provision for GAO to review implementation of the Digital Accountability and Transparency Act of 2014, which requires federal reporting of spending data. This report examines (1) user perspectives on useful activities for, and challenges with, these websites; (2) the extent to which information on use and usability of the USAspending.gov and Data Lab websites informs updates of their design and operation; and (3) the extent to which Treasury has addressed challenges regarding the awareness of, and data limitation disclosures on, USAspending.gov.

For this report, GAO collected user input from a nongeneralizable sample of 63 individuals and organizations using a snowball sampling technique. This allowed GAO to identify contacts through referrals, and additional information from a projectable sample of federal managers who were familiar with USAspending.gov. GAO also analyzed documents, compared Treasury actions with guidance and good practices, and interviewed agency officials.

What GAO Recommends

GAO is making four recommendations to Treasury, including that it should target USAspending.gov promotion and training to specific user personas, and make known data limitation disclosures more prominent and easily accessible to users. Treasury concurred with our recommendations.

View [GAO-22-104127](#). For more information, contact Michelle Sager at (202) 512-6806 or SagerM@gao.gov.

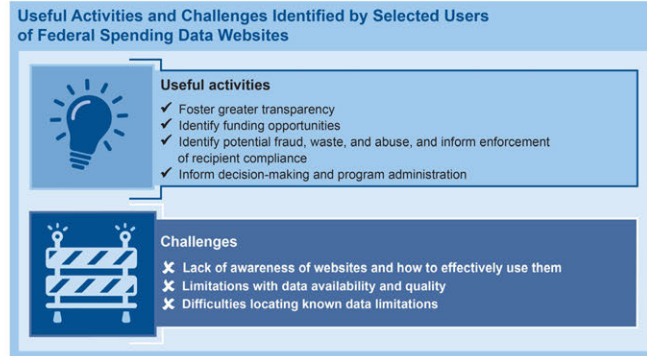
December 2021

FEDERAL SPENDING TRANSPARENCY

Opportunities Exist for Treasury to Further Improve USAspending.gov's Use and Usefulness

What GAO Found

Federal spending data websites let users search, download, and analyze how the U.S. government spends public funds. Users GAO interviewed—representing the public, recipients of federal funds, and federal agencies, among others—identified a variety of uses for, and challenges with, these websites (see figure).



Source: GAO analysis of interviews from actual and potential spending data users. | GAO-22-104127

The Department of the Treasury has collected website user feedback through various channels including usability testing sessions and an online community forum. In response to that input, Treasury officials have added information on unreported data to, created a data dictionary for, and provided additional file formats for downloads on their spending data websites.

Consistent with user-centered website design principles, Treasury identified specific types of expected users through the development of user "personas"—such as citizens and recipients—each with different interests and needs. However, GAO's analysis found limited evidence that Treasury targeted USAspending.gov training toward these personas. GAO also found that Treasury generally did not target promotion efforts to these personas. Without taking these steps, Treasury may miss opportunities to encourage greater use of the website or properly address the needs of the different types of users.

Website users also reported difficulties locating disclosures of data limitations on USAspending.gov. This information is typically unavailable on or near the pages where users are searching for, or viewing, the data. In addition, GAO found that USAspending.gov does not include a site search function that could be used to more easily locate information on data limitations. If users cannot easily locate data limitation disclosures, they could inadvertently draw inaccurate conclusions from the data or lose confidence in them.

United States Government Accountability Office

Defense Production Act Authorities

We issued *COVID-19: Agencies Are Taking Steps to Improve Future Use of Defense Production Act Authorities*, [GAO-22-105380](#), on December 16, 2021.

GAO@100 Highlights

Highlights of [GAO-22-105380](#), a report to congressional committees

Why GAO Did This Study

COVID-19 put the U.S. health care system under severe strain, affecting federal agencies' ability to buy and maintain critical medical supplies to help treat patients and protect health care workers. The federal government's COVID-19 response included a significant use of DPA authorities, as well as other actions focused on expanding domestic production of medical supplies to help stabilize the medical supply chain. The CARES Act and other supplemental appropriations provided at least \$11 billion for DPA purchases and other actions related to COVID-19 or other public health emergencies through September 2025.

The CARES Act includes a provision for GAO to monitor funds provided for the COVID-19 pandemic. This report summarizes federal agencies' use of the DPA to respond to COVID-19 and industry perspectives, as well as implementation challenges and steps agencies have taken to address these challenges. This report summarizes information contained in reports issued in [June](#), [September](#), and [November 2020](#), and [January](#), [March](#), [April](#) and [July 2021](#), and provides data updates through September 2021.

What GAO Recommends

In November 2020, GAO recommended that HHS identify how the DPA and other actions will be used to increase production of domestic medical supplies and reduce U.S. reliance on foreign sources. HHS agreed but has not yet determined what specific actions it will take.

View [GAO-22-105380](#). For more information, contact W. William Russell at (202) 512-4841 or RussellW@gao.gov

December 2021

COVID-19

Agencies Are Taking Steps to Improve Future Use of Defense Production Act Authorities

What GAO Found

Federal agencies used the Defense Production Act (DPA) and other actions over 100 times to help address COVID-19 medical supply needs through September 2021. Agencies used DPA authorities to 1) prioritize contracts so those orders can get preference over others, (2) fund projects to expand domestic production of supplies, and (3) enter into partnerships with private companies (see figure).

Defense Production Act and Other Actions, March 2020-September 2021

Defense Production Act Authorities	Priority-rated contracts	Domestic production expansion	Public-private partnerships
Number of actions	73 contracts and orders	60 projects and other actions*	1 overarching agreement
Examples of output	<ul style="list-style-type: none"> Supported manufacturing of COVID-19 vaccines Prioritized delivery of over 800 million N95 respirators 	<ul style="list-style-type: none"> Increased production capacity of N95 respirators by over 50 million per month 	<ul style="list-style-type: none"> Developed plan that helps coordinate distribution of personal protective equipment.

Source: GAO analysis of federal agency information. | [GAO-22-105380](#)

*Other actions refer to production expansion projects not executed under DPA Title III authority.

Representatives from companies that received DPA awards generally stated that the use of the DPA gave them timely access to raw materials and supplies and helped them expand production faster than they could have on their own.

GAO previously reported that federal agencies faced challenges using DPA authorities. Agencies have taken some steps to address these obstacles as well as one of two recommendations GAO made.

- The Department of Health and Human Services (HHS), which had limited DPA experience prior to COVID-19, reported establishing offices to review DPA priority rating requests and to manage industrial base expansion efforts. However, it has not developed a plan for using DPA and other actions to address future medical supply needs as GAO recommended.
- The Department of Defense, which has been providing significant contracting support to HHS, documented procedures to facilitate the timely transfer of funds between the two agencies and established a permanent office in October 2020 to support interagency needs.
- The Office of Management and Budget established a web page to collect and publish data on DPA priority ratings, which addressed a prior GAO recommendation concerning transparent reporting of these DPA actions.

Additional DPA and other actions are expected through 2025 as agencies use \$10 billion appropriated in the American Rescue Plan Act for medical supply investments and implement a September 2021 national strategy to strengthen the domestic medical industrial base. GAO plans to monitor agencies' efforts.

United States Government Accountability Office

Housing Finance Vulnerabilities

We issued *Housing Finance System: Future Reforms Should Consider Past Plans and Vulnerabilities Highlighted by Pandemic*, [GAO-22-104284](#), on January 13, 2022.

GAO Highlights

Highlights of [GAO-22-104284](#), a report to congressional addressees

Why GAO Did This Study

Since 2013, GAO has designated the federal role in housing finance as a high-risk area because of the significant risks the current role poses. In September 2019, Treasury and HUD began implementing housing finance reform plans, which included steps to transition the enterprises from federal conservatorship. But pandemic-related strains on the housing finance system and the transition to a new administration have increased uncertainty about the future of reform.

The CARES Act includes a provision for GAO to monitor federal efforts related to COVID-19. Congress also included a provision in statute for GAO to annually review financial services regulations. This report examines (1) vulnerabilities in the housing finance system highlighted by the pandemic, and (2) the nature and status of recommendations in the 2019 reform plans and the extent to which they align with system vulnerabilities and GAO's housing finance reform framework (GAO-15-131).

GAO reviewed housing finance system research and regulations and agency documents on system reforms and pandemic responses. GAO aligned recommendations in the 2019 plans with system vulnerabilities and its 2014 framework elements. GAO also analyzed information on the status of the plan recommendations and interviewed agency and industry representatives.

What GAO Recommends

GAO recommends that as Treasury and HUD develop future plans, they consider recommendations from the 2019 plans that could help address system vulnerabilities and ensure future plans address all GAO framework elements. Treasury and HUD accepted GAO's recommendations.

View [GAO-22-104284](#). For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or garciadiaz@gao.gov.

January 2022

HOUSING FINANCE SYSTEM

Future Reforms Should Consider Past Plans and Vulnerabilities Highlighted by Pandemic

What GAO Found

The COVID-19 pandemic highlighted three vulnerabilities in the housing finance system—although thus far mitigated by federal actions and market conditions—that remain relevant to the debate about future system reforms.

- **Federal fiscal exposure.** Exposure to potential mortgage credit losses during an economic crisis is substantial. The government directly or indirectly backs \$8 trillion in single-family mortgages, in part due to the ongoing federal conservatorships of Fannie Mae and Freddie Mac (enterprises).
- **Nonbank liquidity risks.** Nonbanks, which service more than 50 percent of federally backed mortgages, faced significant liquidity risk—that they would be unable to meet their financial obligations—at the onset of the pandemic because they were not receiving loan payments but had to continue paying mortgage investors. Failures of nonbanks could constrain mortgage credit.
- **Market instability.** In March 2020, the pandemic's economic shock temporarily disrupted the mortgage-backed securities (MBS) market by causing many investors to sell assets. This overwhelmed market intermediaries and created conditions where MBS could not be sold. Continued market dysfunction could have limited mortgage availability and caused other credit markets to freeze.

GAO analysis of the 2019 housing finance reform plans issued by the Department of the Treasury and Department of Housing and Urban Development (HUD) identified recommendations that align with these vulnerabilities and GAO's 2014 housing finance reform framework. The plans made 81 administrative recommendations to agencies and 35 legislative recommendations to Congress.

- The plans contained 34 recommendations focused on federal fiscal exposure, three related to nonbank liquidity risks, and one related to MBS market stability. Regarding fiscal exposure, the recommendations included steps to help ensure the enterprises and the Federal Housing Administration's (FHA) mortgage insurance programs are financially sound. Some steps, such as strengthening the enterprises' capital framework, were implemented. Others, including certain recommendations to improve the financial viability of FHA's program for reverse mortgages (a loan against home equity), were not.
- Each of the plans' recommendations aligned with an element of GAO's framework, and the recommendations collectively addressed all the elements to some degree (see figure below). The elements include control of fiscal exposure, alignment of policies with goals, capacity to manage risks, and borrower protections and access to mortgages. As of January 2021—the latest point at which Treasury and HUD systematically tracked implementation—agencies implemented or took partial action on 57 of 81 administrative recommendations, focusing primarily on framework elements for control of fiscal exposure and capacity to manage risks. For example, FHA substantially implemented a recommendation to develop and integrate automated tools for managing mortgage origination risks. As of September 2021, Congress had not enacted legislation to implement any of the 35 legislative recommendations.

United States Government Accountability Office

HHS-DOD COVID-19 Countermeasures Acceleration Group

We issued *COVID-19: HHS and DOD Transitioned Vaccine Responsibilities to HHS, but Need to Address Outstanding Issues*, [GAO-22-104453](#), on January 19, 2022.

GAO Highlights

Highlights of [GAO-22-104453](#), a report to congressional addressees

Why GAO Did This Study

Vaccines have played a crucial role in battling the COVID-19 pandemic. The CAG worked with vaccine companies to develop COVID-19 vaccines, and made available a sufficient supply for all eligible people in the nation. An April 2021 memorandum of understanding between HHS and DOD called for the transfer of remaining CAG responsibilities to HHS and for identification of lessons learned.

The CARES Act includes a provision for GAO to report on its ongoing monitoring and oversight efforts related to the COVID-19 pandemic. This report examines, among other things, the CAG's progress on (1) transitioning its responsibilities to HHS, and (2) developing a process for a joint interagency lessons learned review.

GAO reviewed CAG transition and contracting documents and interviewed or received written responses from CAG officials, federal agencies, and representatives from the six vaccine companies that worked with the CAG.

What GAO Recommends

GAO is making five recommendations related to workforce needs, scheduling best practices for vaccine-related activities, and lessons learned from key stakeholders.

HHS did not concur with GAO's recommendation on workforce needs. GAO revised this recommendation based on updated information, but maintains that it continues to be valid, as discussed in the report.

View [GAO-22-104453](#). For more information, contact Alyssa M. Hundrup at (202) 512-7114 or hundrupa@gao.gov

January 2022

COVID-19

HHS and DOD Transitioned Vaccine Responsibilities to HHS, but Need to Address Outstanding Issues

What GAO Found

Starting in May 2020, federal efforts to accelerate the development, manufacturing, and distribution of COVID-19 vaccines had been led by a partnership between the Department of Health and Human Services (HHS) and the Department of Defense (DOD). Formerly known as Operation Warp Speed, the partnership was renamed the HHS-DOD COVID-19 Countermeasures Acceleration Group (CAG). According to HHS and DOD officials, the CAG dissolved and transitioned its responsibilities—including DOD-led vaccine activities—to HHS by December 31, 2021, as required by an April 2021 memorandum of understanding between the two departments.

Manufacturing of COVID-19 Vaccines



Source: Yingyapumi/stock.adobe.com. | GAO-22-104453

While HHS and DOD officials said they achieved transition milestones indicating that HHS is ready to assume responsibilities formerly led by DOD, it is unclear how HHS will address its workforce needs now that the CAG has dissolved. Specifically, GAO found that HHS has assessed its workforce capabilities, but lacks strategies for addressing these workforce needs. By formally providing its support until HHS develops and implements these strategies, DOD can help ensure that HHS can continue these responsibilities uninterrupted, including responsibilities for addressing ongoing vaccine needs for boosters or for any emerging COVID-19 variants. Moreover, HHS does not have a schedule that is consistent with best practices to help it manage remaining vaccine-related activities. Such a schedule could help HHS better plan actions and mitigate delays, and be a source for identifying lessons learned for any future pandemics.

The CAG developed a plan for conducting a joint, interagency lessons-learned review. This plan outlines an approach for collecting information—such as perspectives on challenges—from CAG staff, and for sharing the plan with HHS. However, the plan misses an opportunity to gather perspectives from key external stakeholders, including vaccine companies, critical to developing vaccines. Obtaining these perspectives could provide a more comprehensive understanding of areas where the CAG was successful and opportunities for improvement, which could help inform HHS's ongoing and future vaccine work.

United States Government Accountability Office

International Humanitarian Assistance

We issued *COVID-19: Better USAID Documentation and More-Frequent Reporting Could Enhance Monitoring of Humanitarian Efforts*, [GAO-22-104431](#), on January 26, 2022.

GAO Highlights

Highlights of [GAO-22-104431](#), a report to congressional addressees

Why GAO Did This Study

The COVID-19 pandemic has created new humanitarian needs and exacerbated existing vulnerabilities around the world. In response to the pandemic, Congress appropriated and State and USAID obligated \$908 million in supplemental funding in fiscal year 2020 for international humanitarian assistance activities.

The CARES Act includes a provision for GAO to monitor the federal government's efforts to respond to the COVID-19 pandemic. This report examines how State and USAID adapted their monitoring of humanitarian assistance activities supported by COVID-19 supplemental funding. This report also describes how implementing organizations adapted their projects to the COVID-19 context and the challenges they faced.

GAO reviewed State and USAID planning, funding, and guidance documents and interviewed officials; obtained data on all humanitarian assistance awards funded from COVID-19 fiscal year 2020 supplemental appropriations. GAO also reviewed relevant documents for a nongeneralizable sample of 12 awards (seven to NGOs, five to public international organizations), selected on the basis of factors such as geographic representation and type of implementer.

What GAO Recommends

GAO recommends USAID better communicate expectations for documentation of field-level oversight, and assess the tradeoffs of more-frequent reporting. USAID concurred with the recommendations.

View [GAO-22-104431](#). For more information, contact Chelsa Kenney at (202) 512-2964 or kenneyc@gao.gov.

January 2022

COVID-19

Better USAID Documentation and More-Frequent Reporting Could Enhance Monitoring of Humanitarian Efforts

What GAO Found

The Department of State (State) and the U.S. Agency for International Development (USAID) shifted to remote monitoring of their humanitarian assistance awards in response to COVID-19, but USAID documented field-level oversight inconsistently. State and USAID officials reported using technology, such as video conferencing, to communicate with agency staff and with organizations implementing the awards but generally ceased in-person meetings as well as site visits by headquarters-based staff. State used a standardized template to consistently document oversight of two nongovernmental organization (NGO) awards GAO reviewed. However, USAID did not consistently document field-level oversight of five NGO awards GAO reviewed. USAID staff were either unaware of the relevant guidance on field-level oversight or believed it was no longer in effect. Communicating to staff the expectations for documentation would help USAID preserve institutional knowledge and ensure management has information needed to make programming decisions.

USAID required implementers using fiscal year 2020 COVID-19 supplemental funds to submit monthly reports, which contributed to lessons learned and informed headquarters staff. In March 2021, USAID reverted to semiannual reporting for new awards but did not fully assess the trade-offs of doing so. Such an assessment could help USAID weigh competing factors, such as increased risks while monitoring remains curtailed by the pandemic versus the burden placed on implementing organizations by more frequent reporting.

Organizations implementing State and USAID humanitarian assistance awards adapted to COVID-19 chiefly through low-tech remote solutions and faced implementation and monitoring challenges. These adaptations included (1) increased use of social distancing and personal protective equipment (see figure), (2) teleconferences or video conferences instead of in-person meetings, and (3) increased use of remote tools, such as telephone surveys. Implementers faced related procurement, technology, and logistics challenges, which delayed program implementation.

Masked and Socially Distanced Humanitarian Assistance Training in Honduras



Source: Global Communities. | [GAO-22-104431](#)

United States Government Accountability Office

Appendix IV: List of Ongoing GAO Work Related to COVID-19 as of December 28, 2021

Agencies' Readiness and Use of Telework for COVID-19 Response

Aviation Contact Tracing

CARES Act Assistance to Farmers

U.S. Customs and Border Protection Trade Facilitation during COVID-19

COVID-19 Diagnostic Testing

COVID-19 Disparities

COVID-19 in Nursing Homes: Data and Challenges

COVID-19 in Nursing Homes: Federal Policies

COVID-19 Meat and Poultry Worker Safety

COVID-19 Unemployment Assistance for Contingent Workers

COVID-19 Vaccine Allocation Methodology

COVID-19: Employer Tax Provisions

COVID-19: State Department Overseas Operations

Department of Defense Advance and Progress Payments during the COVID-19 National Emergency

Election Administration during the COVID-19 Pandemic

Emergency Rental Assistance Program

Financial Regulatory Oversight during COVID-19

Fraud Risks in Small Business Administration (SBA) Pandemic Relief Programs

Health Insurance Loss

Department of Health and Human Services (HHS) High-Risk Research Oversight

HHS Medicare Telehealth Waivers for COVID-19

HHS Public Relations Campaign

HHS's Public Health Situational Awareness Capability

Indian Health Service Response to COVID-19

K-12 Disconnected Students during the COVID-19 Pandemic

Medicaid Telehealth during COVID-19

Medical Surge Readiness

Oversight of Emergency Rental Assistance Program

Oversight of Unemployment Insurance during COVID-19

Pandemic Learning Loss

Political Interference at Selected HHS Agencies

Post-COVID-19 Federal Space Planning

Regulatory Flexibilities for COVID-19 Response

SBA Assistance to Venues

SBA Restaurant Revitalization Fund

Scientific Integrity at Selected HHS Agencies

Social Security Administration Service Delivery during COVID-19

State Small Business Credit Initiative Funds for COVID-19 Response

Strategic National Stockpile Contents and Management Review

Tax Policy Effects on Businesses by Sex, Race, and Ethnicity

Tax Policy Effects on Households by Sex, Race, and Ethnicity

Tribal Epidemiological Data Access

Transportation Security Administration COVID-19-related Directives for Transportation Systems

Unemployment Insurance Risks and Transformation

Appendix V: Comments from the Internal Revenue Service



OFFICE OF THE
CHIEF RISK OFFICER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

December 16, 2021

Mr. James R. McTigue, Jr.
Director, Tax Issues, Strategic Issues Team
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. McTigue:

On behalf of the Commissioner and the Senior Leadership team at the Internal Revenue Service, thank you for the opportunity to review your draft report titled: COVID-19: Significant Improvements Needed for Leadership of Public Health Emergencies and Oversight of Relief Funds (GAO-22-105291).

Prior to COVID, Accounts Management met the 90-day timeframe for the majority of carryback cases. During COVID, Congress enacted the CARES Act of 2020, changing the carryback eligibility rules and making them retroactive for tax years 2018 -2020. The law significantly increased carryback volumes over the prior tax year receipts. Pandemic related evacuation orders limited normal staffing abilities and further contributed to overage. Even with an indicator to trigger when the 90-day timeframe is approaching or surpassed, the IRS would still not have been adequately resourced to prevent the overage due to the unprecedented impacts from the pandemic, the high volume of cases and limited staffing.

We appreciate the input and recommendation from GAO which we will take into careful consideration as we continue to make improvements to ensure the IRS can serve the needs of the nation's taxpayers well into the future. Enclosed are comments regarding the recommendations for the IRS that were made in this report. Technical comments have been provided separately.

If you have any questions, please contact Sammi Shultz, Director, Enterprise Audit Management at Sammi.Shultz@IRS.gov. Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Thomas A. Brandt".

Thomas A. Brandt
IRS Chief Risk Officer

Enclosure

Enclosure

RECOMMENDATION 1

The Commissioner of Internal Revenue should establish mitigation plans—including indicators, such as a threshold to initiate mitigation activities—to timely address any future challenges to processing applications for tentative refund on Forms 1045 and 1139 within the 90-day statutory requirement. (Recommendation 5)

COMMENTS

IRS employees have several inventory management tools to assist with timely processing of applications for tentative refunds. This includes functionality within an inventory system that allows employees to sort by priority, received date, case type, etc. This functionality allows employees and managers to ensure timely processing. In addition, IRS uses various reports shared with the processing sites to assist with timely processing. These include identification of the oldest cases, open case reports, etc. These reports are reviewed by Headquarters staff and shared accordingly with the processing sites to address delays in processing and to aid in monitoring to meet processing timeframes. Applications for tentative refunds are considered priority work and while they are subject to the 90-day statutory processing timeframe, they age at 45 days and the IRS makes every effort to process them within that timeframe.

Appendix VI: Comments from the Department of the Treasury



DEPARTMENT OF THE TREASURY

December 20, 2021

John Pendleton
Director, Financial Markets and Community Investment
Government Accountability Office
441 G St., N.W.
Washington, DC 20548

Dear Mr. Pendleton:

I write regarding the Government Accountability Office's (GAO) draft report entitled *COVID-19: Significant Improvements Needed for Leadership of Public Health Emergencies and Oversight of Relief Funds* (Draft Report). The U.S. Department of the Treasury appreciates GAO's efforts and has provided technical comments under separate cover.

The Draft Report makes one recommendation to Treasury, pertaining to the two Emergency Rental Assistance (ERA) programs created under the Consolidated Appropriations Act, 2021, and American Rescue Plan Act of 2021, respectively. The recommendation calls for the Secretary of the Treasury to design and implement processes, such as post-payment reviews or recovery audits, to help ensure timely identification and recovery of overpayments, including payments made on behalf of ineligible households through grantees, in the ERA programs. As noted by GAO, the ERA programs have been implemented in extraordinary emergency conditions. Treasury agrees that the processes GAO recommends are important, and we are working to establish post-payment reviews and recovery audit activities within the schedule prescribed in Treasury's Implementation Guide for Office of Management and Budget (OMB) Circular A-123 Appendix C: Requirements for Payment Integrity. Treasury also will be approving and initiating an ERA desk review plan that uses risk-based analytics to identify the highest-risk ERA recipients. Treasury is also actively working with OMB to publish guidance on the program in the Compliance Supplement early in the new year.

Thank you again for the opportunity to review the Draft Report and for your consideration of our comments.

Sincerely,

A handwritten signature in black ink, appearing to read "JL", written over a light blue horizontal line.

Jacob Leibenluft
Chief Recovery Officer
U.S. Department of the Treasury

Contacts

Report Director(s)

Jessica Farb

Managing Director, Health Care, (202) 512-7114, farbj@gao.gov

Congressional Relations

A. Nicole Clowers, Managing Director, clowersa@gao.gov, (202) 512-4400

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800

Strategic Planning and External Liaison

Stephen J. Sanford, Managing Director, spel@gao.gov, (202) 512-4707

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through our [website](#). Each weekday afternoon, GAO posts on its [website](#) newly released reports, testimony, and correspondence. You can also [subscribe](#) to GAO's email updates to receive notification of newly posted products.

Order by Phone

The price of each GAO publication reflects GAO's cost of production and distribution. Pricing and ordering information is posted on our [website](#).

To Report Fraud, Waste, and Abuse in Federal Programs

Website: <http://www.gao.gov/fraudnet/fraudnet.htm>

Automated answering system: (800) 424-5454 or (202) 512-7470

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [LinkedIn](#), [Twitter](#), and [YouTube](#). Subscribe to our [RSS Feeds](#) or [E-mail updates](#). Listen to our [Podcasts](#). Visit GAO on our [website](#) and read the [Watchblog](#).