

Highlights of GAO-20-625, a report to the Congress

Why GAO Did This Study

The outbreak of COVID-19 quickly spread around the globe. As of June 17, 2020, the United States had over 2 million reported cases of COVID-19. and over 100,000 reported deaths, according to federal agencies. Parts of the nation have also seen severely strained health care systems. Also, the country has experienced a significant and rapid downturn in the economy. Four relief laws, including the CARES Act, were enacted as of June 2020 to provide appropriations to address the public health and economic threats posed by COVID-19. In addition, the administration created the White House Coronavirus Task Force.

The CARES Act includes a provision for GAO to report bimonthly on its ongoing monitoring and oversight efforts related to the COVID-19 pandemic. This initial report examines key actions the federal government has taken to address the COVID-19 pandemic and evolving lessons learned relevant to the nation's response to pandemics, among other things.

GAO reviewed data and documents from federal agencies about their activities and interviewed federal and state officials as well as industry representatives. GAO also reviewed available economic, health, and budgetary data.

What GAO Recommends

GAO is making 3 new recommendations for agencies and 3 matters for consideration for Congress that are detailed in this Highlights and in the report.

View GAO-20-625. For more information, contact A. Nicole Clowers, (202) 512-7114 or clowersa@gao.gov.

COVID-19

Opportunities to Improve Federal Response and Recovery Efforts

What GAO Found

In response to the national public health and economic threats caused by COVID-19, four relief laws were enacted as of June 2020, including the CARES Act, in March 2020. These laws have appropriated \$2.6 trillion across the government. Six areas—Paycheck Protection Program (PPP); Economic Stabilization and Assistance to Distressed Sectors; unemployment insurance; economic impact payments; Public Health and Social Services Emergency Fund; and Coronavirus Relief Fund—account for 86 percent of the appropriations (see figure).

Appropriations for COVID-19 Response from COVID-19 Relief Laws Enacted as of May 31, 2020

Total appropriations amount: \$2,574 billion [B] \$670B \$500B \$375B \$282B \$232B \$150B \$365B (26%)(19%)(15%)0 20 40 60 80 100

Percentage

Paycheck Protection Program (Small Business Administration)

Economic Stabilization and Assistance to Distressed Sectors (Department of the Treasury)

Unemployment Insurance (Department of Labor)

Internal Revenue Service's Economic Impact Payments (Department of the Treasury)

Public Health and Social Services Emergency Fund (Department of Health and Human Services)

Public Health and Social Services Emergency Fund (Department of Health and Human Services

Coronavirus Relief Fund (Department of the Treasury)

Other

Source: GAO analysis of appropriation warrant information provided by the Department of the Treasury as of May 31, 2020. | GAO-20-625

Note: COVID-19 relief laws enacted as of May 31, 2020 include the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, Pub. L. No. 116-123, 134 Stat. 146; Families First Coronavirus Response Act, Pub. L. No. 116-127, 134 Stat. 178 (2020); CARES Act, Pub. L. No. 116-136, 134 Stat. 281 (2020); and Paycheck Protection Program and Health Care Enhancement Act, Pub. L. No. 116-139, 134 Stat. 620 (2020).

These amounts represent appropriation warrants issued as of May 31, 2020, by the Department of the Treasury to agencies in response to appropriations made by COVID-19 relief laws. A warrant is an official document issued upon enactment of an appropriation that establishes the amount of money authorized to be withdrawn from the Treasury. These amounts could increase in the future for programs with indefinite appropriations. In addition, this figure does not represent transfers of funds that agencies may make between accounts or transfers of funds they may make to other agencies, to the extent authorized by law.

Total federal spending data are not readily available because, under Office of Management and Budget guidance, federal agencies are not directed to report COVID-19 related obligations (financial commitments) and expenditures until July 2020. It is unfortunate that the public will have waited more than 4 months since the enactment of the CARES Act for access to comprehensive obligation and expenditure information about the programs funded through these relief laws.

Highlights of GAO-20-625 (Continued)

In the absence of comprehensive data, GAO collected obligation and expenditure data from agencies, to the extent practicable, as of May 31, 2020. For the six largest spending areas, GAO found obligations totaled \$1.3 trillion and expenditures totaled \$643 billion. The majority of the difference was due to the PPP, for which the Small Business Administration (SBA) obligated \$521 billion. The amounts for loan guarantees will not be considered expenditures until the loans are forgiven, and for those that are not forgiven, whether they are timely repaid.

GAO also collected expenditure data on other programs affected by the federal response. For example, GAO also found that the Department of Health and Human Services (HHS) has provided \$7 billion in COVID-19 Medicaid funding related to a temporary increase in the Federal Medical Assistance Percentage (FMAP), the statutory formula the federal government uses to match states' Medicaid spending. Based on the information GAO collected, government-wide spending totals at least \$677 billion, as of May 31, 2020.

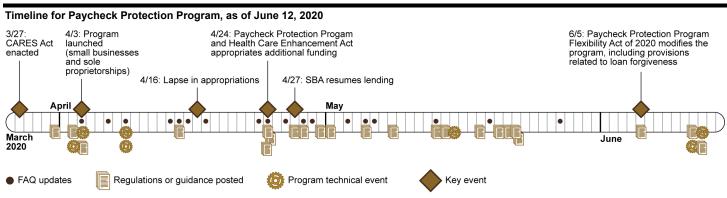
Given the sweeping and unfolding public health and economic crisis, agencies from across the federal government were called on for immediate assistance, requiring an unprecedented level of dedication and agility among the federal workforce, including those serving on the front lines to quickly establish services for those infected with the virus. Consistent with the urgency of responding to serious and widespread health issues and economic disruptions, agencies have given priority to moving swiftly where possible to distribute funds and implement new programs. As tradeoffs were made, however, agencies have made only limited progress so far in achieving transparency and accountability goals.

GAO has identified several challenges related to the federal response to the crisis, as well as recommendations to help address these challenges, including the following:

Viral testing. The Centers for Disease Control and Prevention (CDC) reported incomplete and inconsistent data from state and jurisdictional health departments on the amount of viral testing occurring nationwide, making it more difficult to track and know the number of infections, mitigate their effects, and inform decisions on reopening communities. However, HHS issued guidance on June 4, 2020, to laboratories that identifies required data elements to collect and how to report it to CDC. GAO will continue to examine activities related to COVID-19 testing.

Distribution of supplies. The nationwide need for critical supplies to respond to COVID-19 quickly exceeded the quantity of supplies contained in the Strategic National Stockpile, which is designed to supplement state and local supplies during public health emergencies. HHS has worked with the Federal Emergency Management Agency (FEMA) and the Department of Defense (DOD) to increase the availability of supplies. However, federal, state, and local officials have expressed concerns about the distribution, acquisition, and adequacy of supplies. GAO will continue to examine these issues as well as the administration's efforts to mitigate supply gaps.

Paycheck Protection Program. As of June 12, 2020, the Small Business Administration (SBA) had rapidly processed over \$512 billion in 4.6 million guaranteed loans through private lenders to small businesses and other organizations adversely affected by COVID-19. The \$512 billion represents loan obligations for SBA and does not include lender fees. As of May 31, 2020, SBA had expended about \$2 billion in lender fees. SBA moved quickly to establish a new nationwide program, but the pace contributed to confusion and questions about the program and raised program integrity concerns. First, borrowers and lenders raised a number of questions about the program and eligibility criteria. To address these concerns, SBA and the Department of the Treasury (Treasury) issued a number of interim final rules and several versions of responses to frequently asked questions (see figure). However, questions and confusion remained. The Paycheck Protection Program Flexibility Act of 2020, enacted in June 2020, modified key program components. Second, to help quickly disburse funds, SBA allowed lenders to rely on borrower certifications to determine borrowers' eligibility, raising the potential for fraud. GAO recommends that SBA develop and implement plans to identify and respond to risks in PPP to ensure program integrity, achieve program effectiveness, and address potential fraud. SBA neither agreed nor disagreed, but GAO believes implementation of its recommendation is essential.



Source: GAO analysis of Small Business Administration data. | GAO-20-625

Highlights of GAO-20-625 (Continued)

Economic impact payments. The Internal Revenue Service (IRS) and the Treasury moved quickly to disburse 160.4 million payments worth \$269 billion. The agencies faced difficulties delivering payments to some individuals, and faced additional risks related to making improper payments to ineligible individuals, such as decedents, and fraud. For example, according to the Treasury Inspector General for Tax Administration, as of April 30, almost 1.1 million payments totaling nearly \$1.4 billion had gone to decedents. GAO recommends that IRS should consider cost-effective options for notifying ineligible recipients how to return payments. IRS agreed with the recommendation.

Unemployment Insurance (UI). States are implementing three new, federally funded UI programs created by the CARES Act and, as of May 2020, states have received more than 42 million UI claims. The Department of Labor (DOL) has taken steps to help states manage demand, but DOL is developing its approach to overseeing the new UI programs. GAO will be evaluating DOL's monitoring efforts in future reports. Further, the UI program is generally intended to provide benefits to individuals who have lost their jobs; under PPP, employers are generally required to retain or rehire employees for full loan forgiveness. According to DOL, no mechanism currently exists that could capture information in real time about UI claimants who may receive wages paid from PPP loan proceeds. GAO recommends that DOL, in consultation with SBA and Treasury, immediately provide help to state unemployment agencies that specifically addresses PPP loans, and the risk of improper payments associated with these loans. DOL neither agreed nor disagreed with the recommendation, but noted it was planning forthcoming guidance.

Contract obligations. Government-wide contract obligations in response to the COVID-19 pandemic totaled about \$17 billion as of May 31, 2020. Goods procured include ventilators; services contracted for include vaccine development. In addition, the CARES Act provided \$1 billion for Defense Production Act (DPA) purchases—\$76 million of which, for example, was awarded to increase production of N95 respirators.

GAO recommends Congress consider taking legislative action in the following areas:

Aviation-preparedness plan. In 2015, GAO recommended that the Department of Transportation (DOT) work with federal partners to develop a national aviation-preparedness plan for communicable disease outbreaks. DOT agreed, but as of May 2020, maintains that HHS and DHS should lead the effort. Thus far, no plan exists. **GAO recommends Congress take legislative action to require DOT to work with relevant agencies and stakeholders to develop a national aviation-preparedness plan to ensure safeguards are in place to limit the spread of communicable disease threats from abroad while at the same time minimizing any unnecessary interference with travel and trade.**

Full access to death data. The number of economic impact payments going to decedents highlights the importance of consistently using key safeguards in providing government assistance to individuals. IRS has access to the Social Security Administration's full set of death records, but Treasury and its Bureau of the Fiscal Service, which distribute payments, do not. GAO recommends that Congress provide Treasury with access to the Social Security Administration's full set of death records, and require that Treasury consistently use it, to help reduce similar types of improper payments.

Medicaid. GAO previously found that during economic downturns—when Medicaid enrollment can rise and state economies weaken—the FMAP formula does not reflect current state economic conditions. GAO previously developed a formula that offers an option for providing temporary automatic, timely, and targeted assistance. GAO recommends Congress use this formula for any future changes to the FMAP during the current or any future economic downturn to help ensure that the federal funding is targeted and timely.

Evolving lessons from the initial response highlight the importance of the following:

- Establishing clear goals and defining roles and responsibilities for the wide range of federal agencies and other key players are critically important actions when preparing for pandemics and addressing an unforeseen emergency with a whole-of-government response.
- Providing clear, consistent communication in the midst of a national emergency—among all levels of government, with health care providers, and to the public—is key.
- Collecting and analyzing adequate and reliable data can inform decision-making and future preparedness—and allow for midcourse changes in response to early findings.
- Establishing transparency and accountability mechanisms early on provides greater safeguards and reasonable assurance that federal funds reach the intended people, are used for the intended purposes, help ensure program integrity, and address fraud risks.