



**CITIZENS
AGAINST
GOVERNMENT
WASTE**

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September 27, 2023

The Honorable James Comer
Chairman
Committee on Oversight and Accountability
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Jodey C. Arrington
Chairman
House Budget Committee
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Pete Sessions
Chairman
Subcommittee on Government Operations and the Federal Workforce
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairmen Comer, Arrington, and Sessions,

On behalf of the more than one million members and supporters of Citizens Against Government Waste (CAGW), I am pleased to submit the following comments in response to your August 30 request for information on solutions to reduce government improper payments.

Improper payments can be the result of either overpayments, underpayments, or fraudulent payments made to a beneficiary by the government. These comments will focus primarily on the improper payments that were made in COVID-19 relief funds.

As the COVID-19 pandemic broke out and spread across the country, individuals, and businesses faced enormous economic uncertainty stemming from the closing of businesses and imposition of health-related restrictions. In response to this insecurity, Congress acted quickly to provide economic relief and stimulus by passing the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Unfortunately, Congress prioritized spending money expeditiously more than spending taxpayer dollars wisely. The rush to pass the CARES Act and subsequent COVID-19 relief bills resulted in federal and state relief programs being plagued by fraudulent claims and overpayments. The Small Business Administration (SBA) was tasked with distributing Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) funds and was appropriated more than \$1 trillion in fiscal years (FY) 2020 and 2021 to respond to the pandemic.¹ State unemployment insurance (UI) agencies also received a massive influx of new money and more UI claims. These agencies often lacked the technology and resources to properly scrutinize the claims applications they received and rushed the review process to get the money paid to beneficiaries.

This combination of insufficient resources and political pressure to provide relief as quickly as possible made federal and state agencies ripe for fraud. The COVID relief programs were targeted by thieves in the United States and international crime rings.² Estimates of how much taxpayer money was stolen vary. According to the Government Accountability Office, between \$100 billion and \$135 billion was paid in fraudulent unemployment insurance claims, equal to between 11-15 percent of the total

¹ Congressional Research Service, "Small Business Administration (SBA) Funding: Overview and Recent Trends," July 14, 2022, <https://crsreports.congress.gov/product/pdf/R/R43846>.

² House Ways and Means Committee, "Chairman Smith Opening Statement: The Greatest Theft of Taxpayer Dollars – Unchecked Unemployment Fraud," February 7, 2023, <https://gop-waysandmeans.house.gov/chairman-smith-opening-statement-the-greatest-theft-of-taxpayer-dollars-unchecked-unemployment-fraud/>.

amount of unemployment benefits paid during the COVID-19 pandemic.³ According to a June 27, 2023 [report](#) by the SBA Office of Inspector General, the agency disbursed more than \$200 billion in potentially fraudulent payments.

According to the GAO, there were \$247 billion in improper payments across all federal programs in FY 2022 and \$200 billion of this total were in overpayments. This ongoing annual mismanagement of taxpayer dollars was exacerbated during the disbursement of COVID-19 relief funds due to the failure to provide sufficient guardrails and utilize existing opportunities to screen beneficiaries. There were also insufficient resources at the agencies that were charged with administering the programs.

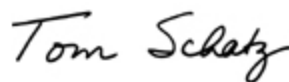
There are several steps Congress and federal agencies should take to ensure that improper payments do not happen again in the future. Federal and state agencies should have access to and be required to utilize the Treasury Department's Do Not Pay List. This list includes individuals and businesses that require further investigation before receiving federal money. According to testimony by Sheldon Shoemaker, Deputy Inspector General for the SBA, the Do Not Pay list was not originally included in internal controls for approving PPP loans, allowing billions of dollars of likely improper payments to be made.⁴

Another step Congress can take to crack down on improper payments is for the Senate to consider and pass H.R. 1163, the Protecting Taxpayers and Victims of Unemployment Fraud Act. This legislation provides incentives for states to track down and recover fraudulent unemployment payments and allows the states to retain 25 percent of the total funds they recover. These funds could then be used by the states to improve their UI systems and program integrity to prevent future fraud. The bill would also extend the statute of limitations for prosecuting fraud from the current limit of 5 years to 10 years.

Finally, Congress should continue to exercise its oversight authority on improper payments, particularly when emergency funds are issued to state and federal agencies. Conducting vigorous oversight will help Congress determine what further steps can be taken to reduce improper payments. Prosecutors should continue to investigate fraud from the COVID-19 relief programs and prosecute those who stole taxpayer dollars. While progress has been made, much more needs to be done.

Thank you for your hard work and dedication to this important issue and for the opportunity to share my thoughts.

Sincerely,



³ GAO, "Unemployment Insurance: Estimated Amount of Fraud During Pandemic Likely Between \$100 billion and \$135 billion," September 12, 2023, <https://www.gao.gov/products/gao-23-106696>.

⁴ House Committee on Oversight and Accountability, "Hearing Wrap Up: Existing Flaws, Structural Weaknesses, and Unprecedented Levels of Spending Led to Rampant Fraud in Pandemic Relief Programs," March 10, 2023, <https://oversight.house.gov/release/hearing-wrap-up-existing-flaws-structural-weaknesses-and-unprecedented-levels-of-spending-led-to-rampant-fraud-in-pandemic-relief-programs%EF%BF%BC/>.