



**PANDEMIC RESPONSE**  
ACCOUNTABILITY COMMITTEE

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**TOP CHALLENGES FACING  
FEDERAL AGENCIES:**

**COVID-19 Emergency Relief and  
Response Efforts**

*As reported by Offices of Inspector General across government*

# EXECUTIVE SUMMARY

## Objective

The objective of this report is to provide insight into the top management challenges facing federal agencies that received pandemic-related funding as identified by Offices of Inspector General.

## Approach

To accomplish this objective, OIGs from 37 agencies receiving emergency funds or involved in the pandemic response developed summaries of their agencies' top challenges. The Pandemic Response Accountability Committee summarized these challenges by broad issue area to identify common themes and key areas of concern.

**For more information on the PRAC visit**  
<https://pandemic.oversight.gov/>.

**For more information on CIGIE visit**  
<https://www.ignet.gov/>.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act and other related legislation provide approximately \$2.4 trillion in federal spending to address the public health and economic crises resulting from the Coronavirus Disease 2019 (COVID-19) pandemic. Given the amount of money at issue, the need to distribute aid quickly, and the use of grants and loans to disburse funds, effectively managing the programs funded by these bills presents a significant challenge to many executive branch agencies. Moreover, these same factors increase the risk of fraud and misuse of these funds.

To help address these concerns, the CARES Act established several oversight mechanisms, including the Pandemic Response Accountability Committee (PRAC) within the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The PRAC is composed of 21 Offices of Inspector General (OIG) overseeing agencies who received the bulk of the emergency funding. The Committee will lead the efforts of CIGIE and its Inspectors General to promote transparency and support and conduct oversight of the funds provided to address the pandemic response by the CARES Act and related legislation.

Each year, OIGs identify and report on the top management and performance challenges facing their agencies. CIGIE also issues an annual report that includes a list of the top challenges faced by agencies. While not required by the CARES Act, the PRAC developed this report on the top challenges identified by Inspectors General for the federal agencies involved in the response to the COVID-19 pandemic as part of CIGIE's efforts to make the work of the federal Inspector General community more transparent and accessible to the public.

Based on the PRAC's review of submissions by 37 OIGs overseeing agencies involved in the pandemic response, Inspectors General reported a wide range of challenges, including many related to specific agency programs. However, the submissions also reflected areas of common concern among agencies of different sizes and with disparate agency missions:

- Financial management of CARES Act and other funds,
- Grant management,
- Information technology security and management, and
- Protecting health and safety while maintaining effective operations.

As discussed in the Introduction, OIGs frequently cited the large amount of funds appropriated under the CARES Act and related legislation, the need to distribute aid rapidly under emergency conditions, and the need to maintain agency operations as factors that impact these challenges. By identifying these top challenges across the federal government, the PRAC hopes to assist agency managers and policymakers in determining how best to address them.

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# INTRODUCTION

In March and April 2020, Congress passed four funding bills to address the public health and economic crises caused by the Coronavirus Disease 2019 (COVID-19) pandemic:

- The Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, enacted March 4, 2020, provided \$8.3 billion in emergency funding for public health measures.<sup>1</sup>
- The Families First Coronavirus Response Act, enacted March 18, 2020, enhanced unemployment benefits and required many employers to provide emergency paid sick and family leave, among other measures.<sup>2</sup>
- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted March 27, 2020, provided \$2.2 trillion in federal funding, including expanded unemployment benefits; \$150 billion in direct aid and grants for state and local governments; \$349 billion of forgivable loans for small businesses through the Small Business Administration (SBA) Paycheck Protection Program (PPP); an additional \$500 billion as loan guarantees and equity investments into Federal Reserve Lending Facilities to support lending to businesses, states, and local governments; and Economic Impact Payments of up to \$1,200 for eligible taxpayers.<sup>3</sup>
- The Paycheck Protection Program and Health Care Enhancement Act, enacted April 24, 2020, increased funding for the PPP by an additional \$321 billion and provided supplemental funding for health care providers and COVID-19 testing.<sup>4</sup>

Together, these four bills authorized approximately \$2.4 trillion in federal spending. Given the amount of money at issue, the need to distribute aid quickly, and the use of partnerships with nonfederal entities to disburse funds, the programs created by these bills not only require significant effort by executive branch agencies during an ongoing public health emergency, but pose an increased risk of fraud and misuse. To address these concerns, the CARES Act imposed reporting requirements on agencies; appropriated supplemental funds to Offices of Inspector General (OIG) for pandemic-related audit and investigative activity; and established a number of oversight mechanisms, including the Pandemic Response Accountability Committee (PRAC).

Rather than a stand-alone organization, the PRAC is organized as a committee within the Council of the Inspectors General on Integrity and Efficiency (CIGIE), an independent entity established by the Inspector General Act of 1978, as amended. The PRAC consists of Inspectors General from 9 agencies specifically identified in the CARES Act, as well as 12 additional Inspectors General from agencies that receive funds or otherwise are involved in the pandemic response.

The purpose of the PRAC is to “promote transparency and conduct and support oversight” of the government’s coronavirus response to “prevent and detect fraud, waste, abuse, and mismanagement” and “mitigate major risks that cut across program and agency boundaries.” Essentially, the PRAC will lead the efforts of CIGIE and Inspectors General to conduct oversight of the approximately \$2.4 trillion in appropriated funds to address the pandemic, as well as the government's efforts in response to the coronavirus pandemic.

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<sup>1</sup> Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, Pub. L. No. 116-123, 134 Stat. 146 (2020).

<sup>2</sup> Families First Coronavirus Response Act, Pub. L. No. 116–127, 134 Stat. 178 (2020).

<sup>3</sup> Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, 134 Stat. 281 (2020).

<sup>4</sup> Paycheck Protection Program and Health Care Enhancement Act, Pub. L. No. 116-139, 134 Stat. 620 (2020).

Under the CARES Act, the PRAC is required to provide certain periodic reports:

- Management alerts to the President and Congress on management, risk, and funding issues that may require immediate attention;
- Biannual reports to the President and Congress summarizing PRAC activity and, to the extent practicable, quantifying the impact of tax expenditures; and
- Other reports and periodic updates to Congress as it considers appropriate.

Each year, federal OIGs issue reports analyzing the top management and performance challenges facing their individual agencies. CIGIE also issues an Annual Report to the President and Congress that includes a list of the challenges faced by government agencies, and previously has issued a consolidated top challenges report analyzing the issues and challenges common to its member agencies. Although not specifically required by the CARES Act, the PRAC is issuing this top challenges report to help raise awareness and increase transparency of the government's pandemic response efforts.

## Objective

The objective of this report is to consolidate and provide insight into the most frequently reported challenges for the agencies involved in implementing programs under the Coronavirus Preparedness and Response Supplemental Appropriations Act, Families First Coronavirus Response Act, CARES Act, and Paycheck Protection Program and Health Care Enhancement Act. The PRAC hopes this information will assist policymakers in determining how best to address these and similar challenges in the face of changing priorities and emerging risks.

## Approach

To accomplish this objective, the PRAC requested OIGs to develop a summary of the top challenges facing their agencies in the federal government's pandemic response to identify common themes and key areas of concern. Thirty-seven OIGs submitted summaries of their agency's top challenges. While some of the identified concerns such as protecting cybersecurity and conducting financial oversight fall into categories typically highlighted by Inspectors General in annual reports, others such as protecting employees from virus transmission and managing agency operations while employees engage in full-time telework are unique to the pandemic.

Several important challenges, such as ensuring that states can conduct elections, preventing theft of ballots and financial payments sent by mail, and addressing staffing shortages in mission-critical positions, are not included in this overview because only a limited number of Inspectors General identified those issues or have oversight responsibilities for agencies engaged in those activities. The absence of these concerns in this report does not reflect a qualitative judgment about the impact or importance of these challenges.

Each year, multiple OIGs identify financial management as a significant challenge facing their agencies. A primary mission of Inspectors General is to ensure that taxpayer funds are used efficiently and effectively, and to prevent and detect waste, fraud, and abuse. Even in non-pandemic times, issues ranging from a lack of reliable financial data to deficiencies in agency internal controls limit the ability of Inspectors General to fulfill this mission. These concerns are heightened by substantial increases in the amount of money allocated for certain programs and the expedited timetable for distribution of CARES Act and other pandemic-related funds.

## **Key Areas of Concern**

Key areas of concern include both the need for accurate information concerning pandemic-related spending and the significant amount of money federal agencies may lose as the result of improper payments.

## **Improving Financial Reporting and Systems**

The CARES Act and related legislation require reporting by agencies to help ensure transparency and accountability in government spending. Even before the pandemic, OIGs reported that the ability of agencies to track and report financial data was insufficient to meet agency needs and was a top management and performance challenge. These insufficiencies were based on weaknesses in agency internal controls, as well as outdated financial management systems that failed to meet federally mandated modernization requirements and lacked the capability to track and report financial data reliably.

OIGs have identified these same factors as challenges in their reporting and oversight of CARES Act and other pandemic-related spending. For example, the General Services Administration (GSA) OIG cited control weaknesses as a potential impediment to accurately reporting CARES Act spending, referencing a November 2019 audit that found errors in how GSA reports certain data to USASpending.gov. According to the GSA OIG, GSA will need to address these errors to ensure that its CARES Act reporting is accurate.

Similarly, the U.S. Department of Homeland Security (DHS) OIG reported that key DHS financial systems do not comply with federal requirements, and that this potentially will impact financial planning, payments, and internal controls related to CARES Act funding.

Barriers to reporting accurate spending data impact the government's ability to reduce improper payments, discussed in more detail below. For example, the OIG for the National Reconnaissance Office (NRO) has cited CARES Act provisions that govern reimbursement of government contractors, explaining that they create a significant opportunity for "double dipping" by companies if funds are not accurately tracked across the government.

## **Reducing Improper Payments**

In previous years, CIGIE has identified preventing and reducing improper payments as a critical issue affecting multiple federal agencies. Improper payments are those that should not have been made or that were made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements, such as payments to ineligible recipients, duplicate payments, or payments not supported by required documentation. The Office of Management and Budget (OMB) has designated federal programs that present the highest risk of improper payments as "high priority," estimating that the amount of improper payments in these programs exceeds \$2 billion annually.

Many OIGs have identified reducing and preventing improper payments as a significant challenge under the CARES Act and related stimulus legislation, citing the large amount of money at issue and the need to distribute funds rapidly under emergency conditions. For example, the U.S. Department of Agriculture (USDA) OIG reported that the agency continues to be noncompliant with federal requirements for improper payments. As a result, concerns about the existing weaknesses in management controls for benefit distribution have been heightened by large increases in funding provided to several high-risk programs, including the Supplemental Nutrition Assistance Program. According to the USDA OIG, this creates the risk that the funds will not be delivered or used as intended.

Other OIGs have reported that the combination of substantial increases in funding and reduced supervision creates a heightened risk of misuse and fraud. According to these OIGs, formal deliberative agency processes and program integrity safeguards may be incompatible with the need to distribute funds quickly, and accountability mechanisms may be overwhelmed. As a result, ensuring that CARES Act and other related funds are distributed and used properly will remain a significant challenge.

## CHALLENGE

## GRANT AND GUARANTEED LOAN MANAGEMENT

The CARES Act and related legislation rely on grants and loans to distribute assistance to state and local governments, individuals, businesses, and other entities impacted by the pandemic. For example, the U.S. Department of Education received more than \$30 billion for formula and discretionary grants to assist states and schools in meeting the needs of impacted students. The U.S. Department of Housing and Urban Development received more than \$12 billion in CARES Act funds, including \$2.6 billion for rental subsidies and \$4.1 billion for assistance to vulnerable populations through grants to state and local governments.

One of the largest programs created by the CARES Act—and later supplemented by the Paycheck Protection Program and Health Care Enhancement Act—is the PPP, which provides \$659 billion in SBA loans to allow small businesses impacted by the pandemic to cover payroll, rent, utility payments, and other limited uses. While not technically a grant, PPP loans are fully guaranteed by the government and will be forgiven if the recipients follow specified guidelines. The CARES Act also appropriated \$10 billion to the SBA for Economic Injury Disaster Loans (EIDL) to provide relief to businesses experiencing a temporary loss of revenue, including forgivable \$10,000 EIDL Emergency Advances.

Although closely related to financial management, several OIGs identified grant management as a separate performance and management challenge for their agencies even before the pandemic, citing the increasing number, size, and complexity of grants. According to these OIGs, these factors make it more difficult for agencies to ensure grantees use funds solely for authorized purposes and maintain documentation to support their spending, as well as to measure grant performance. Like the challenges in financial management, the substantial increases in funding for grants under the CARES Act and related legislation heighten the existing challenges agencies face in processing and monitoring these payments, and in assessing their success.

### Key Areas of Concern

Key areas of concern cited by OIGs are overseeing the use of grant funds, obtaining timely and accurate financial and performance information from grantees, and assessing performance to ensure that grants achieve intended results.

### Overseeing the Use of Grant Funds

Recipients of federal grants must use grant funds for the purpose identified in the grant award and within certain parameters and guidelines. In normal times, agencies awarding large numbers of grants have found it difficult to conduct sufficient oversight to ensure that grantees use funds solely for authorized purposes and maintain adequate

resource documentation to support their spending. The large increase in grants under the CARES Act and other related legislation magnifies this difficulty.

For example, the U.S. Department of Commerce (DOC) OIG has reported that the agency faces ongoing challenges in effective grant administration and oversight, and that the increase in CARES Act funds may exacerbate these concerns. According to the DOC OIG, the pandemic may create “incentives and opportunities for grant recipients to deviate from standard practices meant to ensure effective control of U.S.-funded contracts, grants, and awards.” This will require the agency to anticipate and address the risk that comes with the expanded funding and rapid fund deployment.

Other OIGs have reported similar issues. The U.S. Department of State OIG stated that it frequently finds deficiencies in the agency’s grant programs and that the agency, which will expend a substantial portion of the \$1 billion it received in CARES Act funds through contracts and grants, will need to improve its oversight of these programs. The U.S. Agency for International Development (USAID) OIG indicated that USAID will have to overcome past weaknesses in the rigor of its award processes to provide for a timely response on the needed global scale by adjusting existing awards and implementing new ones. The U.S. Department of Justice (DOJ) OIG also noted that recipients of \$850 million in supplemental grants appropriated by the CARES Act (generally state, local, and tribal law enforcement agencies) will be operating under unprecedented circumstances, including reductions in administrative staff that may weaken internal control systems.

Although not technically a grant program, SBA OIG reported that the SBA faces similar challenges in awarding and monitoring PPP loans, which are forgivable if recipients expend the funds for specified purposes. These loans are guaranteed by the government, and lenders may exercise less diligence in originating loans as a result. In addition, the increased volume, loan amounts, and shortened processing times may make it more difficult for lenders and the SBA to identify red flags in loan applications, leading to increased vulnerability to fraud and unnecessary losses. According to the SBA OIG, a variety of actions are needed to mitigate the risk of financial loss, including establishing proper controls in the loan approval phase, adopting a quality assurance plan to prevent and detect improper payments, and tracking stimulus program data to support accurate program measurement and reporting.

## Monitoring Grant Performance

Agencies monitor grants by requiring programmatic and financial reporting by recipients, as well as by incorporating performance measurements into grant agreements. Generally, grant recipients are required to report financial data (such as any expenses paid for with federal funds), information showing compliance with federal regulations, and project data highlighting their progress or impact on the community. Agencies also may carry out site visits, provide technical assistance, and conduct annual audits to help monitor grant performance. Agencies use the information obtained through these efforts to gauge the success of grant programs and to identify and reduce fraud and improper payments.

Effective grant monitoring thus requires timely receipt of accurate financial records and performance reports, and the ability to assess which grant programs are achieving their goals and objectives. In previous years, OIGs have identified both of these aspects as significant challenges to ensuring that grant funds are properly spent and intended results are achieved. As with other aspects of financial management, OIGs have reported that the increase in pandemic-related funds heightens existing concerns about grant oversight and monitoring.

Several OIGs identified concerns about receiving timely and accurate data. For example, the Department of Education OIG stated that the agency should look for ways to improve data quality and ensure that CARES Act grant recipients and subrecipients report data that is accurate and complete. The OIG for the U.S. Election Assistance Commission, which received \$400 million to be allocated as Election Security Grants to states and territories, cautioned that cost information might not be available within the 20-day reporting period required by the CARES Act, because states must first receive the information from local jurisdictions that administer elections.

Other OIGs reported concerns about their ability to assess the performance of grant recipients based on the increased number of grants or the diminished ability to conduct in person visits. For example, the Legal Services Corporation OIG stated that it typically has used onsite visits to grantees to conduct grant monitoring, but has shifted to remote oversight of grantees who are also operating remotely, potentially limiting access to required staff and records. The USAID OIG has said that the agency will need to develop and validate new methods for program monitoring and evaluation, since some traditional approaches like site visits are not feasible during the pandemic.

## CHALLENGE

## INFORMATION TECHNOLOGY SECURITY AND MANAGEMENT

CIGIE previously has identified information technology (IT) security and management as a long-standing, serious, and ubiquitous challenge that impacts agencies across the government, highlighting agencies' dependence on reliable and secure IT systems to perform their mission-critical functions. Key areas of concern have included safeguarding federal systems against cyberattacks and insider threats, modernizing and managing federal IT systems, ensuring continuity of operations, and recruiting and retaining a highly skilled cybersecurity workforce.

These concerns remain a significant challenge, but are impacted by (1) widespread reliance on maximum telework to continue agency operations during the pandemic, which has strained agency networks and shifted IT resources, and (2) additional opportunities and targets for cyberattacks created by remote access to networks and increases in online financial activity.

### Key Areas of Concern

Key areas of concern impacted by the pandemic include managing federal IT systems to permit maximum telework and ensure continued agency operations and safeguarding federal systems against cyberattacks.

### Information Technology Management

On March 16, 2020, the Office of Personnel Management (OPM) announced a maximum telework operating status for federal agencies in response to the COVID-19 pandemic. While full-time telework has allowed federal agencies to continue operations, it has created additional challenges for agency IT staff and strained agency networks.

For example, the OPM OIG stated that IT personnel initially were concerned about the ability of OPM's aging infrastructure to absorb the sudden workload increase in remote access to its virtual private network (VPN) and network connections. This required OPM to manage network capacity by focusing on mission critical systems and people and reducing unnecessary functions, such as streaming services, and to closely monitor VPN usage and network performance. However, the shift to telework also highlighted OPM's lack of teleconferencing software and shortcomings in its ability to remotely administer its systems.

Other agencies have identified similar issues. According to the National Endowment for the Arts OIG, agency IT staff have shifted their focus to keeping the network secure and operating for teleworking employees and ensuring that the awards management system is capable of processing a large volume of CARES Act grants. The U.S. Environmental Protection Agency (EPA) OIG also reported that the EPA has focused on adapting its network to support a virtual workforce and provide remote employees with a reliable means to communicate and access critical applications and data.

## Safeguarding Sensitive Data and Information Systems

Cyberattacks and insider threats pose a continuing threat to federal IT security, requiring that agencies focus on ensuring that government systems are secure and that sensitive data is protected. Given the amount and type of information that is collected and used by the government, breaches in government systems may expose individuals' personal information and compromise national security. In the past, OIGs have reported that agencies face deficiencies in their ability to protect the confidentiality and integrity of their systems.

These challenges are exacerbated by the pandemic. Various OIGs have reported that the use of maximum telework strains their ability to support operations efficiently and securely and creates additional vulnerabilities. For example, EPA OIG stated that unprecedented levels of remote access raise the risk of security breaches of remotely stored and transmitted data. Similarly, NRO OIG cited the risk of inadvertent spills and disclosures of classified information by employees performing unclassified work at home using computers with weak passwords or poorly secured home Wi-Fi routers, cell phones, free social media platforms, and other non-secure means of communication. The Peace Corps OIG reported that the agency continues to lack an effective information security program and has significant weaknesses in foundational IT elements, heightening concerns about its ability to maintain security during domestic and overseas remote operations.

Other OIGs reported that the federal government's efforts to provide financial aid to small businesses and individuals impacted by the pandemic provide additional targets for cyberattacks and fraud. In particular, the Treasury Inspector General for Tax Administration (TIGTA) reported that it expects to see a surge in investigative activity as bad actors attempt to steal Economic Impact Payments from taxpayers by attacking Internal Revenue Service (IRS) systems—including the IRS web portals used by taxpayers to check on the status of their payments and update their banking information—and targeting taxpayers with phishing emails, impersonation phone calls, and stolen or counterfeit checks. Similarly, the Federal Deposit Insurance Corporation OIG expressed concerns about the increased risk of cybercrimes, such as phishing, email fraud, and cyberattacks on third-party technology service providers, as consumers use mobile and online banking during the pandemic.

### CHALLENGE

### PROTECTING HEALTH AND SAFETY

While federal agencies always prioritize health and safety, the COVID-19 pandemic has created a unique challenge—namely, preventing transmission of the virus in federal facilities, among federal employees and individuals with whom they interact, and in workers and private sector facilities regulated by the federal government.

As described above, the federal government shifted to a maximum telework operating status in March 2020 to allow telework-eligible employees to work remotely to minimize virus transmission while maintaining agency operations. For those federal employees who are not telework-eligible and face higher risks of virus complications, OMB has encouraged agencies to approve leave for safety reasons.

However, not all work can be performed remotely, and employees who have been deemed mission-critical and therefore cannot telework have continued to report for work and perform their duties during the pandemic. Such employees include Bureau of Prisons (BOP) correctional officers and employees, U.S. Customs and Border Protection (CBP) and Immigration and Customs Enforcement (ICE) agents, Transportation Security Administration workers, United States Postal Service (USPS) workers, and rangers in national parks. Agencies have devoted considerable efforts to ensuring that they can protect the health and safety of these workers and the people with whom they interact from the virus.

## Key Areas of Concern

Key areas of concern within this challenge include protecting government employees and facilities; protecting inmates and detainees in federal custody; protecting patients, consumers, and private sector workers in industries regulated by the federal government; and maintaining effective operations.

## Protecting Federal Employees and Facilities

Several OIGs identified the need to protect federal employees and facilities during the COVID 19 pandemic as a significant challenge for their agencies, particularly for essential employees who are not eligible for telework and interact with others in the course of their work. Concerns ranged from difficulty procuring adequate personal protective equipment (PPE) and hand sanitizer for employees who work in public-facing jobs, to allowing public access to federal lands, to protecting employees who work in countries with inadequate local health care systems.

For example, DOJ OIG identified issues related to protecting DOJ employees who work in prisons and correctional systems, as described below. The DOJ OIG also reported concerns about protecting staff in DOJ's Executive Office for Immigration Review (EOIR), which conducts immigration court proceedings, appellate reviews, and administrative hearings. Although EOIR has postponed some immigration hearings and allowed teleconferencing and electronic filing in others, immigration courts have remained open for filings and detention hearings. DOJ OIG reported that EOIR has faced challenges in mitigating health risks to its employees, including securing adequate PPE and balancing health and safety with the need to protect the rights of detained persons.

GSA OIG focused on the need to protect health and safety from a broader perspective. GSA constructs and manages federal buildings, and leases space in those buildings to federal agencies. According to the GSA OIG, as of May 7, 2020, 963 GSA owned or leased facilities reported positive or presumed COVID-19 cases. In each instance, GSA's Public Buildings Service must be able to identify and track the virus infection, notify building occupants and visitors of potential exposure, and work with contractors to ensure that the space is cleaned and disinfected in accordance with Centers for Disease Control and Prevention guidelines.

## Protecting Federal Prisons and Detention Facilities

Federal prisons and detention facilities, including contract facilities, are another area where the health and safety of federal employees is at risk, along with the health and safety of federal inmates and detainees. Although only DHS OIG and DOJ OIG reported this specific concern, the challenge potentially impacts more than 200,000 inmates in federal prisons and contract facilities, detainees awaiting federal trial or sentencing decisions, and immigration detainees in DHS custody. As a result, the potential magnitude of this concern alone warrants mention.

DHS OIG stated that tens of thousands of immigration detainees are in short- and long-term custody in CBP and ICE facilities. These detainees, along with the federal employees and contractors who work in these facilities, face increased risks of virus exposure. According to the DHS OIG, numerous reports and studies establish that DHS struggled to ensure proper medical and mental health care in immigration detention centers even before the pandemic. DHS OIG stated that the agency's decentralized system of contractors used to manage and staff detention facilities, lack of standardized procedures, and deficiencies in the agency's pandemic preparedness increased the likelihood that detainees and staff might not have sufficient PPE or access to effective treatment to minimize the spread of the virus.

DOJ OIG identified similar concerns in protecting inmates and detainees housed in BOP institutions, BOP contract facilities, and U.S. Marshals Service detention centers, as well as the staff and contractors who work there. According to the DOJ OIG, the most immediate and pressing concerns in this challenge include securing PPE and adequate hygiene products; identifying, accessing, and implementing effective virus testing protocols; providing access to quality medical care for those in custody; transferring inmates and detainees to and from facilities; and social distancing, screening, quarantining, and otherwise mitigating the risks presented by the pandemic.

## Protecting Patients, Consumers, and Private Sector Workers

Similarly, OIGs reported challenges in protecting the health and safety of others who interact with the federal government, including patients in federal health care facilities, consumers of products subject to approval by the federal government, and private sector workers in industries regulated by the government.

The U.S. Department of Veterans Affairs (VA) OIG emphasized the need to prevent the spread of the novel coronavirus in health care facilities, particularly in nursing homes operated by the VA. VA OIG noted that patients in nursing homes are at higher risk for infection, and the nation's most devastating outbreaks have occurred in long-term care settings. However, according to the VA OIG, at the beginning of the pandemic in March 2020, facility leaders acknowledged low inventory of PPE for staff and inefficiencies related to COVID-19 testing. The U.S. Department of Health and Human Services (HHS) OIG has reported similar concerns about managing virus outbreaks in nursing homes that serve Medicare, Medicaid, and other HHS beneficiaries, as well as in Indian Health Service hospitals and outpatient centers.

Meat processing plants have become virus "hotspots" as the pandemic has progressed, generating concerns about employee safety in these facilities and security of the food production supply chain. The USDA OIG has highlighted the role of the Food Safety and Inspection Service (FSIS) in ensuring the safety of commercial meat, poultry, and processed egg products. According to the USDA OIG, FSIS has faced difficulties in gathering reliable data to ensure safety verification tasks are completed, effective, and consistent, and this challenge continues as the agency responds to the impact of the pandemic.

OIGs also expressed concerns about protecting consumers and private sector workers. In addition to regulating and overseeing virus-related products used by consumers, such as disinfectants, tests, and potential vaccines and treatments, federal agencies are responsible for regulating and monitoring workplace safety in private sector industries. For example, the U.S. Department of Labor (DOL) is responsible for regulating workplace safety, including in high-risk industries such as manufacturing and mining, and ensuring benefits are provided to address work-related disabilities. According to the DOL OIG, the agency has faced pandemic-related challenges in fulfilling these responsibilities, including difficulties conducting mine safety inspections and an increase in the number of virus-related workers compensation claims.

## Maintaining Effective Operations

Finally, OIGs expressed concerns about the ability of agencies to perform essential functions during the pandemic. TIGTA identified various essential services that the IRS has been unable to perform as the result of pandemic-related office closures, including customer service, processing, and compliance functions. In particular, the IRS closed its toll-free telephone call sites and tax assistance and counseling sites and has been unable to process paper-filed tax returns or open mail. According to TIGTA, as of April 25, 2020, the IRS estimated that over 13.6 million paper-filed business and individual tax returns remained unprocessed, 1.9 million tax returns with identified processing errors had not been resolved, and 10 million pieces of mail at IRS processing centers remain unopened.

The USPS OIG also cited the need to maintain in-person operations to perform essential functions. According to the USPS OIG, the Postal Service is facing labor shortages as employees get sick, fear getting sick, or need to take time off to provide dependent care, which potentially could lead to delays in mail processing and delivery. USPS OIG stated that over a thousand postal employees have tested positive for the virus coupled with numerous postal employee deaths. USPS OIG has identified steps taken by the agency to keep the mail moving while keeping its employees safe, including distribution of PPE, ensuring appropriate social distancing at retail and mail processing facilities, and giving carriers guidance on social distancing while delivering the mail.

# CONCLUSION

Since the passage of the Inspector General Act in 1978, the federal Inspector General community has sought to keep the public informed about the operations of the federal government and to promote effective and efficient government by conducting rigorous independent oversight. Each year, as part of this effort, Inspectors General identify the top management and performance challenges facing their individual agencies. CIGIE also issues an annual report that includes a list of common challenges across agencies.

The PRAC is presenting this report on the challenges identified by Inspectors General for the federal agencies involved in the response to the pandemic, and hopes that it will assist policymakers in addressing these and similar challenges to foster improvements across government. In addition, consistent with its mission, the PRAC hopes that this report will improve transparency and accountability by providing the public with information about the government's pandemic response.

To conduct its analysis, the PRAC reviewed submissions from the OIGs for the agencies listed below.

Architect of the Capitol  
Board of Governors of the Federal Reserve System and Bureau of Consumer Financial Protection  
Corporation for Public Broadcasting  
Federal Deposit Insurance Corporation  
General Services Administration  
Internal Revenue Service  
Legal Services Corporation  
National Aeronautics and Space Administration  
National Archives and Records Administration  
National Endowment for the Arts  
National Reconnaissance Office  
National Science Foundation  
Nuclear Regulatory Commission  
Peace Corps  
Railroad Retirement Board  
Small Business Administration  
Social Security Administration  
U.S. Agency for International Development  
U.S. Department of Agriculture  
U.S. Department of Commerce  
U.S. Department of Defense  
U.S. Department of Education  
U.S. Department of Energy  
U.S. Department of Health and Human Services  
U.S. Department of Homeland Security  
U.S. Department of Housing and Urban Development  
U.S. Department of Justice  
U.S. Department of Labor  
U.S. Department of State  
U.S. Department of the Interior  
U.S. Department of the Treasury  
U.S. Department of Transportation  
U.S. Department of Veterans Affairs  
U.S. Election Assistance Commission  
U.S. Environment Protection Agency  
U.S. Office of Personnel Management  
United States Postal Service

# ARCHITECT OF THE CAPITOL

The Architect of the Capitol (AOC) was appropriated \$25 million in the CARES Act, specifically for cleaning supplies and related expenses, for the operations and maintenance of the Capitol campus. To date, the below have been the most significant challenges.

- The supply chain for COVID-19 supplies remains strained with shortages of personal protective equipment including masks, disinfectant wipes, and hand sanitizer (including dispenser refills). While the AOC has been able to source some supplies using its existing vendor relationships, many supplies are only available from overseas sources and have not been repackaged by American companies. AOC contractors have identified an American source for non-surgical face coverings.
- Some personal protective equipment is pilferable and difficult to inventory. In addition, taking supplies home or hoarding supplies will create an excessive strain on the AOC's efforts and weaken the AOC's ability to support the entire Capitol campus. In response, the AOC has requested congressional assistance in providing guidance to their personnel on the appropriate use of supplies.
- CARES Act funding estimates for the AOC were limited to requirements at the time for cleaning supplies and bulk purchasing of hand sanitizers and cleaning wipes; however, emerging requirements such as masks and gloves are placing a considerable strain on available funding. AOC's CARES Act funding is expected to be exhausted by mid-June, at the latest. The AOC has asked for appropriations considerations for the continued heightened cleaning of the Capitol campus beyond June.
- CARES Act funding did not include estimates for prolonged impacts on contracted services such as cleaning costs, delays in service, and staffing and personnel for ongoing or planned projects (e.g., construction, cleaning services, and food services) on the Capitol campus. The AOC has asked for congressional understanding for COVID-19 impacts to ongoing and planned construction projects should resulting project delays or delivery occur. The AOC may incur additional time and standards for food service contractor startup on return to full operations, which may result in lost shared revenue depending on the contract type due to social distancing and cleaning procedures.

**For more information on the AOC  
Office of Inspector General visit  
[https://www.aoc.gov/oig/  
inspector-general](https://www.aoc.gov/oig/inspector-general).**

# BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM AND BUREAU OF CONSUMER FINANCIAL PROTECTION

In mid-March, the Board of Governors of the Federal Reserve System began a complex intervention in the nation's economy in response to the COVID-19 pandemic. The Board adjusted target interest rates and used its emergency lending authority under Section 13(3) of the Federal Reserve Act to ensure liquidity in financial markets and provide lending support to various sectors of the economy.<sup>1</sup> While some of these facilities are modeled after those created during the 2008 financial crisis, others have been created in new and unique ways for the pandemic response. Signed into law on March 27, 2020, the CARES Act authorized, among other things, the U.S. Department of the Treasury's investment in facilities established by the Board and mandated public reporting of information about the government's pandemic response. Significant coordination among the Board, Treasury, and numerous other federal agencies will be necessary as the Board continues its pandemic response.

The scope of the Board's response so far and its potential future actions must properly address the significant challenges ahead for the broader economy as well as the statutory requirements of the CARES Act. The OIG for the Board is initially focused on

1. governance and controls to ensure consistent execution of the Board's programs by the Federal Reserve Banks designated to put them into action, as well as vendor activities to execute program objectives;
2. coordination activities among the Reserve Banks or the designated program manager to execute, monitor, and improve that execution over time;
3. data aggregation and validation, particularly before program-related information is shared with the public or congressional stakeholders; and
4. monitoring and tracking of unique features associated with specific programs, such as
  - a. forgiveness of Paycheck Protection Program loans and its effect on the security interests under the Paycheck Protection Program Liquidity Facility,
  - b. limits associated with the Primary and Secondary Market Corporate Credit Facilities, and
  - c. Treasury's equity investments in specific CARES Act programs.

The OIG is actively collecting and analyzing information in these and other areas to identify emerging risks with a view to initiating targeted audits or evaluations.

In addition to oversight related to the Board's facilities and related activities directly supporting the economy, the OIG is actively monitoring

1. measures taken to encourage financial institutions to lend consistent with the spirit and intent of specific lending programs, such as the Paycheck Protection Program;
2. the Board's efforts to review community banking organizations' participation in pandemic response programs to confirm that participation is commensurate with an institution's governance, risk management, and internal control capabilities;
3. the extent to which pandemic response lending efforts reach intended recipients and serve intended communities; and
4. specific measures to encourage and foster more lending during the pandemic response.

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<sup>1</sup> Federal Reserve Act of 1913, Pub. L. No. 63-43, § 13(3) (1913) (codified at 12 U.S.C. § 343).

Throughout these activities, the security of Board data, communications, networks, and systems essential to the Board's and the Federal Reserve System's response to the pandemic are of paramount importance. The OIG has expanded testing of critical information technology systems and broadened the scope of security control reviews previously planned to meet the requirements of the Federal Information Security Modernization Act of 2014.<sup>2</sup> The OIG is also coordinating directly with various information technology organizations throughout the System, including those Reserve Banks that provide services to the Board and across the System.

Further, the OIG is dedicated to identifying and investigating potential fraud affecting the facilities and other Board programs central to the pandemic response. To do so, the OIG leverages its relationships with various federal law enforcement organizations, U.S. attorneys' offices, and components of the U.S. Department of Justice.

Finally, the OIG is focused on additional oversight activities as the OIG for the Bureau of Consumer Financial Protection. Although the programs and operations of the Bureau are not directly provided funding by the CARES Act or tasked with CARES Act requirements, the agency plays a vital role in protecting consumers from pandemic-related consumer financial fraud and abuse. In this regard, the OIG actively oversees Bureau supervisory activity and monitoring of consumer complaints. The OIG also works closely with Bureau enforcement and law enforcement partners throughout the country to identify, investigate, and prosecute pandemic-related fraud as it emerges.

As these oversight activities are conducted, the OIG will continue to work closely with other Inspectors General, the Government Accountability Office, the Pandemic Response Accountability Committee, and the OIG's congressional committees of jurisdiction in order to efficiently deploy oversight resources where they are most needed.

**For more information on the Board Office of Inspector General visit <https://oig.federalreserve.gov/the-inspector-general.htm>.**

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<sup>2</sup> Federal Information Security Modernization Act of 2014, Pub. L. No. 113-283 (2014).

# CORPORATION FOR PUBLIC BROADCASTING

The Corporation for Public Broadcasting (CPB) received \$75 million to “prevent, prepare for, and respond to coronavirus, including fiscal stabilization grants and to maintain local programming and services and preserve small and rural stations threatened by declines in non-federal revenue sources” during the current economic decline triggered by COVID-19. The legislation barred CPB from retaining any funds for administrative or other costs of CPB.

CPB consulted with the Public Broadcasting System, National Public Radio, and other system leaders to identify an approach to distribute the funds and decided to split the funding evenly between the television and radio systems—\$37.5 million to each system.

As soon as it received the funds from the U.S. Department of the Treasury, CPB distributed the full \$75 million to 556 radio and television grantees: 398 radio stations received funds of \$75,000 or \$112,136, and 158 television stations received funds of \$200,000 or \$260,204. Small and rural stations received the larger fund amounts. CPB designated these as unrestricted funds intended for use by stations as needed for public media to sustain operations and services without time limits for spending.

CPB is challenged with addressing the economic impact on the public media system as a result of the COVID-19 pandemic. With growing unemployment and the downturn of the economy, stations have experienced a loss of revenue from regular contributors and sponsors. Stations face daily issues in how to continue to produce programming and broadcasts while protecting their staff. Both CPB and stations had not previously operated remotely and had to learn how to do so. Yet many stations throughout the country quickly adapted to assist their communities not only with critical health and safety information on the pandemic, but also with curriculum-based educational programming designed to assist local school districts to provide educational content and support for teachers and parents.

CPB OIG’s challenge will be to provide oversight and ensure transparency on the spending of the \$75 million. The OIG will audit CARES Act funding in upcoming station audits.

**For more information on the CPB Office of Inspector General visit <https://www.cpb.org/oig>.**

# FEDERAL DEPOSIT INSURANCE CORPORATION

The Federal Deposit Insurance Corporation (FDIC) plays a critical role in maintaining the stability of the nation's financial system and ensuring the safety and soundness of its supervised financial institutions. To accomplish its mission, the FDIC examines most of the financial institutions in the country (approximately 3,400 of the 5,300 banks) and manages the resolution and receivership of failed banks. The FDIC also manages the Deposit Insurance Fund (over \$110 billion at the end of December 2019) and insures approximately \$7.8 trillion in customer deposit accounts.

In recent weeks (March to May 2020), more than 33 million American workers filed for unemployment compensation (14.7 percent unemployment rate in April 2020), and more than 4 million small businesses in the United States sought economic relief under the CARES Act. As a result, many financial experts are forecasting an economic downturn, whereby borrowers may experience difficulty in repaying loans to banks. Such hardships may cause significant economic pressures upon the financial institutions of this country.

Based on its oversight experience and a review of other relevant materials, the FDIC OIG identified three primary challenges facing the FDIC:

- Ensuring the FDIC's readiness for crises (including modeling potential effects on financial institutions and conducting examinations remotely).
- Resolving financial institutions (including executing off-site bank resolutions and receiverships and resolving large, complex institutions pursuant to Dodd-Frank Act responsibilities).<sup>1</sup>
- Guarding against financial fraud and cybercrimes at banks.

## Ensuring the FDIC's Readiness for Crises

The FDIC must be prepared for a broad range of crises that could impact the banking system. In an April 2020 report on the FDIC's readiness for crises, the OIG identified seven best practices that could be used by the FDIC in its crisis readiness framework: (1) Policy and Procedures, (2) Plans, (3) Training, (4) Exercises, (5) Lessons Learned, (6) Maintenance, and (7) Assessment and Reporting.<sup>2</sup>

While this report was not conducted in response to the current pandemic, the OIG found that the FDIC should fully establish the seven elements of crisis readiness. Although the FDIC maintains certain policies and procedures, and conducts some training and simulated exercises, the OIG found that the FDIC:

1. Did not have a documented Agency policy and did not have documented procedures to provide for a consistent crisis readiness planning process.
2. Should develop an Agency-wide all-hazards readiness plan as well as Agency-wide hazard-specific readiness plans, as needed.
3. Did not train personnel to understand the content of crisis readiness plans.
4. Should document the important results of all readiness plan exercises.
5. Did not have a documented process to monitor implementation of lessons learned.

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<sup>1</sup> Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203 (2010).

<sup>2</sup> FDIC OIG, *The FDIC's Readiness for Crises* (EVAL-20-004, April 7, 2020).

6. Should establish a central repository of plans to facilitate periodic maintenance.
7. Should regularly assess and report on Agency-wide progress on crisis readiness plans and activities to the FDIC Chairman and senior management.

The OIG made 11 recommendations for the FDIC to improve its crisis readiness planning. The FDIC has actions underway to address these recommendations.

With respect to the current pandemic crisis, the FDIC represented that it has supplemented its existing staff and contractors and prioritized its workload to focus on mission-essential matters. In addition, the FDIC has reconstituted its Resource Management Committee to focus attention on emerging needs.

### ***Modeling Potential Effects on Financial Institutions***

Given the variables and uncertainty related to the current pandemic as well as the dynamic and fluid nature of the economic situation, the FDIC faces challenges in forecasting the economic impact of the pandemic and its financial effects on banks. According to the FDIC, its economists and financial analysts have developed analyses to assess the potential effects of the downturn with respect to liquidity and credit quality. Such insights into troubled or failing institutions would help the FDIC to plan accordingly, supplement resources, and allocate supervisory staff appropriately.

### ***Conducting Examinations Remotely***

The Federal Deposit Insurance Act requires on-site, full-scope examinations of every FDIC-insured financial institution at least once during each 12-month period (with certain limited exceptions).<sup>3</sup> In March 2020, pursuant to the presidential declaration of a National Emergency and in accordance with mitigation guidance from federal, state, and local officials, the FDIC mandated telework for its staff and continued all examination activities off-site. Prior to the current pandemic crisis, the FDIC stated that it had conducted approximately 40 percent of its safety-and-soundness examinations off-site and approximately 60 percent of its consumer-compliance examinations off-site.

Current social distancing guidelines place an unexpected reliance on information technology systems to conduct FDIC examinations. Although the FDIC frequently swaps data with banks through file exchange systems, these systems will come under additional stress due to the increased data flow and volume. Such dependence on remote off-site examinations also places a greater emphasis and focus on information security protocols and the reliability of the FDIC's information systems.

## **Resolving Financial Institutions**

### ***Executing Off-Site Bank Resolutions and Receiverships***

When a financial institution fails, the FDIC is responsible for facilitating the transfer of the institution's insured deposits to an assuming institution or paying insured depositors directly. The FDIC's goal is to provide customers with access to insured deposits within 1 or 2 days. Carrying out this responsibility during the pandemic presents challenges because this activity requires FDIC personnel to be present at the failed bank's offices and branches. In April 2020, the FDIC changed its processes and now deploys a small on-site team (with a health and safety officer available for consultation) that relies on conferencing software, scanning, and file exchange platforms. The FDIC must ensure that its on-site employees have an adequate supply of personal protective equipment and are trained on its proper use. Also, the FDIC will need to reevaluate such procedures in light of the current pandemic environment.

### ***Resolving Large, Complex Institutions Pursuant to Dodd-Frank Act Responsibilities***

In 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) was enacted and contained provisions regarding the Orderly Liquidation of large, complex financial companies known as systemically important financial institutions (SIFI). These provisions allow for liquidation of a bank where its bankruptcy would have serious

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<sup>3</sup> 12 C.F.R. § 337.12 (2018).

adverse consequences on the financial stability of the United States, and where there is no private-sector alternative to prevent default.

Pursuant to this Dodd-Frank Act authority, the FDIC is appointed as a receiver to carry out the liquidation of SIFIs. As receiver, the FDIC may take steps to transfer or sell assets, create bridge financial organizations to assume assets or liabilities, and approve claims against the company to be paid. To help fund this liquidation process, the Dodd-Frank Act includes a separate fund created by the U.S. Department of the Treasury to cover administrative costs of liquidation. Because the federal government has never invoked these Orderly Liquidation provisions, the FDIC may face challenges in executing the novel provisions of Orderly Liquidation under the Dodd-Frank Act. Further, social distancing guidelines may hinder the FDIC's coordination and execution of the Orderly Liquidation processes.

## Guarding against Financial Fraud and Cybercrimes at Banks

The economic shocks associated with the Savings and Loan crisis (late 1980s to early 1990s) and the recent financial crisis (2008 to 2013) uncovered certain fraudulent activity committed by banks, bankers, customers, and other related parties, such as bank fraud, bribery, embezzlement, investment schemes, obstruction of bank examinations, and falsification of bank records and reports.

Financial institutions may face a recurrence of such threats and risks to their operations. Through the CARES Act and subsequent law, the federal government, at present, has injected more than \$2.4 trillion in stimulus funding into the economy, including approximately \$670 billion in guaranteed loans to small businesses under the Paycheck Protection Program. Of this amount, approximately \$30 billion is set aside for mid-sized banks and credit unions, and another \$30 billion is set aside for small banks and credit unions. Based on our prior experience, we have seen that the guaranteed-loan programs (such as the Paycheck Protection Program) may lead to an increased risk of financial fraud and criminal activity, because the fraudsters know that such loans are backed by the U.S. government. The FDIC may face challenges in ensuring the proper level of supervision and examination scrutiny for guaranteed loan portfolios at supervised institutions.

In addition, during this pandemic crisis, customers and financial institutions are increasingly dependent on remote mobile and online banking services, which may increase the risk of cybercrimes, such as phishing and email fraud. The FDIC has issued publications to assist consumers in using mobile and online banking services and to raise awareness regarding such threats. Further, banks' use of third-party service providers to support technology systems may increase cybersecurity risk at institutions. The FDIC must ensure that banks secure and protect multiple avenues of digital interconnections, because a cyber incident at one digital juncture has the potential to infect other institutions in the banking system.

The OIG notes that these challenges will require continued attention and vigilance by the FDIC for the foreseeable future, and hopes that this document will be informative for the American people to learn about the operations of the FDIC and understand the challenges it faces.

**For more information on the FDIC  
Office of Inspector General visit  
<https://www.fdicoin.gov/>.**

# GENERAL SERVICES ADMINISTRATION

On March 27, 2020, Congress passed and the President signed the CARES Act. The CARES Act included \$295 million for the General Services Administration (GSA) to prevent, prepare for, and respond to COVID-19 domestically or internationally.

According to GSA's Communicable Disease Pandemic Plan, GSA has four primary responsibilities during a pandemic emergency: (1) protecting the health and safety of GSA employees, contractors, vendors, and visiting public; (2) maintaining mission essential functions; (3) supporting federal response efforts; and (4) communicating with employees, tenants, and other stakeholders.

This summary identifies what the GSA OIG considers to be the most significant challenges facing GSA as the Agency seeks to meet the goals of the emergency pandemic response legislation.

## Protecting the Health and Safety of Building Occupants

As of May 7, 2020, 963 GSA owned or leased facilities have reported COVID-19 positive or presumed cases. To ensure the health and safety of building occupants and visitors, the Public Buildings Service (PBS) must be able to timely identify and track positive or presumed cases, and notify building occupants of any potential exposure. Once positive or presumed cases are reported, PBS must execute contract actions to ensure that space is cleaned and disinfected in accordance with Centers for Disease Control and Prevention guidelines.

PBS received \$275 million through the Federal Buildings Fund to fund, among other things, deep cleaning actions due to COVID-19. Effectively administering cleaning contracts to ensure the health and safety of building occupants will pose a challenge. GSA's Communicable Disease Pandemic Plan notes that in-person inspections of this space would be impossible and imprudent, given the health and safety risks involved. Therefore, the plan states that it is important that PBS work with contractors to review, enhance, and modify as appropriate, contract Quality Control Plans and PBS Quality Assurance Surveillance Plans to ensure that adequate safeguards provide for the delivery of safe, efficient, and effective custodial services.

However, the OIG's audit work has found issues with PBS's oversight of its cleaning contracts. The OIG found contracts where the contractor Quality Control Plans and PBS Quality Assurance Surveillance Plans were either missing or inadequate, leading to ineffective contract oversight.<sup>1</sup> PBS must provide effective oversight of the applicable quality control processes to limit and reduce the spread of COVID-19. This will be of considerable importance as federal employees begin to return from extended telework and buildings reopen to the general public.

## Accurate Reporting of CARES Act Spending

To accurately report CARES Act obligations and commitments, the GSA Office of the Chief Financial Officer must ensure that CARES Act spending is properly identified, and that reporting errors and omissions are eliminated or minimized. The OIG's recent audit of GSA's DATA Act submission found that the Agency did not accurately report obligations due to

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<sup>1</sup> GSA OIG, *GSA's PBS Northwest/Artic Region Service Center Does Not Effectively Administer Lease and Service Contracts* (A180053/P/4/R20002, February 20, 2020) and *Award and Administration Issues on Task Order GS-P-02-1 0-PC5025 for Construction Services on the Recovery Act Project at the Joseph P. Addabbo Federal Office Building in Jamaica, New York* (A090184-78, January 8, 2015).

control weaknesses.<sup>2</sup> GSA must ensure that steps it has taken to address these control weaknesses are effective and ensure accurate CARES Act reporting.

## Providing Effective Contract Administration for Emergency Procurements

The CARES Act does not provide direct funding to the Federal Acquisition Service (FAS); however, FAS's Emergency Management Program Office and Office of Assisted Acquisitions may execute contract actions using CARES Act funding on behalf of customer agencies. Past audit work of GSA's emergency contracting for other agencies has identified deficiencies in contract administration resulting in wasteful spending and negative impacts to federal response efforts.<sup>3</sup> FAS must ensure contract administration responsibilities are appropriately delegated and formalized to ensure proper monitoring of contractor performance.

## Safeguarding Federal Facilities and Providing a Secure Work Environment

In multiple audits, the OIG reported that GSA did not ensure that contract employees received favorable background investigation determinations before providing them with access to sensitive government information, systems, and facilities.<sup>4</sup> As a result, GSA assumed unnecessary risk for itself and its customer agencies.

GSA's Office of Government-wide Policy issued guidance that allows for flexibilities related to standard face-to-face credentialing, termination of credentials and building access, and issuance and collection of government supplied equipment for contractors.<sup>5</sup> While these allowances may be necessary in the short-term, GSA must ensure sufficient controls remain. In addition, in cases where contractors use their own information technology (IT) equipment, GSA must ensure it is in compliance with the GSA Office of the Chief Information Officer's IT security policy and technical security guidelines. Failure to do so exposes GSA to potential attacks that could lead to the disruption of Agency operations and the unauthorized disclosure of sensitive information.

**For more information on the GSA Office of Inspector General visit <https://www.gsaig.gov/>.**

<sup>2</sup> GSA OIG, *Audit of the Completeness, Accuracy, Timeliness and Quality of GSA's 2019 DATA Act Submission* ( A190040/B/R/F20001, November 1, 2019).

<sup>3</sup> GSA OIG, *Audit of GSA's Response to Hurricane Katrina* (A060055/A/R/F07009, February 26, 2007).

<sup>4</sup> GSA OIG, *FAS Did Not Ensure That Contract Employees Had Background Investigations Before Providing Support to Agencies Transitioning to Enterprise Infrastructure Solutions* (A170103-4, June 29, 2018) and *PBS is Not Enforcing Contract Security Clearance Requirements on a Project at the Keating Federal Building* ( A150120/P/2/R16002, March 17, 2016).

<sup>5</sup> Acquisition Letter MV-202-07, *Temporary Policy for Contractor Onboarding and Offboarding During Novel Coronavirus Disease (COVID-19)* (April 21, 2020).

# INTERNAL REVENUE SERVICE

Federal Tax Administration has been severely impacted by COVID-19. This public health emergency has resulted in the prolonged closure of most Internal Revenue Service (IRS) offices and processing centers. Individual and business taxpayers have experienced severe financial hardships. To help people facing challenges related to COVID-19, the federal government has taken a sweeping series of steps to assist taxpayers by providing relief on a variety of issues ranging from extending tax return filing and payment deadlines to postponing compliance actions. The IRS also developed online assistance tools, developed a dedicated webpage, and expedited analysis and reprogramming of systems needed to provide economic impact payments to taxpayers. The following information details some of the most significant challenges facing the IRS.

## Providing Tax Relief to Offset Economic Hardship

The IRS must implement many tax provisions in the CARES Act intended to provide relief to those experiencing financial hardship. As the IRS implements the individual and business tax relief provisions, it will face challenges to ensure that only eligible taxpayers are receiving financial relief and that the amount of relief is correct. The IRS will also need to recover improper payments made to ineligible taxpayers.

The largest relief measure for individual taxpayers is the issuance of recovery rebates, also known as economic impact payments. These payments are advance credits from the IRS of up to \$1,200 per qualifying individual (up to \$2,400 to couples filing a joint return), and \$500 for each qualifying dependent. The IRS faced an enormous challenge in expediting the issuance of these payments. Payments were issued to 80 million Americans within 3 weeks of the passage of the CARES Act. As of April 23, 2020, the IRS has issued payments totaling \$191.1 billion to 113 million Americans and plans to continue to issue the remaining 37 million payments through September 2020.

To assist the many businesses impacted by COVID-19, business tax relief provisions in the law include the deferral of employment tax deposits and payments through December 31, 2020; the Credit for Sick and Family Leave; and the Employee Retention Credit. Employers claim the credits on their federal employment tax returns (e.g., Form 941, *Employer's Quarterly Federal Tax Return*), but they can benefit more quickly from the credits by reducing their federal employment tax deposits. If there are insufficient federal employment taxes to cover the amount of the credits, an employer may request an advance payment of the credits. This required the IRS to develop a new tax form and processes and procedures to enable employers to submit these requests beginning on April 1, 2020.

## Continuity of Operations

### *Inability to Perform Essential Functions*

The IRS has not been able to perform many of its essential customer service, processing, and compliance functions as a result of the pandemic and the need to close offices. To help taxpayers facing the challenges of COVID-19, the IRS unveiled a new People First Initiative in March 2020. The initiative temporarily adjusted or suspended key IRS compliance programs from April 1 through July 15, 2020. The changes included postponing certain payments related to installment agreements and offers in compromise; suspending liens and levies; suspending passport certifications of seriously delinquent taxpayers; not referring new delinquent accounts to private debt collection; and delaying new field, office, or correspondence examinations. The suspension of these compliance activities will require the IRS to modify its compliance processes to provide taxpayers relief during the pandemic.

## ***Decline in Customer Service and Tax Return Processing***

During this tax filing season, the IRS took unprecedented and drastic actions to prevent the spread of COVID-19 in order to protect the health and safety of its employees and taxpayers. These actions included closing its toll-free telephone call sites, Taxpayer Assistance Centers, Tax Processing Centers, Volunteer Income Tax Assistance, and Tax Counseling for the Elderly sites. The IRS directed most employees to work from home (or an alternate location) which presented other challenges for the IRS. For example, moving its toll-free telephone operation to a telework environment required the IRS to provide the necessary equipment and training to teleworking employees.

The actions that the IRS found necessary to take in response to this pandemic have affected and will continue to affect its ability to provide timely customer service and tax return processing. For example, as of April 25, 2020, the IRS estimates that over 13.6 million paper-filed business and individual tax returns remain unprocessed and 1.9 million tax returns with identified processing errors that have not been resolved. In addition, the IRS estimates it has received 10 million pieces of mail at its processing centers since these sites have been closed, which includes 17 tractor-trailers located at two processing centers that contain unopened mail.

## ***Health and Safety Concerns***

As the IRS slowly reopens its sites, it must continually assess the personal safety of its workers. This may require the IRS to continue offering telework flexibilities, place limits on the number of staff allowed in offices, and increase the procurement of personal protective equipment. Trying to balance restarting operations with employee safety will challenge the IRS's ability to provide quality customer service, process tax returns, and enforce compliance with tax laws.

## **Preventing Scams**

The tax system has routinely been targeted by scammers and used as a lure to conduct illicit cyber campaigns ranging from attempts to infect taxpayer systems with malicious software, to stealing personally identifiable information and utilizing IRS web portals to monetize their activity through the filing of fraudulent tax returns. The Treasury Inspector General for Tax Administration (TIGTA) expects to see a surge in investigative activity related to the CARES Act, as bad actors resort to new scams and cyberattacks against IRS systems in an attempt to steal economic impact payments from taxpayers through various methods, including impersonation phone calls, email phishing attempts, and stolen or counterfeit Treasury checks.

The IRS will also be challenged to ensure adequate measures are taken to prevent the continually evolving threats against its operations, to include cyberattacks against new IRS web portals used by taxpayers to check on the status of economic impact payments and to update their banking information in order to receive these payments. Illicit actors are frequently resourceful and significantly outnumber those combating them. The normal cycle of activity includes an intense amount of attention paid to new government programs by scammers who are intent on exploiting them to their advantage. The implementation of the CARES Act has not only started this cycle of activity on a significant scale involving many areas, but has also brought IRS programs back into focus for scammers familiar with IRS operations, as well as likely motivating a new generation of scammers who are chasing what they believe to be "free money." Victims of IRS-related scams are frequently retargeted for victimization and may be victimized repeatedly over a significant period of time.

**For more information on TIGTA visit <https://www.treasury.gov/tigta/>.**

# LEGAL SERVICES CORPORATION

The Legal Services Corporation (LSC) OIG identified what it believes to be the top challenges the LSC faces in handling pandemic-related responsibilities or any emergency funds.<sup>1</sup> Under the CARES Act, the purpose of LSC's COVID-19 supplemental funding is to prevent, prepare for, and respond to the coronavirus, domestically or internationally.

## Resources

### *Worsening Shortfall in Legal Services Delivery System*

Before the COVID-19 pandemic, the shortfall in legal aid delivery system capacity was the most critical challenge to program effectiveness facing LSC. A 2019 LSC intake census showed that 42 percent of the eligible legal problems presented to the grantee services network received no service of any kind. As a result of the COVID-19 pandemic and the resulting spike in unemployment, the large shortfall between the provision of legal aid services and the overwhelming demand by eligible low-income persons for legal services will get substantially worse. LSC must work to continue to facilitate and fund the efficient and effective delivery of legal aid services during a substantial increase in demand for services, while taking into account differing grantee delivery capacities throughout the country.

### *Distribution of Funding*

LSC must determine the most effective and equitable distribution of the funds to achieve the authorized purpose of the funding. It must determine the most effective funding mechanism, while getting the funding to its grantees expediently. At the same time, LSC must ensure it provides an appropriate level of effective guidance on use of special grants, such as pandemic-related grants, and ensure there is appropriate accountability for the use of the funds. LSC likely will need to respond promptly to questions from grantees on the proper use of and accountability for the funds. Potential subsequent rounds of funding will allow LSC to apply lessons learned and improve its process of awarding and overseeing pandemic funds.

## Operations

The imperative under the pandemic to provide legal services on a remote basis has revealed inadequate telework readiness in parts of the legal aid delivery system. LSC has identified this challenge and provided special funding for information technology system investments to enhance grantees telework capacity and improve their ability to provide essential legal aid services remotely.

## Oversight

### *Grants Oversight*

Leadership capabilities and experience levels vary throughout the LSC-funded network. Grants management at the grantee level is challenged by an increasingly complex portfolio of recurring and special grant programs requiring skilled oversight and adequate staffing (e.g., a grantee can receive funding through the following LSC grant programs: Basic

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<sup>1</sup> The practice of OIGs independently assessing the top management and performance challenges facing their agency is required at major executive agencies by the Reports Consolidation Act of 2000, 31 USC §3516(d). While LSC is not an executive agency and is not subject to this requirement, the LSC OIG periodically identifies LSC's top management challenges.

Field, Pro bono, Technology Innovation Grants, Disaster Relief, CARES Act, Veterans Grants, subgrants, and private fund research projects).

### **Control Systems**

LSC must maintain a sound system of controls to manage its programs and operations, and administer and oversee pandemic-related grants. LSC controls will be tested, especially considering new or modified systems for tracking and accounting for this funding and differing terms and conditions between the emergency funding and basic field grants. Traditional fraud concerns at the grantees regarding acquisition management, conflicts of interest, sole-sourcing, and information technology security are likely to be heightened under the current exigent circumstances.

### **Monitoring**

Challenges to monitoring the timely and appropriate expenditure of pandemic-related funds are presented in the traditional manner with which LSC oversight is conducted. LSC grantee monitoring is undertaken largely with on-site visits to grantees. In the current environment, LSC understandably is planning to shift to remote oversight of grantees who are also functioning remotely, with potential limitations of access to required staff and records. This shift in monitoring approach will create new challenges for LSC's ability to conduct necessary oversight. Additionally, CARES Act funding will require a reprioritization, additional training, and/or increased numbers of LSC staff to oversee the fiscal and regulatory processes and guidance that 132 grant recipients use to expend emergency grant funding.

### **Data Challenges**

To determine the effectiveness of the LSC CARES Act implementation and to ensure the timely and appropriate expenditure of pandemic-related funds, LSC must institute systems to monitor the use of funds and ensure responsive and accurate reporting by LSC grantees. LSC is not subject to the Digital Accountability and Transparency Act of 2014 (or the Federal Funding Accountability and Transparency Act and its amendments) and does not participate in USASpending.gov.<sup>2</sup> As such, LSC's ongoing reporting requirements may vary in form and substance from traditional federal grantee reporting requirements. LSC's collection (and grantees' reporting) of data required under the CARES Act, and required for effective and timely oversight of CARES Act funding, therefore, presents a challenge. This is further complicated by the fact that LSC is in the process of implementing a new grants management system, including the oversight module that is not yet fully operational.

**For more information on the LSC Office of Inspector General visit <https://www.oig.lsc.gov/>.**

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<sup>2</sup> Digital Accountability and Transparency Act of 2014, Pub. L. No. 113-101f (2014) and Federal Funding Accountability and Transparency Act of 2006, Pub. L. No. 109-282 (2006).

# NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

The CARES Act was enacted in March 2020 to address the COVID-19 outbreak and, in part, provided funding for federal agencies to respond to the pandemic and fund loans, grants, and other forms of assistance for businesses and state and local governments. The National Aeronautics and Space Administration (NASA) received \$60 million in CARES Act funding within its Safety, Security, and Mission Services appropriation to prevent, prepare for, and respond to the coronavirus domestically or internationally. In addition, Section 3610 of the Act allows agencies to reimburse contractors for any paid leave caused by the pandemic, and to keep employees and subcontractors in a ready state, including to protect the life and safety of government and contractor personnel. This provision is particularly relevant to an agency like NASA that relies so heavily on private contractors for its science and space exploration projects.

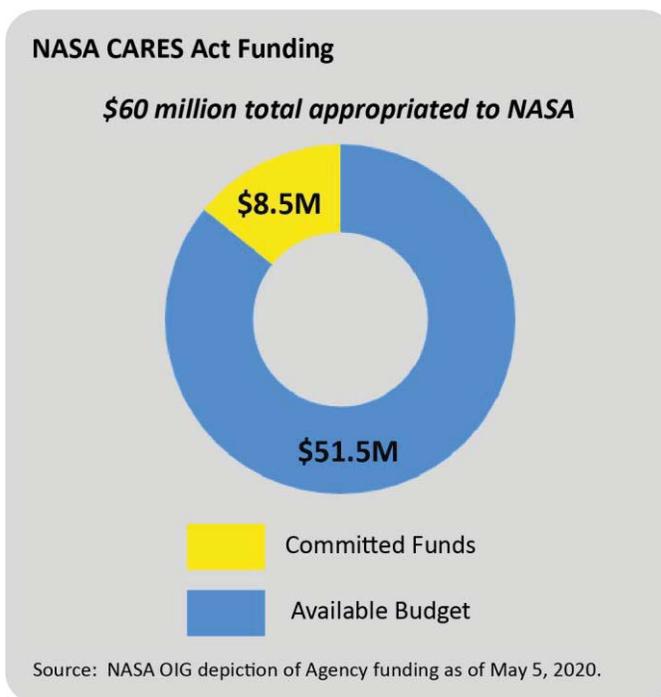
NASA, along with multiple other federal agencies, modified operations in response to the coronavirus pandemic following guidance established by the Centers for Disease Control and Prevention. This included mandating telework for federal and contractor workforces, closing facilities, and canceling all non-essential travel. By mid-April 2020, 12 of the Agency's 18 major facilities across the country were closed to all employees except those necessary to protect life and critical infrastructure. The remaining 6 facilities remained open for work designated "mission critical" that could not be accomplished remotely.

As of May 5, 2020, NASA has committed approximately \$8.5 million of the \$60 million in emergency funding. The majority of the committed funds relate to contractor impact claims, information technology services, and cleaning supplies. Future use of the remaining funds are expected to include increased cleaning efforts at each NASA facility as well as purchases of personal protective equipment.

In addition to the CARES Act funds, NASA has launched multiple initiatives to respond to the pandemic. The Agency started an employee crowdsourcing initiative to solicit new ideas focused on developing personal protective equipment; developing new ventilation devices; and using NASA data, data analytics, high performance computing, artificial intelligence, and other capabilities to predict the spread of COVID-19 and address its environmental, economic, and societal impacts. Agency engineers have also designed a new ventilator and oxygen helmet specifically for coronavirus patients with milder symptoms. Both items are under review by the Food and Drug Administration for emergency-use authorization.

## Oversight of Contracts, Grants, and Cooperative Agreements

Typically, NASA spends approximately 80 percent or more of its available resources on contracts, grants, and cooperative agreements to fund research and development, and purchase supplies, services, and equipment to fulfill the Agency's mission. With the implementation of the CARES Act, the NASA OIG anticipates an increase in these procurement actions. Moving quickly to use these funds effectively while avoiding fraud, waste, and abuse is a critical but challenging task. Additionally, for reimbursement of Section 3610 funds, it is imperative for NASA to ensure these funds are appropriately identified, recorded, and segregated, since the reimbursement may be paid not only from



NASA's CARES Act funding but from its annual appropriations. Furthermore, it will be incumbent upon contracting officers to communicate and oversee contractor activity and obtain appropriate documentation to identify contractors that qualify for this relief. Based on the results of ongoing and previous work, the OIG believes this oversight to be the top challenge facing the Agency in administering CARES Act and Agency funds related to the pandemic.

NASA's challenges with contracting and acquisition oversight are long-standing and have been reported on the Government Accountability Office's (GAO) High-Risk list and as a top management challenge by the OIG for the past 14 years. The Agency has been responsive to recommendations; however, continued improvement in this area is needed.

Collectively, the OIG's audit and investigative work has consistently shown that NASA's poor management and oversight of contracts, grants, and cooperative agreements has resulted in inappropriate expenditures, wasted taxpayer dollars, and negative impacts to the Agency's mission. Specifically, some of the OIG's most recent audit reports have identified that NASA lacks visibility into contract costs; contracting officers approved contract modifications and issued task orders to contracts without proper authority; and NASA lacked an appointed on-site technical monitor, which contributed to issues with monitoring contractor performance.<sup>1</sup> Both the NASA OIG and GAO have also reported on issues with NASA's use of service contracts, specifically related to improvements needed for collecting data, streamlining requirements, and utilizing independent government cost estimates—the government's best estimate of a contract's potential costs.

The same concerns hold true regarding NASA's oversight of grants and cooperative agreements. Past OIG audits have reported instances where NASA and award recipients did not ensure proper administration and management of awards, as well as grant funds that were not used for their intended purpose. The OIG's investigative work for both contracts and grants also identified fraud and misconduct related to collusion among bidders, employers, and contractors; bribes and kickbacks; use of counterfeit and defective parts; and conflicts of interest.

Finally, the OIG's prior oversight activities of NASA's Recovery Act funding in 2009 identified that generally the Agency used funds in accordance with the requirements and goals of the Act; however, the OIG identified \$2 million in questioned costs, internal control weakness, and poor project oversight.<sup>2</sup> Protecting NASA's investments is of the utmost importance, and Agency contracting personnel need to be attentive to fraud indicators and be proactive in their efforts to prevent such fraud before it occurs. Moving forward, the OIG will continue to provide oversight of NASA's procurement activities and tracking of pandemic funding.

**For more information on the NASA  
Office of Inspector General visit  
<http://oig.nasa.gov/>.**

<sup>1</sup> NASA OIG, *NASA's Management of Space Launch System Program Costs and Contracts* (IG-20-012, March 10, 2020) and *NASA's Management of the Space Launch System Stages Contract* (IG-19-001, October 10, 2018).

<sup>2</sup> American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5 (2009).

# NATIONAL ARCHIVES AND RECORDS ADMINISTRATION

The National Archives and Records Administration (NARA) received an additional \$8.1 million to prevent, prepare for, and respond to the COVID-19 pandemic under the CARES Act. These funds are available until September 30, 2021, and may be used to provide for coronavirus-related expenses of NARA's appropriated activities as well as the reimbursable Federal Records Centers Program. NARA has stated this funding will be used to expand remote access for NARA employees to maximize telework during the COVID-19 pandemic. Specifically, NARA plans to provide a laptop or tablet to every employee, accelerating migration of shared drives to Google Drive and improving cybersecurity. Laptops and tablets have already been ordered. Further, some of the funds were provided to cover cost-saving initiatives that have been delayed due to the COVID-19 pandemic, including classified consolidation, information system decommissioning, and reductions in building services.

NARA will be challenged to handle these additional funds in an efficient and effective manner. The bulk of these funds will be used to increase NARA's information technology (IT) equipment and infrastructure to promote telework, which will require contracting for goods and services. Accordingly, NARA may be hampered by long-standing challenges in IT security and contract management. How these management challenges may affect spending CARES Act funds is summarized below. Management challenges are further detailed in the NARA OIG's Semiannual Report to Congress, which can be found at [www.archives.gov/oig/reports](http://www.archives.gov/oig/reports).

## Information Technology Security

As the OIG has reported over the past decade, annual Federal Information Security Modernization Act assessments have consistently identified areas in need of significant improvement.<sup>1</sup> This led to NARA labeling IT security a "material weakness" under the Federal Managers' Financial Integrity Act from 2007 to 2019, with exceptions in 2013 and 2014 when it was considered a "reportable issue."<sup>2</sup> NARA has developed an action plan to resolve identified control deficiencies, but does not expect to implement it fully until fiscal year 2023. Therefore, all of the CARES Act funds used for IT equipment and issues will be expended before NARA fully implements its action plan to address IT security. Currently there are control weaknesses and structural challenges (such as the fact that the Chief Information Officer does not report directly to the Agency head) that contribute to underdeveloped or ineffectively implemented policies which may affect NARA's ability to efficiently and effectively use this additional funding in the IT realm.

While NARA has introduced initiatives to promote a mature program, real progress will not be made until NARA establishes an effective system of internal control for information security. This will not be completed before NARA expends the CARES Act funds, and NARA must work to ensure that any of these funds spent on IT do not exacerbate current security issues.

## Improving Project and Contract Management

NARA has stated the Agency will procure new IT equipment with CARES Act funds, and has historically used contractors to do significant work and maintenance on NARA's IT systems. However, NARA has faced significant challenges concerning project and contract management. In the past there have been cost and schedule overruns, contract requirements were not always well-defined, large dollar IT contracts lacked adequate oversight, contractor performance

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<sup>1</sup> Federal Information Security Modernization Act of 2014, Pub. L. No. 113-283 (2014).

<sup>2</sup> Federal Managers Financial Integrity Act of 1982, Pub. L. No. 97-255 (1982).

was not consistently evaluated and reported, and most relevant to the current situation, IT projects were not always carried out in accordance with guidelines.

Part of this challenge is NARA's acquisition workforce. Strengthening the acquisition workforce is essential to improving contractor management and oversight. However, NARA does not effectively identify and track the agency's acquisition workforce, or coordinate with program areas when designating contracting officer representatives (COR). This has led to using CORs without proper certifications. NARA must work to strengthen internal controls over acquisition activities associated with CARES Act funding, and provide better oversight and management of any related procurement activities.

**For more information on the NARA  
Office of Inspector General visit  
<https://www.archives.gov/oig>.**

# NATIONAL ENDOWMENT FOR THE ARTS

The CARES Act provided the National Endowment for the Arts (NEA) an additional \$75 million to remain available until September 30, 2021, to prevent, prepare for, and respond to COVID-19, domestically or internationally, to be distributed in grants. The Reports Consolidated Act of 2000 and Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, require that the OIG provide the agency head with a summary of the top management and performance challenges facing the agency.<sup>1</sup> This summary is an update of the top management challenges the NEA OIG provided to the Agency in November 2019 to summarize how the challenges may affect the management of the additional funding provided by the CARES Act.

It is the OIG's assessment that the areas of financial management, human capital, information technology, and awardee accountability represent the top management and performance challenges for the NEA. Following is a discussion of each challenge area.

## Financial Management

This is one of the key areas where the NEA works to continuously improve each year. Thus, it remains one of the top challenges for fiscal year 2020. The challenge is continuous because the Agency is required to keep pace with government-wide financial systems modernization efforts and regulatory changes. At the same time, the Agency continues to focus on improving efficiency and effectiveness of its accounting and finance policy and procedures, systems, and staff cross-training. While this is a top challenge, a positive indicator in the financial management area is that the Agency consistently receives unmodified opinions on its financial statement audits and has a high level of compliance with DATA Act requirements.<sup>2</sup> During 2020 and beyond, under the CARES Act, the Agency will be challenged with timely disbursement of CARES Act funds through its financial management system and reporting the funding awards to the appropriate U.S. Department of the Treasury and OMB systems.

## Human Capital

The NEA considers its people to be its most valuable asset in achieving its mission. Thus, it works to continuously improve its people program policies and procedures consistent with its human capital strategy. The top human capital challenge includes ensuring an effective strategy to work with hiring managers to attract and retain candidates with the right skills, ability, and knowledge to fill vacant positions due to normal attrition and retirements. This needs to be done while maintaining high quality service in other human capital areas, such as training and development, and performance management and recognition. In 2019, the Agency filled a number of key leadership and staff positions, including the Senior Deputy Chairman, to address mission delivery challenges. For 2020, the CARES Act funding will require a significantly increased number of volunteers and staff time devoted to the award of this funding while continuing to oversee the award of award funds appropriated prior to the CARES Act.

## Information Technology

The NEA began addressing this area by transitioning to a new, more robust electronic grants management system (eGMS) in fiscal year 2018. This new system was built on a more flexible, operationally efficient platform. The initial

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<sup>1</sup> Reports Consolidation Act of 2000, Pub. L. No. 106-531 (2000) and OMB Circular A-136, *Financial Reporting Requirements* (June 28, 2019).

<sup>2</sup> Digital Accountability and Transparency Act of 2014, Pub. L. No. 113-101 (2014).

version of the eGMS was fully connected to the Grants.gov website. In 2018 and 2019, the Agency has been working to fully integrate eGMS with its internal financial systems and the financial systems operated by external service providers. These updates should prove helpful, yet still challenging due to the significant increase in the volume of transactions due to the CARES Act.

Another challenge for the NEA is the Federal Information Security Modernization Act of 2014 (FISMA) that requires each federal agency to develop, document, and implement an agency-wide information security program to provide information security over the operations and assets of the agency.<sup>3</sup> Through annual reviews of the NEA's compliance with FISMA, the OIG continuously identifies ways for the Agency to enhance security, and the Agency continually makes progress each year in complying with increasing information system security requirements. The coronavirus pandemic requirement to telework has made it much more challenging for the Agency to continue improving information security. Information technology staff have shifted their focus on keeping the network secure and operational for all teleworking staff and ensuring the awards management system is maintained in top condition to process the increased volume of awards under the CARES Act.

## Awardee Accountability

The Arts Endowment Grants and Program Management Offices face the challenge, along with the rest of the federal community, to help awardees fully implement and comply with the requirements of 2 CFR Part 200.<sup>4</sup> These offices must also help awardees comply with Agency General Terms and Conditions for grant awards. This challenge area also apply to CARES Act funding awardees.

The OIG's audits continue to identify awardees that have not complied with all applicable federal award requirements. These awardees are typically identified through our risk-based annual audit planning, hotline allegations and complaints, or referrals from the Agency's Grants Office. Based on audits of these awardees, below are the five most common findings:

1. Failing to ensure that contractors and sub-award recipients have not been debarred or suspended from receiving federal assistance prior to paying or awarding them federal funds.
2. No written policies and procedures for managing federal awards.
3. Not reporting accurate and allowable costs incurred on the Federal Financial Report.
4. Not maintaining supporting documentation for costs charged to Agency grants.
5. Not maintaining a Section 504 self-evaluation at the organization.

The OIG acknowledges and encourages the NEA's continuous efforts to identify ways to improve awardee compliance with federal requirements. Continued development and implementation of web-based tools and technical assistance efforts by the Agency, along with the results of OIG audits will, in the OIG's opinion, help to improve awardee compliance. As grant making is the primary mission of the NEA, this area will continue to be an important challenge.

The OIG has received strong support from NEA management in identifying and tracking these top management challenges, and looks forward to continuing to help the Agency deliver its mission with excellence and integrity.

**For more information on the NEA  
Office of Inspector General visit  
<https://www.arts.gov/oig>.**

<sup>3</sup> Federal Information Security Modernization Act of 2014, Pub. L. No. 113-283 (2014).

<sup>4</sup> 2 C.F.R Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (2014).

# NATIONAL RECONNAISSANCE OFFICE

The key areas of concern for the National Reconnaissance Office (NRO) are related to reimbursements under Section 3610 of the CARES Act and unclassified communications in the Intelligence Community.

## Procurement Management

Key procurement management challenges include the NRO's ability to properly assess contractor reimbursement under Section 3610 of the CARES Act, properly fund mission requirements, and effectively manage and oversee contractor performance. In addition, telework and unclassified communication capabilities pose unique challenges for Intelligence Community agencies.

### *Proper Assessment for Reimbursement under Section 3610*

Section 3610 does not compel reimbursements of paid costs but rather authorizes payment if the agency determines that making such payments are in the best interest of the government. A contract population in excess of a thousand and a reduced government workforce hinders NRO from conducting a proper assessment, while the current circumstances increase the pressure to reimburse contractors for paid leave. As a result, NRO is using enterprise-wide notices to industry to minimize individual contract actions, as opposed to conducting individual contract assessments regarding the necessity of using Section 3610 reimbursements to keep contractors in a ready state to meet current and future Agency needs.

### *Underfunded Mission Requirements*

No organization received separate appropriations to reimburse government contractors for paid leave under Section 3610. As a result, existing appropriations will be used to reimburse contractors for paid leave. This reduces NRO's available program budget for producing and delivering contracted requirements. If future appropriations do not "back fill" the amounts expended to reimburse for COVID-19 leave, these expenditures will impact mission requirements and the contractor's ability to deliver, which could result in cost overruns, program delays, and reduction in mission capabilities. If cost and schedule are not appropriately adjusted, contractors may minimize efforts in critical areas, such as security and quality assurance.

### *Ability to Effectively Manage and Oversee Contractor Performance*

The NRO has been operating with a reduced workforce and travel restrictions that limit on-site reviews of contractor progress. In addition, limited time to implement new controls and procedures and to train contracting officials impacts NRO's ability to assess contract performance and properly review invoices and payments.

## Financial Management

Key financial management challenges include the increased risk of improper payments. For reimbursements under Section 3610, NRO requires contractors to submit a separate invoice with detailed spreadsheets containing key data elements. This separate invoicing requirement will significantly increase the workload of the financial and contracting workforce whose staffing has been significantly reduced due to the COVID-19 pandemic. Invoice rejection rates will likely increase as contractors adjust to the new reporting process. The detailed spreadsheet supplementing the invoice may not provide sufficient information on the contractor rate calculations to enable NRO to verify that fee and profit

were correctly excluded. The supplement to the invoice will require additional scrutiny; however, the increased pressure to pay invoices timely coupled with the reduced workforce could negatively impact NRO's ability to ensure invoices are adequately reviewed and properly supported.

## **Fraud Detection across the Government**

The Pandemic Response Accountability Committee is focused on preventing and detecting fraud, waste, abuse, and mismanagement, as well as mitigating major risks that cut across program and agency boundaries for the funds provided by the CARES Act and related emergency spending bills. While reimbursement under Section 3610 will be small in comparison to other COVID-19 relief, the opportunity for some companies to "double dip" is significant if these funds are not appropriately tracked across the government, to include the classified arena. The importance of implementing robust, uniform data collection with unique and consistent identifiers for people, companies, and pay periods (using CAGE Codes, employee numbers, pull down menus to minimize data variation, etc.) will be critical to identifying those contractors attempting to obtain multiple credits or reimbursements for the same expenses.

## **Telework and Unclassified Communications**

The Intelligence Community is facing new challenges in the wake of COVID-19 as portions of the cleared government and contractor workforces remain at home. In addition to the obvious mission challenges caused by a reduced government and contractor workforce, Intelligence Community organizations often lack the appropriate mechanisms to facilitate communication with personnel who are no longer on-site and may lack access to government networks (classified and unclassified). Further, the nature of work performed, contract terms, and information technology system often do not provide telework options, which impacts Intelligence Community organizations' ability to maximize the productivity of its workforce.

For the portion of the workforce that is able to conduct unclassified work from home, there is a risk of inadvertent spills of classified information or disclosures through an adversary's ability to aggregate information as this workforce uses computers with potentially weak passwords or poorly secured home Wi-Fi routers, cell phones, free social media platforms, and other non-secure means of communication.

**For more information on the NRO  
Office of Inspector General visit  
[https://www.nro.gov/Offices/  
Office-of-Inspector-General/](https://www.nro.gov/Offices/Office-of-Inspector-General/).**

# NATIONAL SCIENCE FOUNDATION

The CARES Act provided the National Science Foundation (NSF) with \$75 million to support its ongoing grant response, including funds for Rapid Response Research, to COVID-19 and \$1 million to assist in the administration of those grants. These funds are in addition to NSF's portfolio of open awards, which currently totals more than \$33 billion. Given the extent of this funding, pandemic-related risks to the integrity of NSF funds must be assessed.

With respect to its CARES Act funding, NSF developed a plan for spending those funds using its existing processes and funding mechanisms. The NSF OIG conducted a review of that plan and found it to be reasonable, prudent, and consistent with the intent of CARES Act funding objectives.<sup>1</sup>

The pandemic also poses risks to the expenditure of NSF's non-pandemic funding. The Foundation relies on the recipient community to ensure award funds are spent in accordance with federal requirements. Many institutions funded by NSF are facing financial challenges driven by the pandemic, including the need to refund portions of spring 2020 tuition; lower than anticipated tuition revenue in 2021; and declining support from state governments, endowments, or other sources of funding. If those fiscal constraints lead to staff cuts in sponsored research offices or offices responsible for identifying and managing scientists' conflicts of interest and commitment, recipients' ability to ensure compliance with NSF award terms and conditions could be undermined, potentially putting NSF funds at risk. Finally, in response to COVID-19, the Office of Management and Budget and NSF issued interim guidance to the award recipient community for managing award funds during the pandemic, which broadened allowable activities for grant funds. Accordingly, the OIG will adapt audit procedures to reflect the new guidance and update risk models to incorporate newly identified risks. Additionally, this guidance impacts the submission, processing, and results of Single Audits across the recipient community, which may impact how the OIG approaches work in this area.

The pandemic is also likely to have an effect on some of NSF's preexisting management challenges, including:

- **Managing major multi-user research facilities.** COVID-19 has directly impacted the work conducted at NSF-funded major multi-user research facilities, which include telescopes, ships, and observatories. NSF currently supports the operation of many major multi-user research facilities and the construction of others. In response to COVID-19, many existing facilities have been closed or forced to operate with minimal staff. This has led to disruptions in data gathering and routine maintenance, and has forced the postponement or canceling of planned scientific campaigns. The pandemic response has also disrupted the construction of new facilities. Beyond undermining the science that was to be supported by these facilities, these effects have financial consequences that NSF will have to address when it is possible to return to normal operations.
- **Managing the Antarctic Infrastructure Modernization for Science (AIMS) project.** NSF was in the early stages of modernizing facilities at McMurdo Station, the largest research station it supports in Antarctica, when the pandemic struck. As a result, NSF has had to slow planned construction activities for an undetermined period. NSF will have to address the impact of this pause on the AIMS project's schedule and cost when construction can resume.
- **Navigating threats posed by foreign government talent programs.** Many institutions funded by NSF could be affected by financial constraints driven by the pandemic. Recognizing the impact of such fiscal constraints on university researchers, entities leading foreign government talent plans might increase their efforts to recruit U.S. scientists to participate in their programs. In addition, staff cuts resulting from pandemic-driven fiscal

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<sup>1</sup> NSF OIG, *Review of the National Science Foundation CARES Act Spending Plan* (OIG 20-6-001, May 21, 2020).

constraints could undermine institutions' ability to identify and manage conflicts of interests, commitment, and affiliation created by researchers' involvement with foreign government talent programs. NSF will need to consider these risks and how they might factor into its response to this existing management challenge.

The Foundation has already begun efforts to identify risk areas, develop mitigation strategies, and determine financial impacts. The OIG is coordinating closely with NSF to ensure that its strategies for mitigating impacts are fully developed and address the areas of greatest concern. The OIG will design the fiscal year 2021 audit work plan with enough flexibility to address the evolving health, economic, and societal impacts of COVID-19 on NSF and its award recipients. The OIG will also consider effects of COVID-19 when developing its report on management challenges for the Foundation in fiscal year 2021.

**For more information on the NSF  
Office of Inspector General visit  
<https://www.nsf.gov/oig/>.**

# NUCLEAR REGULATORY COMMISSION

The Nuclear Regulatory Commission (NRC) requested supplemental appropriations under the CARES Act to support remote access, teleworking, and operational and security activities related to coronavirus prevention, preparation, and response. These funds can be grouped into four categories: licenses, commodity information technology (IT), expanded contractor support, and reengineering systems and work process. For licensing, additional funds were requested to support increases in mobile and collaboration licensing as well as telecommunications services (e.g., increasing internet bandwidth) resulting from expanded telework. NRC remote work technologies have been in place for a number of years. The NRC pressure-tested remote capabilities with nearly all Agency staff teleworking the week before moving to mandatory telework. Challenges during the testing helped the NRC ensure remote access during the ensuing mandatory telework phase. In terms of commodity IT, additional funds were requested to provide IT commodities to optimize staff productivity (e.g., audio headsets) and replacement parts (e.g., PIV card readers, laptop batteries) while employees work remotely. For expanded contractor support, additional funds were requested to support increased operational and security activities (e.g., patch management) due to expanded telework. Finally, in terms of reengineering systems and work processes, additional funds were requested to modify solutions and processes to expand the use of and optimize electronic solutions that replace in-person processes to conduct Agency work (e.g., electronic concurrence, automated workflows).

While the NRC has taken steps to increase remote IT capabilities in response to COVID-19, the following areas should continue to be monitored moving forward.

## **Patch Management in the Face of Increased Demand for Bandwidth**

Shifting from on-site operations to mandatory telework dramatically increased demand for bandwidth, which increased by 350 percent. The deployment of applications, patches, and updates using the existing on-premise configuration management tools was very bandwidth intensive and competed with increased end-user use of collaboration tools (e.g., voice, video, and Instant Messages). In mid-April 2020, the NRC transitioned to a cloud-based configuration management solution so Agency-managed IT end-points would download applications, patches, and updates directly from a cloud-based environment. The new cloud-based configuration management implementation architecture is designed to provide timely and quality workstation release management support for end users and better utilization of the NRC's internet bandwidth. Continued monitoring of bandwidth needs is in place to help ensure availability and limit operational mission risks moving forward.

## **Manual Processes Are Automated and Go Online to Support and Optimize Remote Work**

A challenge that emerged when the Agency shifted to mandatory telework was supporting a remote workforce handling an increase in industry requests for regulatory exemptions. In early April, the Office of Nuclear Reactor Regulation came to the Office of the Chief Information Officer with an urgent request to create an online mechanism to accept and process exemption requests resulting from the impacts of COVID-19. The joint team developed an automated process and online web form to streamline the submission and processing of exemption requests from nuclear power generators in only 8 days. Shortly thereafter, the Office of Nuclear Material Safety and Safeguards worked with the Office of the Chief Information Officer to develop an automated process and online web form for exemption requests covering medical, industrial, and academic uses of nuclear materials; the storage and transportation of spent nuclear

fuel; and the decommissioning of nuclear facilities and uranium recovery. Continued monitoring of the new functionality is in place to monitor safety and security impacts in this most important mission area.

## **Future Challenges**

Continued monitoring of issues related to IT to support Agency operations in a pandemic response environment is in place to help detect issues earlier, respond with necessary actions, and proactively request additional resources and initiate procurement processes.

**For more information on the NRC  
Office of Inspector General visit  
[https://www.nrc.gov/insp-  
gen.html](https://www.nrc.gov/insp-gen.html).**

In March 2020, the Peace Corps responded to the COVID-19 pandemic by suspending all Volunteer activities and evacuating nearly 6,900 Volunteers from approximately 60 countries of service. In a matter of a few weeks, the Agency brought all of its Volunteers back to the United States. Evacuating all of its Volunteers at the same time was unprecedented and required the Agency to take extraordinary steps, including the chartering of international flights, to complete the task. For the first time since its establishment in 1961, the Peace Corps is currently without a single active Volunteer. The Agency currently faces the tremendous challenge of planning for the resumption of its overseas Volunteer programs in the environment of uncertainty that the COVID-19 pandemic has created. The CARES Act provided the Agency with \$88 million of supplemental funding to prevent, prepare for, and respond to COVID-19 or a similar pandemic. Importantly, the law also allows the Agency to use the supplemental funding to reimburse accounts already used for costs related to COVID-19, such as costs associated with transporting all Volunteers back to the United States during the evacuation process in March.

Because the Peace Corps OIG has not yet formally reviewed or audited the Agency's response to the COVID-19 pandemic and its related expenditures, the OIG can not specify in this document any particular concern, risk, or finding related to the Peace Corps' use of CARES Act monies. However, in 2019 the OIG identified management challenges that are likely to be relevant to how the Agency plans to spend the CARES Act funding and how it intends to handle its pandemic-related responsibilities and the return of Volunteer operations. Below summarizes these challenges and risks.

## Planning and Implementation

The Peace Corps' plans to resume its overseas programs, and operations will need to be informed by how the pandemic has affected each of the Peace Corps countries and an assessment of the impact of COVID-19 on communities where Volunteers may serve. The Agency's reentry plans will need to be informed by an understanding of the wide-ranging response to COVID-19 of governments and peoples, as well as the economic, health, safety, and social infrastructure in each country it plans to reenter. Planning for the reentry of Volunteers based on a country-by-country assessment may prove to be a larger challenge than the global evacuation. As the OIG has reported, the Peace Corps struggles to plan for the long-term impacts of risk and capital needs of the entire organization. Specifically, the OIG has highlighted areas of concern where the Agency did not apply sufficient time and resources to document decisions, ensure the appropriate resources are assigned, and review lessons learned. The lack of an enterprise risk management (ERM) program hampers the Agency's ability to successfully plan and implement new programs or initiatives. A comprehensive ERM program would identify risks and their potential outcomes, initiate mitigating strategies, ensure appropriate people are involved throughout the planning and implementation process, and pinpoint the most impactful areas in which to invest resources. Overall, it would help the Agency to ensure that decisions made align with or ultimately benefit the Peace Corps' overall mission and priorities.

## Volunteer Health and Safety

The health and safety of its Volunteers are the Agency's top priorities. As the Agency prepares to restart its overseas programs it will face new challenges, as well as some of the same challenges related to Volunteer health and safety that the OIG has identified through evaluations and audits of those programs. The Peace Corps will need to assess the health care staffing, resources, and facilities in each country where Volunteers are to be placed and review the sufficiency of its medical action plans for responding to Volunteer health emergencies. Given the expected impact of the pandemic on health care infrastructure, these core tasks will take on greater importance. In addition, the OIG has identified in its

evaluations of overseas programs that the Agency frequently struggled to place Volunteers in sites that met all of its standards for health and safety. These challenges have been due to a range of factors, such as insufficient oversight and coordination of staff's site development activities, lack of proper documentation of staff's selection and approval of Volunteer housing, or vague and unclear criteria related to a site's health or safety criteria. Therefore, the Agency's planning efforts related to the return to service of thousands of Volunteers will need to encompass a review and consideration of the sufficiency—in light of what the Agency continues to learn about the risks associated with COVID-19 and how to mitigate them—of the health and safety criteria for each Volunteer site in each country of service. To then implement and document adequate site identification and approval processes based on these criteria, prior to the arrival of Volunteers, represents another significant challenge facing the Peace Corps in the months and years ahead.

## Compliance

While the Peace Corps has shaped its core values around Volunteer well-being, commitment to national service, and other areas related to quality programming, diversity, and innovation, the Agency has not prioritized compliance with federal laws, regulations, and other requirements. Compliance is essential to the proper management of CARES Act supplemental funding and to effective operations. The Agency lacks a system that ensures policies and procedures align with federal and other requirements. Specifically, in auditing the Agency's compliance with the Improper Payments Elimination and Recovery Act of 2010, the OIG found that the Agency does not have a system to track or analyze payment errors.<sup>1</sup> This prevents the Agency from being able to improve their operations and prevent these errors from happening again. Additionally, while the Agency had established procedures to validate credit card payments, these monitoring activities were not being conducted.

## Information Technology Security Management

An effective information technology (IT) security program helps protect Agency data from being misused by both internal and external actors and minimizes the risk of threats to sensitive data. Given that during the COVID-19 emergency, core Agency business both domestic and overseas, will be done remotely, IT security is a key pillar to effective operations. The Peace Corps continues to lack an effective information security program and has made minimal improvement over the last 10 years. Foundational IT elements, such as having clearly defined boundaries and a complete listing of hardware, are missing. Weaknesses across all the Federal Information Security Modernization Act reportable areas exist because the Agency has taken a predominately passive approach to compliance and has not integrated information security into business operations.<sup>2</sup>

**For more information on the  
Peace Corps Office of Inspector  
General visit**

**[https://www.peacecorps.gov/  
about/inspector-general/](https://www.peacecorps.gov/about/inspector-general/)**

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<sup>1</sup> Improper Payments Elimination and Recovery Act of 2010, Pub. L. No. 111-204 (2010).

<sup>2</sup> Federal Information Security Modernization Act of 2014, Pub. L. No. 113-283 (2014).

# RAILROAD RETIREMENT BOARD

The Railroad Retirement Board (RRB) is an independent agency in the executive branch of the federal government. The RRB's primary function is to administer comprehensive retirement-survivor and unemployment-sickness benefit programs for the nation's railroad workers and their families, under the Railroad Retirement Act and the Railroad Unemployment Insurance Act (RUIA).<sup>1</sup> In fiscal year 2019, the RRB paid net unemployment-sickness benefits of \$88 million to approximately 23,000 claimants.

The CARES Act was signed into law on March 27, 2020. Under CARES Act provisions, railroad workers with less than 10 years of service may be eligible for up to 65 days of extended benefits within 7 consecutive 2-week registration periods. Railroad workers with 10 or more years of railroad service, who were previously eligible for up to 65 days in extended benefits, may now receive benefits for up to 130 days within 13 consecutive 2-week registration periods. The CARES Act provided the following funds for the RRB:

- \$425 million for extended unemployment benefits.
- Approximately \$140 million of previous Recovery Act funds remains available for CARES Act utilization as permitted by Section 2114.<sup>2</sup>
- \$50 million to cover the cost of eliminating the required waiting period for unemployment benefits.
- \$5 million to prepare for, and respond to the coronavirus, including the purchase of information technology (IT) equipment to improve the mobility of the workforce, and provide for additional hiring or overtime hours as needed to administer the RUIA.

The RRB OIG has identified the top challenges the Agency faces in handling pandemic-related responsibilities and emergency funds.

## Modifying Information Technology Systems While Completing System Modernization

The RRB was already in the process of modernizing antiquated systems prior to CARES Act legislation. CARES Act provisions will require the RRB to modify its systems to issue extended unemployment benefits and remove the waiting period. However, prioritizing system updates to pay CARES Act benefits delays Agency plans to move its server-based and mainframe-based systems to the cloud; upgrade the RRB's mainframe to the cloud and the RRB's access points to the Azure stack; upgrade to Windows 10 modernization; and address improvements resulting from the RRB's fiscal year 2019 Federal Information Security Modernization Act (FISMA) rating of Ad Hoc and ineffective information security policy and procedures.<sup>3</sup>

This also presents resource constraints for Agency IT staff to address concurrent project and reviews—such as modernization of antiquated Agency systems, reprogramming antiquated agency systems to issue extended unemployment benefits in accordance with CARES Act provisions, and making resources available to respond to the mandated FISMA audit—and to Agency claims examiners to process an increased volume of unemployment benefit claims. Further IT challenges include rehiring programmers proficient in existing computer languages to meet CARES Act

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<sup>1</sup> The Railroad Retirement Act is codified at 45 U.S.C. Sections 231-231v and RUIA is codified at 45 U.S.C. Sections 351-369 and 401-404.

<sup>2</sup> American Recovery and Reinvestment Act (2009), Pub. L. No. 111-5 (2009).

<sup>3</sup> Federal Information Security Modernization Act of 2014, Pub. L. No. 113-283 (2014).

requirements and receiving IT actions under the direction of a Chief Information Officer who has only been in place for approximately 8 months and may have less knowledge of historic RRB IT systems.

## **Additional Responsibilities for Payment Accuracy and Transparency**

Additional reporting requirements have been put in place to help ensure transparent reporting on the USASpending.gov website for payments authorized by the CARES Act. The RRB must improve transparency by publishing accurate data, which has been a challenge for the Agency as reported in the OIG's prior audits on the Digital Accountability and Transparency Act, improper payments, and acquisition management.<sup>4</sup>

There is an urgent need for the RRB to revise existing policies and procedures to address extended unemployment benefits for railroad workers with regard to CARES Act provisions. Time constraints could result in errors in revised policies and procedures. If this is not addressed in a timely manner, issuance of extended unemployment benefits under the CARES Act could be delayed. In addition, payment errors could result from pressure to process unemployment claims prior to the end of the RUIA benefit year on June 30, 2020.

## **Internal Controls and Improper Payments**

The OIG has previously raised numerous concerns regarding the RRB's internal controls concerning the stewardship of benefit payments. Increased RRB unemployment payments, both in amount and quantity, heightens the risk for improper payments stemming from fraudulent activities. Given this increased risk, the RRB must work to ensure robust prepayment internal controls to prevent improper payments.

**For more information on the RRB Office of Inspector General visit <https://www.rrb.gov/OurAgency/InspectorGeneral>.**

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<sup>4</sup> RRB OIG, *Audit of Railroad Retirement Board's Digital Accountability and Transparency Act of 2014 Submission for First Quarter of Fiscal Year 2019* (20-01, November 6, 2019); *Audit of Railroad Retirement Board's Compliance with Improper Payments Elimination and Recovery Act in the Fiscal Year 2018 Performance and Accountability Report* (19-09, May 30, 2019); and *The Acquisition Management Function at the Railroad Retirement Board was not Fully Adequate or Effective* (19-14, September 27, 2019).

# SMALL BUSINESS ADMINISTRATION

The Small Business Administration (SBA) has a significant role in the country's economic recovery as specified in the various legislation passed by Congress and signed into law by the President. Below is a summary of the top challenges facing SBA as it carries out the various mandates.

## Paycheck Protection Program

The President signed the CARES Act into law on March 27, 2020, to provide economic relief to our nation's small businesses. One of the CARES Act's largest provisions created the Paycheck Protection Program (PPP) under section 7(a) of the Small Business Act.<sup>1</sup> This program provided \$349 billion in fully guaranteed SBA loans, which can be forgiven if used properly, for small businesses to cover payroll, rent, utility payments, and other limited uses. Another significant provision provides \$17 billion for SBA to pay 6 months of principal, interest, and any associated fees for existing 7(a), 504, and 7(m) loans. On April 24, 2020, the President signed the Paycheck Protection Program and Health Care Enhancement Act to provide an additional \$310 billion to the PPP, for a total of \$659 billion.

Increased guaranties from SBA reduces the risk to lenders, who, as a result, may not exercise due diligence in originating loans, thereby increasing the risk of potential financial losses to SBA. In addition, increased loan volume, loan amounts, and expedited loan processing timeframes may make it more difficult for SBA to identify red flags in loan applications. Without sufficient controls in place, SBA programs suffer increased vulnerability to fraud and unnecessary losses when SBA and its lending partners expedite loan transactions to provide quick relief.

### Top Challenges

To ensure program integrity, the timeliness of loans to eligible small businesses, and to mitigate the risk of financial loss SBA should:

- Issue clear requirements and ensure timely communication to lending partners.
- Establish and monitor specific outcome-oriented performance measures.
- Ensure public communication from SBA officials is appropriate and consistent with the established requirements.
- Establish proper controls in the loan approval phase to ensure eligibility of participants and to mitigate the risk of loan default.
- Establish a quality assurance plan to prevent and detect improper payments.
- Oversee the program to ensure it is implemented as intended and that program goals and objectives are met.
- Modify existing loan systems to track stimulus program data to support accurate program measurement and reporting.

## Economic Injury Disaster Loans

The Coronavirus Preparedness and Response Supplemental Appropriations Act was signed into law March 6, 2020, and deemed the COVID-19 pandemic a disaster. The disaster declaration made economic injury from the COVID-19

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<sup>1</sup> Small Business Act, Pub. L. No. 85-536 (1958), as amended.

pandemic an eligible Economic Injury Disaster Loan (EIDL) expense. The CARES Act provided an additional \$10 billion to SBA to provide Emergency EIDLs (COVID-19 EIDLs). EIDLs and COVID-19 EIDLs for up to \$2 million are to help small businesses, small agricultural cooperatives, and most nonprofit organizations recover from substantial economic injury. The CARES Act also expands access to EIDLs under Section 7(b)(2) of the Small Business Act to include sole proprietors, independent contractors, and employee stock ownership plans. In addition, the Paycheck Protection Program and Health Care Enhancement Act provided \$50 billion for EIDLs, \$10 billion for Economic Injury Disaster grants, and expanded eligibility for farmers.

SBA's disaster loan programs suffer increased vulnerability to fraud and unnecessary losses when loan transactions are expedited to provide quick relief and sufficient controls are not in place. The expected increase in loan volume and amounts, and expedited processing timeframes will place additional stress on existing controls.

### **Top Challenges**

To ensure program integrity and mitigate the risk of financial loss, SBA should:

- Ensure loans are timely provided to eligible applicants.
- Ensure borrowers meet all eligibility requirements.
- Ensure it has experienced and/or well-trained personnel to provide appropriate assistance and handle the increased loan volume and expedited processing timeframes.
- Appropriately staff call centers to include addressing language needs of its customers.

## **Entrepreneurial Development Programs**

One of the CARES Act's provisions provided \$265 million for entrepreneurial development programs, which resulted in \$192 million to Small Business Development Centers (SBDC) and \$48 million to Women's Business Centers (WBC), to offer counseling, training, and related assistance to small businesses affected by COVID-19. The CARES Act also provided \$25 million to resource partner associations to establish a single centralized hub for information related to COVID-19, including a training program to educate resource partner counselors and mentors on the COVID-19 information available to effectively assist affected small businesses.<sup>2</sup>

SBA's entrepreneurial development programs provide technical and counseling assistance to small businesses through cooperative agreements awarded annually to its nationwide network of resource partners, including SBDCs and WBCs. In addition to the CARES Act funding, in fiscal year 2020, Congress had already appropriated \$149.5 million in funding for SBDC and WBC entrepreneurial development programs.

### **Top Challenges**

To ensure integrity in entrepreneurial development programs and mitigate greater risk associated with CARES Act spending, SBA should:

- Establish clear oversight requirements in the notice of awards and ensure program officials and grant recipients implement increased internal controls timely.
- Establish outcome-oriented performance measures specific to entrepreneurial development COVID-19 priorities.
- Track program data to adequately monitor and validate the performance of COVID-19 grant assistance.

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<sup>2</sup> SBA collaborates with resource partner associations for many of its entrepreneurial development initiatives. The America's SBDC and the Association of WBC support the nationwide networks of SBDCs and WBCs, respectively. These nonprofit organizations promote, inform, support, continuously improve, and represent the interest of their members.

- Provide appropriate training to all grant officers and program personnel responsible for monitoring grant recipients' response to COVID-19.
- Establish a methodology to ensure funds are appropriately allocated to resource partners.
- Establish a quality assurance plan to prevent and detect improper payments.

## Information Technology Controls and Security

SBA OIG prior audits and evaluations of SBA's systems and networks indicated the Agency has expended significant effort to formalize and document policies, procedures, and strategies in the area of information technology (IT) controls and security. However, SBA has experienced serious IT challenges implementing the programs associated with COVID-19 funding. The unprecedented exponential increase in participation across SBA's lending programs has expanded the potential risk of security breaches and misuse of Personally Identifiable Information, as well as stressed its IT systems capacity.

To ensure program integrity and mitigate the risk of IT system failures and security breaches, SBA should:

- Deploy appropriate security protocols to minimize the risk of data breaches or misuse of Personally Identifiable Information.
- Develop and maintain effective risk management, contingency planning, and incident response practices to minimize vulnerabilities.

**For more information on the SBA Office of Inspector General visit <https://www.sba.gov/about-sba/oversight-advocacy/office-inspector-general>.**

# SOCIAL SECURITY ADMINISTRATION

Under the CARES Act, the Social Security Administration (SSA) received a supplemental appropriation of \$38 million to remain available through September 30, 2021, to carry out the economic impact payments. The CARES Act specifically required that the Commissioner of SSA coordinate with the Secretary of the Treasury on a public awareness campaign to provide information regarding the availability of the payments. The SSA OIG understands that the required coordination between SSA and the Secretary of the Treasury for the public awareness campaign regarding these payments has largely occurred. Additionally, SSA has provided the Internal Revenue Service with information regarding Social Security beneficiaries and Supplemental Security Income recipients for their issuance of the economic impact payments. Therefore, at this time it appears SSA, for the most part, has accomplished its role in the process of the economic impact payments; however, the OIG is reviewing SSA's role in this process and will take appropriation action if any issues are identified.

SSA also received a supplemental appropriation of \$300 million under the CARES Act to remain available through September 30, 2021, to prevent, prepare for, and respond to the COVID-19 pandemic, domestically or internationally, including paying the salaries and benefits of all employees affected as a result of office closures, telework, phone and communication services for employees, overtime costs, and supplies, and for resources necessary for processing disability and retirement workloads and backlogs. At this time, the OIG does not foresee any unique COVID-19 response challenges related to the Agency's use of CARES Act funding apart from Agency challenges previously identified, such as the need to improve service delivery, modernize information technology, and improve administration of the disability programs. The OIG understands that SSA is still determining its plans for utilizing the CARES Act funding, and will therefore continue to monitor the outcome of SSA's planning and take appropriate action to the extent new workloads are identified.

**For more information on the SSA  
Office of Inspector General visit  
<https://oig.ssa.gov/>.**

# U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

As the U.S. government's international development lead, the U.S. Agency for International Development (USAID) received access to almost \$2 billion for international COVID-19-related programs and operations as of May 2020. USAID's response strategy is multifaceted and aims to protect the safety and health security of its global workforce, ensure continuation of its mission across the world, and support partner countries in their COVID-19 response. In implementing these response efforts, USAID faces several significant anticipated challenges that the OIG has organized into four categories that align with the fiscal year 2020 top management challenges statement for the Agency.

## Managing Risks to Humanitarian Assistance amid a Public Health Emergency

Recognizing the potential humanitarian impacts of the pandemic, USAID's Administrator issued a global disaster declaration to permit the use of humanitarian assistance for COVID-19 relief. The Agency plans to prioritize these funds for its ongoing humanitarian assistance programs, which will be adapted for the pandemic, as well as for programs in fragile settings that the pandemic could tip into a full-blown crisis. OIG audits and investigations have identified significant risks that USAID encounters in crisis environments. The COVID-19 pandemic may exacerbate these risks and keep aid from reaching beneficiaries as intended. For example:

- **Assessing and responding to conditions.** USAID needs access to reliable information to make timely, well-considered decisions to prioritize, adapt, and contextualize its humanitarian assistance programs and choose appropriate interventions. Obtaining such information is a challenge when traditional information sources face travel and visibility restrictions.
- **Fraud and diversion risks.** USAID emergency food, health, shelter, and livelihood assistance for those in most acute need has been subject to diversions, product substitution, and other malicious schemes. Practices and procedures to ensure appropriate aid reaches intended beneficiaries is a challenge that may grow as global demand for life-saving goods and services creates new incentives for bad actors.

## Maintaining Responsibilities for Planning, Monitoring, and Sustaining Development

USAID's international development programs aim to help countries become self-reliant while advancing U.S. national security and economic prosperity. Careful planning and monitoring are essential to sustaining development outcomes and achieving USAID's goal of ending the need for foreign assistance. The COVID-19 pandemic changes the landscape for USAID's ongoing and planned programming, creating new challenges to achieve and sustain development outcomes, hold implementers accountable for results, and make effective and efficient use of taxpayer funds. For example:

- **Strategy and planning.** Pandemic health, demographic, social, and economic effects on recipient countries may affect the suitability of USAID's plans—from corporate-level strategies to award-specific critical assumptions. Revisiting and quickly updating and adapting these plans, some of which have been years in the making, may present a challenge especially where assistance strategies no longer fit the COVID-19 context.
- **Implementation, monitoring, and evaluation.** USAID will need to account for the impact of the pandemic on implementer staff and the ability to carry out projects, programs, and activities as initially designed. Changes to work plans and other critical award files must be appropriately documented to hold implementers accountable,

an ongoing challenge for USAID. As it does, the Agency must also develop and validate new methods for program monitoring and evaluation, since some traditional approaches like site visits are not feasible at this time.

- **Supply chains.** Global supply chains play a central role in the COVID-19 response as well as in ongoing programs for HIV/AIDS, malaria, and other diseases. Risks that the Agency is working to correct—including warehouse leakage and black-market sales—may increase if host governments and USAID’s local partners struggle to cope with the outbreak and face difficulty maintaining inventory controls.

## Maximizing Stakeholder Coordination for a Global COVID-19 Response

The global reach of the COVID-19 pandemic, with lives at stake and resources limited both at home and abroad, requires unprecedented coordination between a broad range of stakeholders worldwide. Balancing the complementary yet distinct missions of U.S. government agencies and other stakeholders is a challenge for USAID that is likely to translate to the global COVID-19 response and recovery effort, particularly when roles and responsibilities are not clearly defined and the ability to act is beyond USAID’s immediate control. For example:

- **Interagency coordination.** In responding to the pandemic, USAID must ensure that its efforts are well coordinated with those of other federal actors and that it has the top-line guidance that it needs to move forward. Clarity around agency roles and responsibilities and alignment of effort across agency lines, items that have been problematic in past responses, need to be clearly established if USAID’s response efforts are to be efficient and effective.
- **External engagement.** U.S. government response and recovery efforts play out alongside those of other national governments, public international organizations, and the private sector. Ensuring effective coordination of efforts across donors, leveraging the work of international organizations, and tapping private sector resources and expertise is critical in the face of aims to promote burden sharing while projecting U.S. leadership.

## Addressing Vulnerabilities and Implementing Needed Controls in Core Agency Management Functions

USAID’s ability to carry out its mission and safeguard federal funds depends on the integrity and reliability of its core business practices and systems. The COVID-19 pandemic adds strain to the Agency’s award, financial, and personnel management, and information technology systems and security. In delivering on the imperative for swift action in response to the pandemic, USAID must also meet taxpayer expectations that its efforts are managed through effective systems and subject to prudent controls. For example:

- **Institutional capacity.** USAID operations have been strained and disrupted, while staff have been enlisted to perform new functions against the backdrop of an ongoing organizational transformation. Ensuring that critical functions are backed by staff with clearly delineated responsibilities and authorities and that these personnel have requisite training, bandwidth, and supervision to execute on them effectively may be a significant challenge.
- **Grant and contract management.** To provide for a timely response on the needed scale, USAID must act quickly to adjust some existing awards and implement new ones. Award processes that may have lacked rigor under normal conditions will have to be shored up while being stretched to meet new demands. Ensuring that programming and funding decisions and award management activities meet government acquisition standards will be integral to success.

For more information on the USAID Office of Inspector General visit <https://oig.usaid.gov/>.

# U.S. DEPARTMENT OF AGRICULTURE

The OIG provides oversight to U.S. Department of Agriculture (USDA) programs and operations to help ensure that USDA is able to provide the best possible service to the public and American agriculture. The OIG focuses its efforts to advance the value, safety and security, and integrity of USDA programs. In providing such oversight, the OIG makes recommendations to address agency programs and core management functions that may be vulnerable to waste, fraud, abuse, and mismanagement.

Annually, the OIG issues a report on the top management challenges facing USDA based on completed OIG work. The most recent of these reports, issued in September 2019 prior to the widespread appearance of COVID-19 in the United States, lists seven challenges that have broad application to USDA programs.<sup>1</sup> Since the issuance of this report, Congress has provided over \$35.8 billion to USDA for pandemic relief activities. The OIG plans to provide appropriate audit and investigative oversight for these funds.<sup>2</sup> As a proactive measure, this document frames the seven management challenges previously reported in the context of current and future USDA pandemic response activities, with a focus on preventing potential waste, fraud, abuse, and mismanagement. The OIG looks forward to working with the Department and its agencies to further address these challenges.

## USDA Needs to Improve Accountability and Oversight of Its Programs

As one of the federal government's largest departments, USDA faces the challenge of managing a wide range of programs. To implement relief efforts, USDA plans to use a combination of new and existing programs to distribute COVID-19 funding and must ensure proper oversight of the programs. USDA's publicly reported data on COVID-19 funds will be based, in part, on the Digital Accountability and Transparency Act of 2014 (DATA Act) reporting model.<sup>3</sup> In November 2019, the OIG reported that USDA's DATA Act submission was not complete and contained records that were not accurate, timely, or of good quality.<sup>4</sup> USDA should closely monitor the implementation of COVID-19 funding and programs to comply with the DATA Act.

## Information Technology Needs Continuous Improvement

Like other Departments, USDA faces threats to its information technology (IT) security from adversarial nations, hostile non-state actors, and criminals seeking to exploit vulnerabilities. As federal agencies rely more on data stored using IT, the risk of a security breach increases. USDA will need to ensure that the IT systems the Department uses to distribute the COVID-19 relief funds are adequately secured.

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<sup>1</sup> USDA OIG, *USDA Management Challenges* (September 2019).

<sup>2</sup> USDA OIG, *OIG Plan—Oversight of COVID19 Funding* (April 2020, which is available at [https://www.usda.gov/oig/webdocs/OIG\\_COVID19\\_OversightPlan.pdf](https://www.usda.gov/oig/webdocs/OIG_COVID19_OversightPlan.pdf) (last accessed May 22, 2020).

<sup>3</sup> Digital Accountability and Transparency Act of 2014, Pub. L. No. 113-101 (2014).

<sup>4</sup> USDA OIG, *USDA's Fiscal Year 2019, First Quarter DATA Act Submission* (11601-0001-12, November 2019).

## **USDA Needs to Strengthen Program Performance and Performance Measures**

Designing, developing, and implementing programs that reliably achieve their intended results has been a recurring challenge for the Department. The OIG has found that USDA agencies do not have adequate reviews or controls in place to supply the metrics necessary to evaluate program performance. As USDA implements its pandemic-related responsibilities, the Department should concentrate its efforts to ensure programs operate as designed and provide impactful outcomes.

## **USDA Needs to Strengthen Controls over Improper Payments and Financial Management**

USDA continues to be noncompliant with federal requirements for improper payments, particularly with respect to several high-risk programs (as designated by the Office of Management and Budget) that have received COVID-19 funds. Also, the Department needs to address internal control deficiencies to resolve ongoing problems with financial management and reporting. As the Department implements its pandemic-related responsibilities, USDA should focus its efforts to minimize improper payments.

## **USDA Needs to Improve Outreach Efforts**

The Secretary of Agriculture has stressed the importance of civil rights and equitable treatment in the Department's outreach efforts. Now more than ever, in a time of heightened sensitivity and cultural awareness of discrimination and sexual misconduct, USDA needs to make efforts to reach out to—and ensure equal treatment of—minorities, women, and veterans as well as new and beginning farmers and ranchers. Due to a history of public attention concerning how USDA has treated members of socially-disadvantaged groups—including both USDA employees and program recipients—the Department faces challenges in earning those groups' trust. As USDA implements relief efforts related to the pandemic, it should ensure assistance is provided to all of those in need, including socially-disadvantaged groups, to further build trust with those groups.

## **Food Safety Inspections Need Improved Controls**

The Food Safety and Inspection Service (FSIS) is responsible for protecting the public health by ensuring the safety of the nation's commercial supply of meat, poultry, and processed egg products. FSIS is tasked with reducing contamination and limiting illnesses through the regulation of agricultural food products. The OIG has found that the agency continues to face challenges, including gathering reliable data to help ensure safety verification tasks are completed, effective, and consistent. The agency should compile reliable data to verify the protection and safety of products inspected by FSIS. This challenge continues as USDA and FSIS respond to the reported impact of the pandemic on FSIS inspectors, employees at meat and poultry slaughter and processing plants, and the food production supply chain.

## **Food and Nutrition Service Needs to Strengthen Supplemental Nutrition Assistance Program Management Controls**

Although the Food and Nutrition Service has endeavored to improve management controls for the Supplemental Nutrition Assistance Program (SNAP), weaknesses continue to exist in controls over benefit distribution and quality control processes. The potential exists for taxpayer-funded assistance not to be delivered or used as intended. This

challenge is heightened by the large increase in funding provided to SNAP, as well as other USDA nutrition programs, through COVID-19 funding. Given that USDA relies on states to implement and deliver these programs, the Department needs to provide effective oversight to the states to ensure that funding is used as intended.

**For more information on the USDA  
Office of Inspector General visit  
<https://www.usda.gov/oig/>.**

# U.S. DEPARTMENT OF COMMERCE

The CARES Act was signed into law on March 27, 2020, to respond to the COVID-19 outbreak and its impact on the economy, public health, state and local governments, individuals, and businesses. This law contains several provisions related to the U.S. Department of Commerce, including appropriations to the following Departmental bureaus:

Department of Commerce Bureaus Receiving CARES Act Funding	Funding Amount	Funds Available for Use Until
<i>Economic Development Administration (EDA)</i>		
Economic Assistance Development Programs	\$1,500,000,000 <sup>a</sup>	September 30, 2022
<i>National Oceanic and Atmospheric Administration (NOAA)</i>		
National Marine Fisheries Service	300,000,000 <sup>b</sup>	September 30, 2021
Operations, Research, and Facilities	20,000,000	
<i>National Institute of Standards and Technology (NIST)</i>		
Industrial Technology Services	60,000,000 <sup>c</sup>	September 30, 2021
Scientific and Technical Research and Services	6,000,000	
<i>Minority Business Development Administration (MBDA)</i>		
Minority Business Centers (Technical Assistance to Small Business Concerns)	10,000,000	September 30, 2021
Minority Business Centers (Grants)	10,000,000	(no-year funds)

Source: Department of Commerce OIG.

<sup>a</sup> Includes \$3 million to the Department of Commerce OIG.

<sup>b</sup> Includes up to \$6 million for administration and oversight.

<sup>c</sup> Includes \$50 million for the Hollings Manufacturing Extension Partnership and \$10 million for the National Network for Manufacturing Innovation.

Responding to the CARES Act is certainly among the Department’s highest priorities during this international emergency. The OIG acknowledges the inherent challenges in overseeing unprecedented funding amounts that require highly expedited distribution timeframes. A continuing challenge for the federal government generally, and the Department specifically, is spending taxpayer dollars wisely and protecting them from waste and abuse. The volume of CARES Act funds—and the need to provide assistance quickly while implementing sound controls—puts these funds at a higher risk for fraud, waste, and abuse. All federal agencies are responsible for implementing management practices, through the establishment of internal controls that identify, assess, respond, and report on risks.<sup>1</sup> Additionally, a significant increase in spending and related activities increases demands on the workforce, oversight processes, business practices, and financial management systems.

As the OIG emphasized following the passage of the American Recovery and Reinvestment Act of 2009, the Department must ensure that program oversight over the use of the stimulus funding is sufficiently designed and executed—and benefit outlays are accurately tracked and reported.<sup>2</sup> Without this critical oversight and transparency, the Department and its bureaus cannot be certain that its management of the billions of dollars in supplemental program funding has achieved the desired outcome and sufficiently met the requirements of the CARES Act.

<sup>1</sup> Office of Management and Budget Circular No. A-123, *Management’s Responsibility for Enterprise Risk Management and Internal Control* (July 15, 2016).

<sup>2</sup> American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5 (2009). Commerce OIG, *Commerce Has Implemented Operations to Promote Accurate Recipient Reporting, but Improvements Are Needed* (ARR-19847, October 30, 2009).

A great sense of urgency has arisen in response to the COVID-19 outbreak. However, as its past work responding to stimulus and recovery programs has done, the OIG advises that—in the rush to disseminate stimulus funding—the Department provide necessary, additional guidance to direct spending more effectively and to track and report more meaningful results.<sup>3</sup>

For this summary, the OIG leveraged key insights from its long-standing body of work to bolster the Department’s oversight of CARES Act grantees and contractors. The OIG has published several audit reports identifying areas for improvement and fraud prevention within the Department’s grant and contract programs. Based on these reports, the OIG identified five challenges or initial areas of concern that the Department should consider as it implements the provisions included in the CARES Act, which are discussed below.

## **Addressing Ongoing Disaster Relief Fund Oversight Challenges Facing the Economic Development Administration and National Oceanic and Atmospheric Administration National Marine Fisheries Service**

The Bipartisan Budget Act of 2018 designated \$600 million in disaster relief funds to the Economic Development Administration (EDA) in the wake of 16 separate billion-dollar weather-related disaster events, including severe weather, hurricanes, flooding, and wildfires.<sup>4</sup> The Act provided disaster relief funds for recipients’ expenses related to flood mitigation, disaster relief, long-term recovery, and restoration of infrastructure. The OIG has reported on the various management challenges this post-disaster recovery environment presents for EDA.<sup>5</sup> Such challenges include awarding funds to recipients that might not be familiar with federal requirements or that do not have prior experience administering federal funds. The significant increase in funding that EDA is responsible for under the Act and the need to ensure that these funds are distributed in a prompt, fair manner and for authorized purposes will place increased demands on EDA’s workforce, oversight processes, business practices, and financial management systems.

OIG grant audit work on National Oceanic and Atmospheric Administration National Marine Fisheries Service awardees has consistently found related issues for funds disbursed to address environmental concerns, including man-made disasters. In prior audits, the OIG found instances where Commissions claimed costs that were either unallowable, not allocable, or unsupported.<sup>6</sup>

## **Developing and Maintaining a Competent Acquisition and Grants Workforce to Support the Implementation and Oversight of CARES Act Funds**

With the significant increase in spending and related activities comes a corresponding increase in the number of staff that agencies may need to work effectively. Since 2011, the OIG has reported that the Department continues to face challenges regarding its workforce. For example, in the most recent top management and performance challenges report, the OIG advised that the Department continues to face workforce challenges such as its inability to (1) attract and retain experienced professionals to work in locations outside the Washington, D.C., metropolitan area; (2) fill vacant

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<sup>3</sup> Commerce OIG, *Commerce Experience with Past Relief and Recovery Initiatives Provides Best Practices and Lessons Learned on How to Balance Expediency with Accountability* (ARR–19692, May 8, 2009).

<sup>4</sup> Bipartisan Budget Act of 2018, Pub. L. No. 115-123 (2018).

<sup>5</sup> Commerce OIG, *Bipartisan Budget Act of 2018: Oversight Challenges Facing the Economic Development Administration* (OIG-18-022, June 4, 2018).

<sup>6</sup> Commerce OIG, *Supplemental Memorandum on Report No. OIG-19-021-A, Audit of NOAA Financial Assistance Awards to the Gulf States Marine Fisheries Commission* (OIG-20-007-A, November 12, 2019); *Audit of NOAA Pacific Coastal Salmon Recovery Fund Grants to the Washington State Recreation and Conservation Office* (December 20, 2018, OIG-19-006-A); and *Audit of NOAA Pacific Coastal Salmon Recovery Fund Grants to the Northwest Indian Fisheries Commission* (OIG-18-026-A, September 24, 2018).

positions timely; (3) compete against the private sector for talent; and (4) hire due to budget cuts, a legislative hiring cap, and limited career development and advancement opportunities.<sup>7</sup>

While the Department has continued its efforts to address this issue, agencies need to ensure that they have the ability to provide oversight with limited time and staff. This is especially crucial for EDA, where a significant level of oversight is needed to administer, manage, and monitor both CARES Act funding and disaster relief funding. The OIG reported that (1) EDA had not developed and implemented a comprehensive workforce plan to meet current and future staffing needs and (2) EDA's recruitment efforts were significantly behind established milestones set to ensure adequate staffing to handle the increased workload.<sup>8</sup>

## **Improving Processes to Award and Monitor Contracts and Grants**

The Department faces challenges in effective contract and grant administration and oversight. Although the Department is taking steps to improve its administration and oversight of contracts and grants, the reported deficiencies in these areas present significant fraud and mismanagement risks. Through its audit work, the OIG has identified certain issues indicating that Department components need to be more attentive in complying with Federal Acquisition Regulations and grant policy. The OIG reported that inadequate controls led to deficiencies in grant award administration, such as grant funds being improperly released without securing the government's interest, and an ineffective process for detecting and following up on deficiencies noted during site visits.<sup>9</sup> The OIG also reported on deficiencies in contract award and procedures and inadequate oversight practices.<sup>10</sup>

## **Improving Control of Contract and Grant File Management**

The Department continues to face challenges in improving controls over contract and grant file management. In the OIG's most recent top management and performance challenges report—and in audits issued in recent years—the OIG identified significant vulnerabilities in the management of contract and grant file documentation that could expose the Department to substantial financial losses.<sup>11</sup> The failure to adequately maintain contract and grant files creates significant financial risk and demonstrates a lack of internal control over the Department's contract and grant actions. In addition, it generates conditions conducive to fraud and impairs the Department's ability to take effective and timely action to protect its interests and in turn, those of taxpayers.

## **Mitigating the Risk of Fraud, Waste, and Abuse Created By the Significant Influx of Funds That Need to Be Distributed Quickly**

The emergency and disaster relief environment can create incentives and opportunities for grant recipients to deviate from standard practices meant to ensure effective control of U.S.-funded contracts, grants, and awards. Agencies should tailor their efforts to adapt to the increased funding associated with the emergency relief funds; target outreach efforts at deterring fraud schemes; and ensure that state and local grantees understand how to detect, deter, and report suspicious activities or fraud to the appropriate authorities.

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<sup>7</sup> Commerce OIG, *Top Management and Performance Challenges Facing the Department of Commerce* (OIG-20-001, October 16, 2019).

<sup>8</sup> Commerce OIG, *EDA Should Develop a Workforce Plan and Improve its Hiring Accountability to Successfully Award and Administer the Disaster Supplemental Funds Appropriated by the Bipartisan Budget Act of 2018* (OIG-20-014-A, January 27, 2020).

<sup>9</sup> Commerce OIG, *Oversight Activities of NIST's Recovery Act Construction Grant Awards Are Generally Effective but Need Improvements* (OIG-12-020-A, February 14, 2012) and *MBDA Can Improve Processes to More Effectively Monitor Cooperative Agreements* (OIG-17-029-A, September 5, 2017).

<sup>10</sup> Commerce OIG, *Significant Firm-Fixed-Price (FFP) Contract Actions in Fiscal Years (FYs) 2011–2013 Cannot Be Verified from Documentation in NIST Contract Files* (OIG-16-001-A, October 2, 2015).

<sup>11</sup> OIG-20-001.

The rapid deployment of CARES Act funding is critical to help mitigate the impact of the COVID-19 pandemic. However, anticipating and addressing the increased risk that comes with the expanded funding is vital to meeting the intent of the Act. The OIG's prior work can help the Department effectively and efficiently respond to COVID-19—and minimize the shortcomings in stimulus program implementation and possible misuse of funds resulting from rapid fund deployment. To meet the requirements of the CARES Act, the OIG stresses that the Department must have sufficient staffing and system resources to manage the extraordinary increases in the number of grants and contracts.

**For more information on the  
Commerce Office of Inspector  
General visit [https://www.oig.  
doc.gov/Pages/default.aspx](https://www.oig.doc.gov/Pages/default.aspx).**

# U.S. DEPARTMENT OF DEFENSE

The U.S. Department of Defense (DoD) received more than \$10.5 billion in appropriated funds in the Families First Coronavirus Response Act and the CARES Act to prevent, prepare for, and respond to COVID-19, domestically and internationally.

The DoD faces management and performance challenges as it seeks to ensure pandemic funds are timely and appropriately spent to meet the goals of the emergency legislation. The DoD OIG has proactively engaged with the Department to provide insights from prior oversight projects during contingencies. On April 6, 2020, the OIG provided the DoD a memorandum on these best practices and lessons learned raising awareness of potential risk for fraud, waste, and abuse.<sup>1</sup> Additionally, on April 23, 2020, the OIG released a special report addressing the importance of protecting patient health information during the pandemic.<sup>2</sup> Most recently, on June 2, 2020, the OIG issued a special report providing DoD contracting officials best practices, lessons learned, and fraud awareness identified in 36 audit reports related to disaster response.<sup>3</sup> The OIG also publicized the DoD Hotline to encourage individuals to report concerns or complaints related to DoD's COVID-19 response and use of funding.

Secretary of Defense Mark Esper stated that his top three priorities during the COVID-19 pandemic are protecting the DoD's people, maintaining military readiness, and supporting the whole-of-government interagency response. The DoD OIG sees the top challenges facing the Department in performing pandemic-related responsibilities and spending any response funds as maintaining readiness and conducting ongoing operations while adhering to COVID-19 restrictions, ensuring access and quality of health care to service members and their families, and ensuring appropriate financial management and accountability of COVID-19 spending.

## Maintaining Readiness and Ongoing Operations While Adhering to COVID-19 Restrictions

The DoD's enduring mission is to provide combat-credible military forces to deter war and protect the security of the United States. COVID-19 impacts individual and unit readiness when service members or their families are infected with the coronavirus. The virus's high transmission rate increases risk to unit readiness, especially when an infected member is stationed overseas or in a deployed environment. For example, ships, aircraft, and barracks are not designed to accommodate social distancing. If service members and their units are unable to train for operations, then overall readiness may decline, reducing the DoD's ability to respond to threats and defend the United States.

The long-term health impacts for COVID-19 survivors also remain unknown. If COVID-19 survivors experience significant long-term health conditions, then the DoD must be prepared to address potential impacts on the recruitment, accession, training, and retention of service members.

COVID-19 also impacts the research, development, testing, acquisition, and procurement of military platforms and weapons. On April 30, 2020, the Under Secretary of Defense for Acquisition and Sustainment acknowledged that the DoD continues to "assess the impact of a potential 3-month slowdown," noting that "COVID-19 is temporarily shutting down defense manufacturing facilities and production lines, disrupting supply chains, and distressing the financial

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<sup>1</sup> DoD OIG, *COVID-19 Expenditures—Lessons Learned Regarding Awareness of Potential Fraud, Waste, and Abuse Risk* (April 6, 2020).

<sup>2</sup> DoD OIG, *Special Report on Protecting Patient Health Information During the COVID-19 Pandemic* (DODIG-2020-080, April 23, 2020).

<sup>3</sup> DoD OIG, *Special Report on Best Practices and Lessons Learned for DoD Contracting Officials in the Pandemic Environment* (DODIG-2020-085, June 2, 2020).

stability of the companies DoD relies on to protect the nation.” The COVID-19 pandemic presents risks to the defense industrial base and supply chain ranging from project slowdowns and cost overruns to fraud, introduction of counterfeit parts, and closures of small and mid-sized suppliers that cannot withstand facility shutdowns or decreased production.

Finally, while the DoD has demonstrated agility in supporting and implementing telework solutions for its workforce, not all of DoD’s missions can be conducted remotely. Remote access and virtual workplace solutions stress aging information technology infrastructure and impose a new set of security concerns. The DoD must continue to deploy secure capabilities and expand capacity for systems and networks to enable its workforce to execute its mission.

## **Ensuring Access and Quality of Health Care to Service Members and Their Families**

Secretary Esper’s top priority is “protecting our people.” Protecting the health and welfare of service members and their families requires access to high quality health care. COVID-19 places additional pressure on hospitals and their staff. The Military Health System is not immune to this pressure. Service members’ and their families’ access to health care and dental providers could be impacted if medical and dental services are limited due to government-mandated, stay-at-home orders or if base access is restricted.

The DoD must maintain sufficient levels of personal protective equipment for medical personnel; testing kits, including reagents, swabs, and various collection devices; and medication to treat service members and their families who test positive for COVID-19. For example, access to testing kits is necessary to make an accurate diagnosis, determine appropriate treatment in a timely manner, limit further transmission, and ensure health and safety.

## **Ensuring Appropriate Financial Management and Accountability of COVID-19 Spending**

Properly tracking, reporting, and auditing the additional funds provided to the DoD to respond to COVID-19 is a challenge. The DoD must develop alternative ways to accomplish its expanded mission while continuing to support the DoD-wide financial statement audits. The Acting DoD Inspector General and Acting Under Secretary of Defense (Comptroller)/Chief Financial Officer issued a joint memorandum on May 1, 2020, to DoD agencies and auditors encouraging them to work collaboratively to identify common issues and alternative ways to complete the financial statements audit work.

The DoD must ensure it gets what it pays for in its acquisitions and contracts funded with COVID-19 response funding, as well as guard against fraud and improper payments. The DoD should focus on properly identifying and evaluating requirements; robustly vet contractors and vendors before awarding contracts; establish and follow well-documented contract oversight and surveillance plans; and maintain complete, consistent, and accurate contracting documentation and accounting records.

The DoD must also maintain its capabilities while balancing its commitments to contractors who are unable to fulfill DoD requirements due to COVID-19 restrictions. The CARES Act authorizes DoD agencies to reimburse contractors for paid leave under certain circumstances, potentially exposing the DoD to fraud. Contracting officers also have the discretion to determine whether to reimburse contractors for these costs on a case-by-case basis. That discretion could create the opportunity for inconsistent or improper implementation of these flexibilities across the DoD without the proper internal controls or oversight.

Finally, the growing federal deficit as a result of COVID-19 response efforts could reduce future DoD budgets, impacting readiness and slowing modernization. DoD leaders must continue to carefully examine mission sets, requirements, and financial systems to optimize readiness and modernization with constrained resources. Appropriate financial management and accountability strengthens the trust of Congress and the American people in the DoD’s ability to be good stewards of taxpayer dollars.

## Conclusion

The DoD OIG is poised to oversee the Department's COVID-19 response efforts. The OIG established working groups across the DoD oversight community and published a COVID-19 Oversight Plan, which will be updated monthly. The Plan identified planned and ongoing audits and evaluations to address these challenges. The DoD Hotline has received more than 225 complaints to date, of which some were referred for further consideration and action. Additionally, the Defense Criminal Investigative Service, the criminal investigative component of the OIG, has initiated criminal investigations targeting fraud and corruption. The OIG will continue to monitor DoD's efforts to respond to the pandemic to ensure the timely and appropriate use of COVID-19 response funding.

**For more information on the NASA  
Office of Inspector General visit  
<http://oig.nasa.gov/>.**

# U.S. DEPARTMENT OF EDUCATION

The CARES Act provides the U.S. Department of Education (Department) with more than \$30 billion to assist states, K–12 schools, and institutions of higher education in meeting the needs of students impacted by the pandemic. In addition, provisions within the CARES Act related to student loans are estimated to increase direct spending by \$8.5 billion. Funds will be awarded primarily through formula grants to governors' offices, state education agencies, and institutions of higher education and can be used for a broad array of activities authorized under several education laws or as specified in the CARES Act itself. The CARES Act provisions are designed to eliminate or alleviate the impact of the pandemic on federal student loan borrowers and the schools they attend and also on state and local education agencies, by allowing for waivers of specific statutory or regulatory requirements. The Department is also using existing statutory authority to provide additional flexibilities to institutions of higher education specific to the pandemic.

The Department experienced a similarly significant increase in appropriations in 2009 with the American Recovery and Reinvestment Act (Recovery Act).<sup>1</sup> The Recovery Act provided the Department with more than \$98 billion for existing and new Department programs. Between 2009 and 2014, the Education OIG issued more than 50 audit reports on Department, funding recipient, and subrecipient implementation of the Recovery Act; opened approximately 220 criminal investigations; and reviewed more than 140 allegations of whistleblower reprisal. The OIG concluded its Recovery Act work with a 2014 report titled *Lessons from Implementing the American Recovery and Reinvestment Act of 2009*.<sup>2</sup> The report highlighted the most significant challenges the Department faced in administering Recovery Act programs and offered lessons and suggestions for the Department to consider in the event that emergency legislation providing a large yet temporary funding increase were to be enacted in the future. As detailed in the report, the Recovery Act presented several challenges for the Department, funding recipients, and subrecipients. Two of these are long-standing challenges that have appeared repeatedly in the OIG's annual reports on the most serious management and performance challenges faced by the Department: (1) oversight and monitoring and (2) data quality and reporting.<sup>3</sup> As it implements and administers the programs and provisions authorized under the CARES Act, the Department must remain alert and take necessary actions related to these two challenges to reduce vulnerabilities to fraud, waste, abuse, noncompliance, and other issues that could impact a grantee's or subgrantee's ability to achieve intended programmatic results.

## Oversight and Monitoring

Effective oversight and monitoring of CARES Act programs and operations are critical to ensure that funds are used for the purposes intended and that goals and objectives are achieved. This is a significant responsibility for the Department given the vast number of entities that will receive education-related CARES Act funding, even as the Department must continue its efforts to administer existing programs. Further, because CARES Act funding for many programs will pass through primary recipients, such as governors' offices and state education agencies, to subrecipients, such as local education agencies or other entities, primary recipients have a substantial and critical role in overseeing and monitoring subrecipients' activities. This includes oversight and monitoring of awards made through the CARES Act Governor's Emergency Education Relief Fund and implementation of the CARES Act Education Stabilization Fund Discretionary Grants. In addition, the Department must provide effective oversight and monitoring of the CARES Act provisions related to the student financial assistance programs to ensure that the programs are not subject to fraud, waste, and

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<sup>1</sup> American Recovery and Reinvestment Act, Pub. L. No. 111-5 (2009).

<sup>2</sup> Education OIG, *Lessons from Implementing the American Recovery and Reinvestment Act of 2009* (ED-OIG/X09M0002, September 23, 2014).

<sup>3</sup> To access the OIG's previous management challenges reports, visit <https://www2.ed.gov/about/offices/list/oig/managementchallenges.html> (last accessed June 7, 2020).

abuse. This would include the Department's process to carry out provisions of the CARES Act specific to student borrowers; the Department's implementation of the CARES Act Higher Education Emergency Relief Fund, including ensuring that schools use at least 50 percent for awards to students; and schools' use of the CARES Act flexibility for their campus-based programs. To this end, as highlighted in the OIG's Recovery Act Lessons Learned report, the Department should:

- Provide timely guidance for new programs, and conduct outreach and technical assistance for recipients to ensure program integrity and effectiveness. Also, implement early compliance oversight and monitoring processes for newly created or temporarily funded programs. This includes ensuring that program offices use robust, risk-based monitoring strategies that devote available resources to the highest risk recipients and issues and work with recipients to ensure that they are employing similar strategies when monitoring their subrecipients.
- Enhance its audit resolution process so that compliance issues can be resolved timely, and identify trends in audit findings across multiple recipients and subrecipients so that effective corrective actions can be employed to resolve common issues.
- Work with the U.S. Department of the Treasury early in implementation to determine whether the programs should be added to states' Treasury-State Agreements for cash management purposes.

## Data Quality and Reporting

Administering the programs and operations funded by the CARES Act will require the Department to collect, analyze, and report on data for many purposes, such as evaluating programmatic performance, assessing fiscal compliance, and informing management (including funding) decisions. The Department, its grant recipients and subrecipients, and other program participants must have effective controls in place to ensure that CARES Act reported data are accurate and complete given the Department's reliance on these data as part of its operations. As highlighted in the OIG's Recovery Act Lessons Learned report, for CARES Act programs and funding, the Department should:

- Look for ways to improve the quality of recipient and subrecipient data, and continue to emphasize the need for appropriate data quality reviews by state and local agencies. This includes piloting new reporting requirements and mechanisms for new or existing programs, establishing a formal process to identify and remediate situations where there are systemic or chronic reporting problems, ensuring that recipients implement adequate and effective controls to ensure high-quality data for key reporting elements, and requiring reporting entities to submit management certifications on data quality and to disclose known data limitations.

Read the OIG's preliminary CARES Act Oversight Plan at <https://www2.ed.gov/about/offices/list/oig/misc/cares-act-plan.pdf>.<sup>4</sup>

**For more information on the Education Office of Inspector General visit <https://www2.ed.gov/about/offices/list/oig/index.html>.**

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<sup>4</sup> Education OIG, *Coronavirus Relief Oversight Plan*, view at <https://www2.ed.gov/about/offices/list/oig/misc/cares-act-plan.pdf> (last accessed May 13, 2020).

# U.S. DEPARTMENT OF ENERGY

The CARES Act added \$99.5 million to the U.S. Department of Energy's Science appropriation and \$28 million to the Departmental Administration appropriation. CARES Act funds address different elements of the coronavirus response, and remain available until September 30, 2021. The Department may also unilaterally modify contracts to fund paid leave for contractor employees in certain circumstances.

The Science appropriation relates to the Department's 17 National Laboratories that possess state-of-the-art scientific equipment and have leading scientists on-site. Contractors administer these facilities and manage scientific work for the Department through management and operating contracts. This type of contract was modeled on the approach the government used to produce the first nuclear devices.

Among other things, scientists working in the Department's National Laboratories have already screened thousands of drugs, modeled outbreaks, and determined the structure of key virus elements. The Department has also created a clearinghouse for access to equipment and experts within the national laboratory system. Additionally, the Department is contributing to the COVID-19 High Performance Computing Consortium, which is a partnership between federal agencies, academic institutions, and industry participants that provides access to more than 330 petaflops of supercomputing capacity.

The Departmental administration appropriation relates to virus response and has transfer authorities. Administrative virus response work is ongoing.

The top challenges the Department faces with respect to these responsibilities and funds are: (1) contract oversight and (2) project management and funding control.

## Contract Oversight

Department of Energy leadership moved quickly to encourage the Department's National Laboratories to begin scientific inquiry into key areas associated with the COVID-19 pandemic. While this action enabled the Department to get an early start on scientific projects, it introduced risks associated with the Department's oversight over the contractors who manage the National Laboratories. In particular, there are long-standing risks associated with the Department's management and operations (M&O) contract structure that may be exacerbated by the pandemic response. These risks include inadequate technical and administrative oversight over M&O contractors. The CARES Act adds a new risk to this challenge in the form of provisions related to funding leave for contractor employees.

## Project Management and Funding Control

The speed, diffuse nature, and urgency of the Department's COVID-19 response present inherent risks associated with project management and funding control. In particular, the normal formal and deliberative process with which the Department plans, funds, authorizes, and executes projects is inconsistent with the speed required by the federal pandemic response. Key controls associated with defining project objectives, scope, budget, timeline, and critical decision points may not receive the customary scrutiny that would normally occur. Additionally, certain scientific activities may have started before the funding control structure was fully in place.

The OIG plans to initiate real-time reviews and, where needed, rapid investigations or inspections of the Department's pandemic response activities. The OIG's proactive strategy will seek to aid the Department in enhancing program efficiencies and preventing or quickly detecting the misuse of funds. The OIG plans to continue providing fraud awareness briefings throughout the Department and to M&O contractor leadership to alert officials about potential risks. These briefings have proven to be particularly useful to Departmental management, and have enhanced their ability to recognize fraud and bring those matters to the OIG's attention.

**For more information on the Energy Office of Inspector General visit <https://www.energy.gov/ig/office-inspector-general>.**

# U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

The emergence of COVID-19 has created unprecedented challenges for the health and human services system. As the lead federal agency responsible for medical support and coordination during public health emergencies, the U.S. Department of Health and Human Services (HHS) is uniquely positioned to assist communities throughout the United States to prepare for and respond to emerging infectious disease outbreaks, such as the COVID-19 pandemic. The pandemic is fast-moving, and HHS is working to support substantial actions to support providers, ensure the safety of the health care workforce, and protect millions of Americans.

Many HHS operating divisions are administering pandemic-related funding, as well as coordinating policy and programmatic responses to address the public health crisis. HHS must implement programs under the CARES Act and related pandemic legislation, while operating its other health and human services programs that serve providers, patients, and others affected by the pandemic. HHS operating divisions involved in the federal response to COVID-19 include, among others, the Centers for Disease Control and Prevention (CDC), Office of the Assistant Secretary for Preparedness and Response (ASPR), Food and Drug Administration, National Institutes of Health, Centers for Medicare & Medicaid Services (CMS), Indian Health Service (IHS), and Health Resources & Services Administration.

Drawing on the HHS OIG's past experience, as well as current risk-assessment and work planning, the OIG has, to date, identified top challenges to HHS's pandemic response in three broad categories: (1) protecting people, (2) protecting funds, and (3) protecting infrastructure.

## Protecting People

A key HHS responsibility is protecting people, including HHS employees, health care workers, and HHS beneficiaries at risk of contracting the virus in health or human services program settings (e.g., nursing homes or child care facilities). HHS is charged with ensuring safety and quality of care in its programs. HHS also serves the American public through guidance on preventing the spread of COVID-19, research into potential vaccines and treatments, and oversight of the safety and effectiveness of COVID-19 treatments and tests.

Central to protecting people is ensuring effective coordination and communication between and among federal agencies; states, localities, and tribal organizations; providers and others in the private sector; and individuals and families. HHS OIG studies have repeatedly identified the need for improved planning, coordination, and communications in emergency preparedness and response, both within and outside HHS, including for example studies of HHS's and providers' responses to the 2009 H1N1 influenza pandemic, the 2014 Ebola outbreak, and 2012 and 2017 hurricanes.<sup>1</sup>

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<sup>1</sup> HHS OIG reports related to the 2009 H1N1 influenza pandemic include *Local Pandemic Influenza Preparedness: Vaccine and Antiviral Drug Distribution and Dispensing* (OEI-04-08-00260, September 2009); *State and Local Pandemic Influenza Preparedness: Medical Surge* (OEI-02-08-00210, September 2009); and *2009 H1N1 School-Located Vaccination Program Implementation* (OEI-04-10-00020, June 2010). Reports related to the 2014 Ebola outbreak include *HHS Did Not Always Efficiently Plan and Coordinate Its International Ebola Response Efforts* (A-04-16-03567, August 2019) and *Hospitals Reported Improved Preparedness for Emerging Infectious Diseases After the Ebola Crisis* (OEI-06-15-00230, October 2018). Reports related to the 2012 hurricane include *The Response to Superstorm Sandy Highlights the Importance of Recovery Planning for Child Care Nationwide* (OEI-04-14-00410, December 2015); *Superstorm Sandy Block Grants: Funds Benefited States' Reconstruction and Social Service Efforts, Though ACF's Guidance Could be Improved* (OEI-09-15-00200, September 2016); and *Hospital Emergency Preparedness and Response During Superstorm Sandy* (OEI-06-13-00260, September 2014). Reports related to the 2017 hurricane include *The Health Resources and Services Administration Has Controls and Strategies To Mitigate Hurricane Preparedness and Response Risk* (A-04-18-02015, December 2018); *The Administration for Children and Families Has Controls and Strategies To Mitigate Hurricane Preparedness and Response Risk* (A-04-18-02013, December 2018); and *The Centers for Disease Control and Prevention Has Controls and Strategies To Mitigate Hurricane Preparedness and Response Risk* (A-04-18-02014, November 2018).

To protect people during the COVID-19 pandemic, HHS is developing, distributing, and authorizing tests to identify infected individuals and working with other federal agencies to distribute protective and medical equipment from the Strategic National Stockpile. HHS is also researching, developing, and approving medications, including vaccines, and other preventive measures to combat the COVID-19 virus. HHS-funded providers, including hospitals, clinics, and nursing homes serving Medicare, Medicaid, IHS, and other HHS beneficiaries, must provide safe, quality care, and many are operating under new policy flexibilities to promote access to testing and treatment. In addition, HHS must directly provide safe, quality care to American Indian and Alaska Native patients served by its IHS-run hospitals and outpatient medical facilities. Further, HHS along with the OIG and its law enforcement partners, need to protect HHS beneficiaries and the public from fraud schemes, such as the marketing of fake tests and beneficiary identity theft, and are working closely together to do so. Administering these programs effectively and efficiently is a top challenge.

## Protecting Funds

As of early May 2020, the total HHS COVID-19 appropriation was \$251 billion, including \$175 billion in Provider Relief Funds, \$25 billion in funding for CDC related to testing, and \$8.48 billion in grants. Provider Relief Funds are for hospitals and other health care providers on the front lines of the coronavirus response. This funding is being used to support health care-related expenses or lost revenue attributable to COVID-19 and to ensure that all Americans who need it can receive testing and treatment for COVID-19. To date, HHS has distributed approximately \$50 billion of these funds for general distribution to Medicare facilities and providers affected by COVID-19. As mentioned above, this is only a portion of the HHS funding going to support the provision of health care, development of remedies and countermeasures, and overall response to the COVID-19 pandemic. Regularly appropriated funding for HHS programs and operations must also be considered when accounting for the funding associated with the pandemic response.

Responsible stewardship, transparency, and accountability of HHS funds are needed to ensure that HHS beneficiaries and the American public receive the true benefit of this substantial investment. As of early May 2020, CMS had made accelerated and advanced payments to Medicare providers totaling \$100 billion and is paying providers for certain services at enhanced rates applicable during the emergency. CMS has suspended many program integrity safeguards, such as provider enrollment screening. While these steps may be appropriate to ensure access to care, they also raise the risks of fraud by those seeking to exploit the emergency. HHS must effectively and efficiently manage the use of funds internally, award and manage contracts related to COVID-19 funding in accordance with contracting requirements, and appropriately oversee thousands of external funding recipients' use and reporting of federal funds. HHS must ensure that funds are paid properly to eligible recipients in correct amounts. HHS must also identify and fight fraud that would divert funds intended for COVID-19 response and recovery. Effective internal controls and the collection, maintenance, and analysis of relevant data are key to ensuring that funds meet their intended purposes.

For grant programs, HHS is responsible for providing up-to-date policies to grant recipients and helping states and other grantees address their own financial management and internal control issues. Without proper internal controls, funds may be misspent, duplication of services may occur, and subrecipients may lack adequate monitoring.

## Protecting Infrastructure

HHS must support a secure, robust information technology infrastructure for both internal HHS and external programs. Other key infrastructure for the pandemic response includes the Strategic National Stockpile, quarantine facilities, the drug supply chain, and research and development programs, as well as other health care infrastructure, such as telehealth platforms and devices, networked medical or laboratory equipment, and other technology that enabled remote response to COVID-19. Cyberattacks are a serious threat during the emergency, with significant potential negative effects on the health and welfare of the nation. Outside of HHS's systems, many of HHS's partners and grantees and the health care system at large are subject to an increasing number of cyber threats. HHS's actions will be critical for the immediate COVID-19 response, as well as for ensuring adequate preparation for future public health emergencies.

**For more information on the HHS  
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# U.S. DEPARTMENT OF HOMELAND SECURITY

Based on prior, planned, and ongoing audits, inspections, special reviews, and investigations, the U.S. Department of Homeland Security (DHS) OIG believes the top challenges facing DHS in handling pandemic-related responsibilities and emergency funds are the following.

## Managing Programs and Operations Effectively While Experiencing Changes in Leadership and High Vacancy Rates

Many DHS senior leadership positions continue to suffer from a lack of permanent, presidentially appointed and Senate-confirmed officials, and they have been marked by high turnover. In the past 2 years, DHS has had three different Secretaries and as many Acting Deputy Secretaries. As of May 1, 2020, acting officials filled almost one-third of all DHS senior leadership positions. At the Federal Emergency Management Agency (FEMA), which bears central responsibility for pandemic assistance, two of four lead positions are filled by acting officials: the Deputy Administrator and the Deputy Administrator for Resilience. Certain DHS components also face high attrition, such as the Transportation Security Administration (TSA) and U.S. Customs and Border Protection (CBP), which are both on the front line of the COVID-19 pandemic. DHS OIG has previously noted that in fiscal year 2017, for example, TSA spent nearly \$75 million to train more than 9,000 new Transportation Security Officers, about 20 percent of whom left within 6 months.<sup>1</sup> In March 2019, the Government Accountability Office testified before Congress that CBP staffing levels for law enforcement positions consistently fell below target levels and retaining officers in hard-to-fill locations continued to pose a problem for CBP.<sup>2</sup> Notwithstanding recent Executive Orders requiring the Department to hire 5,000 new Border Patrol Agents and 10,000 new Immigration Officers to expand immigration enforcement activities and programs, DHS has struggled to onboard these new officials.<sup>3</sup>

## Ensuring Proper Financial and Procurement Internal Controls Are in Place

Many key DHS financial systems do not comply with federal financial management system requirements, as defined in the Federal Financial Management Improvement Act of 1996.<sup>4</sup> Limitations in financial systems' functionality add substantially to the Department's challenges addressing systemic internal control weaknesses and restrict its ability to leverage information technology systems to process and report financial data efficiently and effectively. These deficiencies may hinder DHS's ability to ensure proper financial planning, payments, and internal controls related to CARES Act funding. COVID-19 procurements will be wide and vast. While the DHS Joint Requirements Council and Joint Requirements Integration and Management System provides guidance to identify required capabilities, gaps, opportunities, and controls, at times the Department has validated noncompliant capability needs documents, not held

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<sup>1</sup> TSA Workforce Crisis: A Homeland Security Risk. Before U.S. House of Representatives Subcommittee on Transportation and Maritime Security, Committee on Homeland Security, 116th Congress (2019) (statement of Acting Inspector General John V. Kelly).

<sup>2</sup> U.S. Customs and Border Protection: Progress and Challenges in Recruiting, Hiring, and Retaining Law Enforcement Personnel. Before the Subcommittee on Oversight, Management, and Accountability, Committee on Homeland Security, House of Representatives, 116th Congress (2019) (statement of Rebecca Gambler, Director, Homeland Security and Justice).

<sup>3</sup> DHS OIG, *Major Management and Performance Challenges Facing the Department of Homeland Security* (OIG-20-02, November 13, 2019).

<sup>4</sup> Federal Financial Management Improvement Act of 1996, Pub. L. No. 104-208 (1996).

components accountable for failing to follow guidance, and not provided adequate direction on implementing the guidance.<sup>5</sup> Nor have DHS components consistently solicited, awarded, and managed low value contracts according to federal and departmental regulations.<sup>6</sup> These problems have resulted in misspent funds and impaired DHS's ability to take action when contractors do not comply with the procurements.

## Improving FEMA's Grant Management, Disaster Assistance, and Fraud Prevention

In reports and congressional testimony, DHS OIG has emphasized lessons learned from natural disasters that could serve to improve FEMA's contracting and overall preparedness.<sup>7</sup> More specifically, the OIG identified a pattern of FEMA management failures in overseeing procurements and reimbursing procurement costs, and continues to observe systemic problems and operational difficulties that contribute to FEMA not managing disaster relief grants and funds adequately. At times, FEMA has not followed procurement laws, regulations, and procedures, nor has it ensured disaster grant recipients and subrecipients understand and comply with these same authorities. In 2019 and 2020, the OIG issued reports demonstrating weaknesses in FEMA's administration of the Public Assistance grant program.<sup>8</sup> The OIG also found FEMA's disaster assistance programs are highly susceptible to fraud, waste, and abuse, which poses significant risk to taxpayer investment.<sup>9</sup> In a climate where FEMA is already hard-pressed to take additional, proactive steps to create and sustain a culture of fraud prevention and awareness, the infusion of CARES Act funding will likely exacerbate these difficulties. Additionally, in the past 12 years, the OIG issued eight reports on FEMA's information technology systems capabilities for processing payments, coordinating with state and local governments, data reliability, and vast information sharing and reporting limitations. DHS OIG ongoing work reveals significant challenges across DHS related to cybersecurity protections, and election infrastructure protection and preparedness for the 2020 election amid COVID-19.

## Protecting the Health and Safety of Immigration Detainees, DHS Employees, and Contract Staff

Tens of thousands of detainees are in short- and long-term custody in CBP and Immigration and Customs Enforcement (ICE) facilities nationwide. Detainees in DHS custody, as well as CBP and ICE employees and contract staff, face amplified risks of exposure to COVID-19. DHS has struggled for several years, as documented in numerous reports and studies, to ensure proper medical and mental health care in immigration detention. DHS uses a wide range of contract settings for detention, including privately owned and operated prisons, as well as state and local jails. Due to the decentralized nature of this system and a lack of standardized procedures, DHS will face formidable challenges in identifying and managing individuals who have been exposed to or contracted COVID-19.

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<sup>5</sup> DHS OIG, *DHS Needs to Improve the Process for Identifying Acquisition Planning Capability Needs* (OIG-19-19, January 30, 2019).

<sup>6</sup> DHS OIG, *Inadequate Oversight of Low Value DHS Contracts* (OIG-19-50, July 2, 2019).

<sup>7</sup> FEMA Contracting: Reviewing Lessons Learned from Past Disasters to Improve Preparedness. Before U.S. House of Representatives Subcommittee on Emergency Preparedness, Response, and Recovery and Subcommittee on Oversight, Management, and Accountability, Committee on Homeland Security, 116th Congress (2019) (statement of Deputy Assistant Inspector General for Audits Katherine Trimble).

<sup>8</sup> DHS OIG, *FEMA's Eligibility Determination of Puerto Rico Electric Power Authority's Contract with Cobra Acquisitions LLC* (OIG-19-52, July 3, 2019) and *Management of FEMA Public Assistance Grant Funds Awarded to the Sewerage and Water Board of New Orleans Related to Hurricanes Katrina, Isaac, and Gustav* (OIG-20-21, March 27, 2020).

<sup>9</sup> DHS OIG, *FEMA Did Not Sufficiently Safeguard Use of Transportation Assistance Funds* (OIG-19-66, September 30, 2019); *FEMA Purchased More Manufactured Housing Units Than It Needed in Texas After Hurricane Harvey* (OIG-20-15, February 26, 2020); and *Additional Controls Needed to Better Manage FEMA's Transitional Sheltering Assistance Program* (OIG-19-37, March 29, 2019).

OIG prior pandemic oversight work identified deficiencies in DHS’s needs assessment before purchasing pandemic preparedness supplies and managing its stockpile of personal protective equipment and antiviral medical countermeasures.<sup>10</sup> The OIG further found that DHS could not be assured that its preparedness plan could be executed effectively during a pandemic event.<sup>11</sup> Detainees and staff in immigration detention facilities may not have sufficient personal protective equipment or access to effective treatment to minimize the spread of the virus.

**For more information on the DHS  
Office of Inspector General visit  
<https://www.oig.dhs.gov/>.**

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<sup>10</sup> DHS OIG, *DHS Has Not Effectively Managed Pandemic Personal Protective Equipment and Antiviral Medical Countermeasures* (OIG-14-129, August 26, 2014).

<sup>11</sup> DHS OIG, *DHS Pandemic Planning Needs Better Oversight, Training, and Execution* (OIG-17-02, October 12, 2016).

# U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The U.S. Department of Housing and Urban Development (HUD) has been provided more than \$12 billion to perform its responsibilities under the CARES Act in the following areas: (1) rental assistance, (2) mortgage loan forbearance, (3) assistance for vulnerable populations, (4) assistance for communities' response, and (5) continued performance of HUD's mission. The HUD OIG addresses the Department's top management challenges surrounding CARES Act implementation in this context, based on prior OIG work and ongoing conversations with HUD.

## Rental Assistance

Congress provided HUD more than \$2.6 billion in supplemental rental subsidies for tenants who have lost income and to ensure that landlords who provide subsidized housing and face significant increases in costs due to the COVID-19 pandemic are not forced out of the affordable housing market. The CARES Act also protects tenants of covered properties from eviction for 120 days.

HUD will be challenged to ensure that these grantees provide additional rental subsidies to tenants properly and in a timely manner and accurately track and report on the expenditure of these funds. It is unclear whether HUD has the ability to determine whether eligible renters are aware of and their landlords are complying with the moratorium. There has also been notable media coverage of tenants being sexually harassed and assaulted by their landlords when they are unable to meet rent obligations. These are fair housing violations, and HUD will be challenged to alert tenants as to their rights and provide avenues for a remedy.

The pandemic also presents a challenge to the HUD-assisted rental stock. The current shelter-in-place orders prevent all but emergency maintenance on the affordable housing portfolio. In addition, HUD allowed public housing agencies to waive or postpone certain program safeguards, such as on-site inspections. It is unclear what the impact of deferred inspection and maintenance will be on an already aging portfolio.

## Mortgage Loan Forbearance

Congress provided borrowers with single-family mortgages insured by HUD's Federal Housing Administration (FHA) up to 180 days forbearance, with the right to request an additional 180 days. In addition, Congress provided up to 90 days forbearance to apartment building owners with FHA-insured mortgages. Because the vast majority of FHA-insured loans are securitized into mortgage-backed securities (MBS), nonpayment on FHA mortgages due to forbearance impacts payments to MBS investors, which could have a negative impact on the residential securities market. HUD's Government National Mortgage Association (Ginnie Mae) guarantees payment on MBS backed by FHA mortgages. HUD, through FHA and Ginnie Mae, is tasked with ensuring that borrowers are provided needed forbearance while also protecting the financial system destabilized by borrower nonpayment.

HUD faces challenges on several fronts. Initially, HUD must ensure that borrowers protected by forbearance are aware of their rights. Ginnie Mae must act to preserve the stability in the residential securities market by closely monitoring and addressing the risk that continued forbearance creates for its counterparties. While Ginnie Mae has established a temporary assistance program for the MBS it insures for issuers who are unable to make full payments to investors, Ginnie Mae acknowledges that this assistance does not include taxes and insurance payments, which lenders and issuers must advance on behalf of the nonpaying borrowers. The assistance also does not include servicer fees, which would have been included in the borrowers' payment. Further, Ginnie Mae has limited insight into the actions of other market

actors, such as government-sponsored enterprises, and credit lines used by its issuers. Prolonged forbearance may create a risk of default of one or more of the Ginnie Mae issuers due to an inability to pay amounts due on their MBS.

As forbearances end, FHA will be required to track and monitor lender and borrower agreements to repay the forborne amounts. In many cases, servicers will be able to file a partial claim with HUD, allowing the servicer to recoup lost funds from HUD's insurance funds. HUD will need to track and monitor transactions for millions of loans. Partial claims due to forbearance will likely have a significant impact on FHA's mortgage insurance fund. Failure of borrowers to pay insurance premiums as part of their monthly payment will also strain the mortgage insurance fund.

## Assistance for Vulnerable Populations

Congress has provided more than \$4.1 billion for populations facing greater health risks from the pandemic, including individuals experiencing homelessness, people with HIV/AIDS, and older adults. The vast majority of these funds are for Emergency Solutions Grants—an increase of more than 1,300 percent over HUD's fiscal year 2020 appropriation for this program. This deluge of funding may significantly strain HUD systems and staff, as well as the state and local entities tasked with implementing this program. HUD will be dependent on the grantees and subgrantees reporting their use of funds to meet CARES Act reporting requirements.

Although not referenced in the CARES Act, HUD provides mortgage insurance for residential care facilities under Section 232 of the National Housing Act.<sup>1</sup> In its 2020 top management challenges report, the OIG specifically noted HUD's failure to monitor residential care facilities and take action regarding financially challenged nursing homes.<sup>2</sup> The concentration of COVID-19 in nursing homes and senior living facilities and the financial impact on operators of these facilities may place even more mortgages at risk of default.

## Assistance for Communities' Response

Congress provided more than \$5 billion to support local communities in responding to the pandemic through the Community Development Block Grants (CDBG) program. Communities' pandemic response needs are new and extremely time sensitive, requiring HUD to develop new standards and issue CDBG funds with extraordinary speed. Further, the CARES Act more than doubles HUD's CDBG appropriation for fiscal year 2020 and adds different criteria for these funds. In audits dating back several years, the OIG found that HUD was already challenged with monitoring this program and assessing risk.

HUD's efforts regarding other presidentially declared disaster relief efforts are ongoing. States are the initial grantees for disaster funding and must develop and oversee a network of local disaster relief entities. Many states are already severely taxed by pandemic efforts. As the United States enters hurricane season on June 1, 2020, HUD and its grantees may be challenged to respond in a timely manner to new disasters in addition to ongoing pandemic response activities.

## HUD's Mission Performance

As of April 21, 2020, HUD reported publicly that 95 percent of its staff is working remotely to continue HUD's mission and implement new CARES Act responsibilities. HUD will need to ensure that it can continue to perform essential mission functions in light of these additional program obligations and operational limitations. HUD already experiences significant challenges in the areas of human capital and procurement, financial management, information systems technology, and monitoring and oversight, as outlined in the 2020 top management challenges report. All of the new work required by HUD under the CARES Act will amplify these challenges.

**For more information on the HUD Office of Inspector General visit <https://www.hudoig.gov/>.**

<sup>1</sup> National Housing Act (1934), as amended.

<sup>2</sup> HUD OIG, *Top Management Challenges Facing the U.S. Department of Housing and Urban Development in 2020 and Beyond* (December 4, 2019).

# U.S. DEPARTMENT OF JUSTICE

The U.S. Department of Justice (DOJ) employs over 200,000 personnel worldwide executing the federal government's law enforcement and national security efforts. The DOJ primarily accomplishes its critical mission through its more than 30 components, the largest of which are the Bureau of Prisons (BOP, which has nearly 40,000 employees) and the Federal Bureau of Investigation (FBI, which has roughly 35,000 employees). Beginning in early March 2020, the OIG promptly shifted a significant portion of its oversight toward assessing the DOJ's readiness to respond to the rapidly evolving COVID-19 pandemic. Through its initial assessment, the OIG determined that the most immediate challenges to DOJ operations involved preventing the spread of the virus among its roughly 170,000 federal inmates and 61,000 detainees in BOP and U.S. Marshals Service (USMS) custody, respectively; operating its immigration courts in a manner that minimizes the risk to participants; and ensuring robust oversight of \$850 million in pandemic-related CARES Act grant funding being disbursed by DOJ to fund state, local, and tribal efforts to combat COVID-19—all while also protecting the health and safety of the tens of thousands of employees who oversee these particular operations. In addition to the \$850 million CARES Act grant funding, some DOJ components received supplemental funding, including the BOP (\$100 million) and USMS (\$15 million), to better position their COVID-19 efforts. The OIG received \$2 million, which will be used to help support oversight of these significant and immediate challenges and others as they may arise. Overall, DOJ's CARES Act funding topped \$1 billion.

## CARES Act Grant Funding by Office of Justice Programs

The CARES Act provided the Office of Justice Programs' (OJP) Bureau of Justice Assistance (BJA) with \$850 million to fund state, local, and tribal efforts to combat the COVID-19 pandemic. Ensuring this funding reaches its intended recipients quickly and efficiently is paramount to the efforts of law enforcement agencies throughout the country as they strive to protect the communities they serve. The OIG recognizes, especially based on its previous oversight Recovery Act funding, that achieving speed and maximum efficiency in the distribution of nearly \$1 billion in grant funds, while in an emergency posture, is a challenging undertaking for OJP.<sup>1</sup> These challenges include the increased risk of fraud and misuse or waste of program funding. Currently, BJA is in the process of distributing CARES Act funding through the Coronavirus Emergency Supplemental Funding (CESF) grant solicitation for recipients eligible for OJP's Justice Assistant Grant program. Recipients of CESF funding (generally state, local, and tribal law enforcement agencies) will be operating under unprecedented circumstances, including reductions in administrative staff that may weaken internal control systems. Additionally, bad actors have launched multiple fraud schemes specifically targeting COVID-19 aid, with some illicit ploys targeting OJP award recipients, specifically. Known schemes include the sale of ineffective or unsafe treatment options and non-delivery of needed personal protective equipment, both of which may challenge effective grant implementation and even risk the lives of U.S. citizens. It is the responsibility of OJP to effectively oversee the grant funds and mitigate risks that could affect the valuable and proper use of the funds to help law enforcement during the COVID-19 pandemic. However, the CESF solicitation represents a considerable addition to OJP's normal administration and oversight responsibilities, comprising approximately 20 percent of the total amount of grant funds that will be awarded by OJP in all of 2020.

## COVID-19 Challenges Related to Protecting DOJ Prison Staff and Inmates

The COVID-19 pandemic has created serious challenges for DOJ related to its responsibility to safely house over 160,000 federal inmates and over 61,000 detainees awaiting trial or sentencing decisions, while also keeping free from harm

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<sup>1</sup> American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5 (2009).

correctional and detention facility employees as well as the communities in which they serve. This includes the safety and welfare of the approximately 40,000 staff and contract employees who work in BOP institutions, contract prisons, and residential reentry centers—as well as the thousands who oversee USMS detainees in state, local, tribal, and contract detention centers. The most immediate and pressing challenges include: securing personal protective equipment; identifying, accessing, and implementing effective testing protocols; providing access to quality medical care for those in custody; transferring inmates and detainees to and from facilities; and social distancing, screening, quarantining, and otherwise mitigating the risks presented by the pandemic. Additionally, the CARES Act granted the Attorney General authority to release inmates upon a finding of a national emergency, which complements other preexisting release authorities in federal law, such as compassionate release provisions. The Attorney General has since made that finding, and the DOJ is facing the difficult task of determining which inmates should be released while still ensuring the safety of the communities where such early releases are granted. As noted, many individuals in BOP or USMS custody are placed in correctional environments not directly controlled by the DOJ—about 60 percent of USMS pretrial detainees are held in over 850 different state and local facilities under the terms of intergovernmental agreements, and approximately 16 percent of BOP inmates are held in contract prisons and residential reentry centers. This amplifies the challenge for DOJ to ensure not only that these individuals receive adequate medical care and protection from COVID-19, but also that the DOJ properly considers the health and safety of hundreds of communities its decisions may affect.

## COVID-19 Challenges in the Immigration Courts

While DOJ does not have responsibility for housing immigration detainees (that is the responsibility of the U.S. Department of Homeland Security), the DOJ’s Executive Office for Immigration Review (EOIR) is tasked with adjudicating immigration cases and has faced challenges in mitigating health risks for all those involved in these immigration cases during the COVID-19 pandemic. As it maintains certain operations, EOIR—like other DOJ components—has experienced challenges such as securing personal protective equipment for its staff and a lack of remote options to perform some work necessary to ongoing operations. EOIR must also balance mitigating health risks at its court facilities while ensuring the rights of individuals subject to immigration court proceedings.

## Initial DOJ OIG Oversight Efforts

In light of the BOP’s pandemic-related challenges, the OIG created skill-mixed teams—incorporating the diverse disciplines and expertise from the OIG’s operational divisions—to perform numerous remote inspections of all types of facilities that house BOP inmates. These remote inspections will seek to ensure facility compliance with guidance from the Centers for Disease Control and Prevention, DOJ, and the BOP, while also identifying significant risk areas. The OIG is also leveraging its data analytics platforms to illustrate for DOJ and BOP leadership data on at-risk inmate populations, estimates of inmates eligible for early release and home confinement, and the BOP facilities most at risk of outbreaks. The OIG also initiated a review intended to assess the pandemic-related risk in USMS detention operations, and another that will address EOIR’s handling of certain challenges in conducting operations during the pandemic. Additionally, the OIG has commenced a review of OJP’s efforts to distribute the \$850 million in COVID-19 award funding in a timely and efficient manner, as well as its pre-award activities to ensure that grant awards are made in accordance with applicable laws, regulations, and other guidelines. Lastly, the OIG has established a dedicated COVID-19 inbox to receive pandemic-related complaints that will be assessed by OIG investigators for criminal activity or misconduct and analyzed by OIG auditors and analysts for trends and other risk indicators.

**For more information on the DOJ Office of Inspector General visit <https://oig.justice.gov/>.**

# U.S. DEPARTMENT OF LABOR

The U.S. Department of Labor (DOL) plays a vital role in the lives of workers and in the nation's economy. Now more than ever, DOL must remain vigilant in its important stewardship of taxpayer funds, particularly in overseeing the hundreds of billions of dollars in pandemic-related funding authorized in an effort to provide additional unemployment benefits to those in need and ensuring the safety and health of the country's essential workforce.

## **Responding Expeditiously to the COVID-19 Pandemic while Protecting the Integrity of the Unemployment Insurance Program**

DOL OIG has previously expressed concern with the Department's ability to deploy program benefits expeditiously and efficiently while ensuring adequate oversight, particularly in response to national emergencies and disasters. The OIG renewed this concern in light of the coronavirus pandemic and the unprecedented increase in funds to DOL programs, especially the Unemployment Insurance (UI) program, which has received hundreds of billions of dollars under recently enacted legislation.

Since COVID-19 first arrived in the United States in early 2020, unemployment insurance claims have risen exponentially. DOL reported that tens of millions of initial unemployment claims have been filed since March 2020, the largest increase since the Department began tracking the data in 1967. The CARES Act provides major funding to the state-federal unemployment program, including covering workers not typically covered by UI.

### ***Challenge for the Department***

For many years, the OIG has reported concerns with DOL's ability to measure, report, and reduce improper payments in the UI program. The OIG's prior audit work revealed that the Department has not done enough to formally assess the various strategies available to combat improper payments. In addition, the Department has been unable to determine what issues persist, due in part to a lack of reliable state-reported data. Further, improper payments stemming from fraudulent activity continue to pose a significant threat to the integrity of the UI program, as identity thieves and organized criminal groups have found ways to exploit program weaknesses. For example, benefits paid via non-state-issued prepaid debit cards provide anonymity to those who submit fraudulent claims. The OIG expects these issues will be exacerbated by the significant funding increase in response to the coronavirus pandemic.

To meet the requirements of the CARES Act, states must have sufficient staffing and system resources to manage the extraordinary increases in the number of claims and payments. The expanded coverage offered under the temporary Pandemic Unemployment Assistance program has posed significant challenges to states as they implement processes to determine initial and continued program eligibility. DOL must ensure states establish strong controls for determining eligibility and consider past systemic weaknesses when developing fraud prevention measures. DOL must also ensure states establish procedures to detect and recover any improper payments made and redirect the funding to those eligible for the assistance.

## Protecting the Safety and Health of Workers

DOL has the substantial responsibility for helping ensure the safety of the country's workforce, and ensuring benefits are provided to address work-related disabilities. The Department's Occupational Safety and Health Administration (OSHA) is responsible for the safety and health of 136 million workers employed at more than 9 million establishments, while the Department's Mine Safety and Health Administration (MSHA) is responsible for the safety and health of approximately 320,000 miners who work at more than 13,000 mines. The Office of Workers' Compensation Programs (OWCP) administers disability compensation programs which provide wage replacement benefits, medical treatment, and other benefits to federal employees and certain workers in the coal mine, energy, and longshore industries or their dependents who experience work-related injury or occupational disease.

### *Challenge for the Department*

OSHA and MSHA face challenges in determining how to help ensure employers protect the safety and health of the American workforce during the coronavirus pandemic, particularly in high-risk industries such as health care, law enforcement, meat processing, agriculture, manufacturing, delivery workers, retail, and mining. The nature of this work and inherent barriers to social distancing make it particularly difficult to protect this essential workforce. Further, unless proper precautions are taken, avoidable COVID-19 infections and deaths may occur as more people return to work.

OSHA is challenged in fulfilling its mission due to resource constraints and the urgency of actions required. Specifically, OSHA must provide clear and relevant coronavirus-related guidance to help ensure worker safety during the pandemic. OSHA must also use its limited resources to timely respond to the significant increase in worker and whistleblower complaints to ensure workplace safety, and to protect workers that exercise their rights to report safety concerns.

MSHA is challenged to accomplish its mission during the pandemic as agency and state restrictions on travel and workers have reduced its ability to conduct critical work. Specifically, MSHA is challenged to timely complete all inspections and investigations, focusing its efforts on completing the four highest-risk annual mandatory inspections of underground mines and two annual mandatory inspections of surface mines. Both mandatory and discretionary inspections to address specific mine safety concerns are at risk of not being conducted due to COVID-19. Additionally, miners with preexisting health issues (e.g., respiratory disease) are especially vulnerable to the coronavirus.

Finally, OWCP is challenged with timely processing compensation claims due to the pandemic. The agency has received a significant number of coronavirus-related claims, and OWCP resources may be strained as those numbers continue to increase. Further, claimants are experiencing difficulties obtaining the employment and medical documentation required to adjudicate their claims due to social distancing mandates in effect across the country.

**For more information on the DOL  
Office of Inspector General visit  
<https://www.oig.dol.gov/>.**

# U.S. DEPARTMENT OF STATE

The U.S. Department of State OIG believes that oversight of contracts and grants, protection of personnel and Americans abroad, workforce management, and information security are the most significant challenges the Department is facing and will continue to face as it manages its pandemic-related responsibilities and the more than \$1 billion in emergency funds that were appropriated to it. These issues are existing challenges for the Department that the OIG have previously noted in the Inspector General's annual statement on major management and performance challenges. Based on ongoing and past oversight activities, the OIG believes these same issues will continue to challenge the Department and will likely be exacerbated by the urgent timeline and uncertain environment presented by the COVID-19 pandemic. Importantly, this is the OIG's assessment of pandemic-related challenges to date; the rapidly evolving nature of this situation could change those conclusions in the short- or long-term.

## Oversight of Contracts, Grants, and Foreign Assistance

Under ordinary conditions, the oversight of contracts and grants is a significant challenge for the Department. The OIG regularly finds that, domestically and abroad, Department entities do not consistently and adequately monitor contractor performance and oversee grants programs. Regarding contracts, the OIG's work often highlights specific issues, such as deficient invoice review and approval processes, inexperienced and untrained oversight personnel, lapses in documenting contractor performance, and complex programs and contracts that are simply too large for the oversight resources devoted to them. Regarding grants oversight, the OIG frequently finds deficiencies related to monitoring plans and risk assessments, site visits, and program evaluation.

Because a substantial portion of the recovery and relief resources appropriated to the Department will be expended through contracts and grants, the OIG notes that oversight of these instruments will be a top challenge facing the Department in this context. Inadequate oversight and mismanagement of contracts and grants may pose a financial risk, which will likely be compounded by the crisis setting. Namely, as is often necessary for emergency relief and recovery, regulations may be waived, contract requirements may be loosened, and safeguards to ensure careful spending may be lifted to speed relief. These circumstances make it more likely the Department will be unable to properly ensure that it receives the intended benefits from its contracts and that grants fulfill their objectives.

Oversight and management of foreign assistance programs is another possible facet of this challenge. The Department's strategy to respond to the pandemic includes the use of foreign assistance to bolster health institutions and capacity; address complex emergencies and humanitarian crises; and prepare for economic, civilian security, stabilization, and governance challenges related to the pandemic. The Department has announced that the U.S. government has committed more than \$775 million to date in assistance to address the crisis. Oversight of these funds will likely implicate the same pandemic-related challenges that the OIG notes regarding contracts and grants generally.

## Protection of Personnel and Americans Abroad

The Department's global presence makes the protection of its personnel a perennial challenge. Although safety and security concerns are naturally greater in conflict areas, all U.S. diplomatic personnel and their families serving abroad face some level of risk, including from natural disasters, environmental hazards, and ordinary crime. In the context of a global health crisis, protecting the Department's workforce will likely be even more difficult. The Department will likely face challenges in establishing and enforcing policies responsive to COVID-19 issues in the workplace and ensuring employee safety as it continues to conduct essential operations around the world. This may be particularly true for

personnel in embassies in conflict zones. More generally, Department employees who remain abroad may be located in countries that have inadequate local health care systems. Compounding these difficulties, reductions in international flights may affect the Department's distribution systems, potentially hindering the shipment of supplies. Although the OIG observed that the Department has sought to mitigate health and safety risks to its personnel, this challenge will persist as long as the health crisis remains.

Protection of American citizens abroad is one of the Department's most important priorities, and one made more difficult by the current pandemic. About 6.8 million Americans live abroad and more than 65 million travel abroad each year. The Department has already repatriated almost 80,000 American citizens, the largest exercise of its kind in its history and a number greater than the entirety of its workforce.

## Workforce Management

OIG oversight work often finds that staffing gaps, frequent turnover, and inexperienced and undertrained staff contribute to the Department's other management challenges. Workforce management issues such as these occur throughout the Department, affecting programs and operations domestically and overseas and across functional areas and geographic regions. The OIG anticipates that changes in embassy staffing as a result of the pandemic may magnify this challenge and exacerbate other challenges.

More than one-third of Foreign Service employees are on evacuation status as of early May 2020, which may affect the Department's ability to carry out its pandemic-related responsibilities as well as its overall mission. Additionally, the Department has a worldwide moratorium on permanent change of station travel through the end of May, which, if prolonged, could affect Department operations. For example, reduced staff may pose difficulties for carrying out emergency U.S. citizen services and for overseeing the contracts and grants through which the Department will expend its relief funds.

## Information Security and Management

The OIG has long identified information system security deficiencies at the Department. Despite some steps to address these concerns, the IG has found the Department's information systems and networks continue to be vulnerable. Much like the workforce management issues noted above, OIG views this as a systemic difficulty that affects all Department programs and operations. As such, the OIG believes it will likewise be a challenge for the Department as it seeks to fulfill its pandemic-related responsibilities. For example, as a result of social distancing policies, the Department has transitioned much of its workforce to telework status, which may place strains on its ability to support operations efficiently and securely.

**For more information on the State  
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# U.S. DEPARTMENT OF THE INTERIOR

The OIG identified three broad challenges for the U.S. Department of the Interior (DOI) as it handles pandemic-related responsibilities and emergency funds based on lessons learned from past audit and investigative work, as well as anecdotal and publicly available information.

## **Financial Challenges—Providing Expedient Assistance to Vulnerable Populations While Assuring Money Reaches Intended Recipients for Intended Purposes**

DOI received \$756 million in CARES Act funding. The Bureau of Indian Affairs (\$453 million), Bureau of Indian Education (\$69 million), and the Office of Insular Affairs (\$55 million) together received 76.3 percent of DOI's total funding. The remaining funds were received by the Bureau of Reclamation (\$20.6 million) and Department Operations (\$158.4 million). DOI OIG also received \$1 million.

The most significant challenge facing the DOI is that the majority of its funding is allocated to vulnerable populations with a credible need for immediate assistance to combat COVID-19, but also with a history of fraud, abuse, and mismanagement of federal funding. Additionally, the DOI generally faces challenges with emergency management spending.

### ***Vulnerable Populations***

Indian schools and jails contain high-risk populations within a more general high-risk population—residents of Indian Country. Specific challenges in Indian schools include ensuring student safety and health while providing educational services, providing low-income student meal services, meeting testing and time requirements to meet legal obligations (or obtaining waivers), and addressing the implications of closing schools through the end of the school year.

Inmates at detention centers are also at risk. The Bureau of Indian Affairs operates or funds numerous detention centers through its Justice Services program. Challenges include monitoring for COVID-19 outbreaks; using current funds (due to delays in CARES Act funding) to respond to COVID-19 issues such as movement of inmates, cleaning facilities and other decontamination efforts, purchasing personal protective equipment, and overtime for staff; overcrowding in jails, which may lead to conditions where COVID-19 can easily spread; inconsistent decisions by tribal courts regarding early release and confinement; and not following Centers for Disease Control and Prevention Guidelines at detention facilities.

### ***Vulnerable Financial Management***

With past disasters, the OIG has found emergency supplemental funding can face heightened risk of misuse and vulnerability to fraud. The OIG expects this will be the case with pandemic relief as experience suggests that when recipients face a tremendous crisis and then receive multiple sources of substantial funding, accountability mechanisms can quickly be overwhelmed. For this pandemic, the crisis spans the nation. The OIG's concerns likewise span all DOI activities, but are particularly focused on the assistance flowing to Indian Country.

OIG audits and investigation have found weaknesses that leave federally-funded programs and operations in Indian Country and the Insular Areas susceptible to fraud, waste, mismanagement, and abuse. Examples include: nepotism; improper payments to related parties; hiring deficiencies; internal control and general financial management deficiencies; lack of transparency, inadequate oversight, and flawed reporting systems; and for Indian Country,

inadequate employee background checks, unallowable commingling of federal funds with tribal funds, and a poor history of Bureau of Indian Affairs oversight for funding to tribes.

Apart from weaknesses in Indian Country and the Insular Areas, the OIG has reported the challenges the DOI faces in administering its contracts and ensuring that it receives full value for its investments. The availability of emergency supplemental funding can lead to unwarranted price elevation (gouging), unsupported cost claims, sole source contracting, split and duplicative purchases, contracts awarded to companies without prior federal experience, timesheet forgery, low bids with the expectation to add funds, and the potential for breaches of ethical standards and safeguards. Even contractors with positive intent can find themselves struggling to meet obligations due to supply chains under stress. Current conditions impede not only contractor performance but also DOI monitoring.

## **Programmatic Challenges—Balancing Public and Employee Safety with Access to Public Lands**

With hundreds of millions of acres of federal land and the responsibility for offshore energy leases, the DOI is the federal government's largest landholder. Access to this space for recreation, water, energy production, research, or resource management is critical to meet the DOI's mission. Coupled with active COVID-19 transmission, this access can jeopardize the health and safety of the public and DOI employees. Additionally, while understandable to address employee safety, reducing active oversight by DOI employees of public lands while still allowing public access could jeopardize the land and resources themselves.

With the DOI's deferred maintenance needs estimated at \$16 billion, it will likely see that periods of disuse, or of unsupervised use, have led to damage. Shortcomings in preventive maintenance can lead to higher costs; unused trails become overgrown, while trails open to an unsupervised public may be trampled and eroded; and damage to natural and cultural resources may be irreparable.

Allowing public use now, while restricting employee monitoring to maintain employee safety, could lead to similar resource protection and maintenance challenges as the OIG saw during the 2019 government shutdown. Difficulty obtaining protective supplies (e.g., personal protective equipment and hand sanitizer) would exacerbate this challenge. Additionally, the federal government does not manage some of the facilities located on public lands, further increasing coordination and safety challenges.

## **Information Technology Challenges**

The DOI relies on complex, interconnected information technology (IT) systems to carry out its daily operations. The DOI spends about \$1.2 billion annually on IT systems to support bureau operations and programs. The DOI continues to struggle to implement an enterprise IT security program that balances compliance, cost, and risk while enabling bureaus to meet their diverse missions. An increased need for remote access to IT systems under COVID-19 restrictions could exacerbate these problems.

**For more information on the DOI  
Office of Inspector General visit  
<https://www.doioig.gov/>.**

# U.S. DEPARTMENT OF THE TREASURY

Among the U.S. Department of the Treasury's numerous responsibilities under the CARES Act are provisions specific to providing direct financial assistance to the airline industry, as well as direct payments to state and local units of government, U.S. territories, the District of Columbia, and tribal governments. Treasury acted swiftly to provide the much needed assistance to support airline payrolls and expenses related to COVID-19 relief. To do this, Treasury utilized existing resources, and in some instances, contracted for assistance.

## Challenges and Risks

Reallocating existing resources poses challenges with an already predominately full-time telework workforce and impacts other programmatic challenges that Treasury continues to address. It has been noted for several years that Treasury continues to operate in an uncertain environment usually attributable to the debt impasse and understaffing of key positions such as cybersecurity personnel and other specialists. This uncertainty continues with the need to administer CARES Act programs and funding while ensuring other critical programs do not become undermanaged and/or understaffed.

Cyber threats are also a persistent challenge government-wide. Treasury's existing information technology (IT) workforce had to augment its IT infrastructure to implement the CARES Act programs. That said, Treasury will need to balance its resources and be vigilant as a full-time telework workforce during the pandemic poses additional risks to Treasury's security posture.

The CARES Act also has a direct impact on accountability and transparency of data reported under the Digital Accountability and Transparency Act, as well as improper payment reporting, related to the financial assistance provided by Air Carrier Worker Support and the Coronavirus Relief Fund.<sup>1</sup> As described below, the Treasury OIG has implemented audit oversight of these programs.

## Air Carrier Worker Support

Title IV, Subtitle B, of the CARES Act provides up to \$32 billion in payroll support to the airline industry to enable continued payments to employees and to avoid job cuts. Support is allocated among passenger air carriers that may receive up to \$25 billion, cargo air carriers that may receive up to \$4 billion, and certain contractors that may receive up to \$3 billion. The CARES Act also assigned Treasury OIG with responsibility to audit certifications of "sworn financial statements" and/or other data from passenger air carriers, cargo air carriers, and contractors that do not report financial data to the U.S. Department of Transportation (DOT).

Treasury quickly implemented a program to manage air carrier support payments and is developing an oversight function to monitor recipient compliance.

The OIG has two audits underway to review Treasury's implementation of the Air Carrier Worker Support and assess certifications of applicable passenger and cargo air carriers and contractors that do not report financial data to DOT.

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<sup>1</sup> Digital Accountability and Transparency Act of 2014, Pub. L. No. 113-101 (2014).

## Coronavirus Relief Fund

Title V of the CARES Act amended Title VI of the Social Security Act in establishing the Coronavirus Relief Fund.<sup>2</sup> Title V appropriated \$150 billion for making payments to states and qualifying local units of government, U.S. territories, the District of Columbia, and tribal governments. Payments are made in accordance with requirements outlined in Title V, of which \$3 billion is allocated to the District of Columbia and U.S. territories and \$8 billion is allocated to tribal governments. No state will receive a payment of less than \$1.25 billion.

The CARES Act stipulates that the recipients use the funds provided under Title V to cover only those costs that (1) are necessary expenditures incurred due to the public health emergency with respect to COVID-19; (2) were not accounted for in the budget most recently approved as of March 27, 2020; and (3) were incurred between March 1, 2020, and December 30, 2020.

Similar to the Air Carrier Worker Support payments, Treasury had to work expeditiously to make direct payments to eligible recipients in accordance with Title V. Although Treasury established some guidance on its methodology for distributing funds as well as eligible uses of funds, Treasury does not plan to establish a program or management oversight function after payments are made and did not establish agreements with recipients of Coronavirus Relief Fund payments.

Title V assigned oversight and recoupment authority to the Treasury OIG. Specifically, the OIG is responsible for the monitoring and oversight of the receipt, disbursement, and use of funds under Title V and ability to recoup funds that are not used for purposes authorized by Title V.

In its monitoring and oversight to date, Treasury OIG noted the lack of accountability and transparency on the part of Coronavirus Relief Fund recipients without agreements or terms and conditions establishing requirements for the use of funds and reporting on such uses among other things. Treasury had agreed to work with the OIG to develop such guidance, with the goal of assuring that fund applicants and recipients are in compliance with the law, and assuring that the monitoring and oversight, in the form of downstream audit work, will have the records needed to carry out proper audit work.

## Other Oversight

The OIG is also working with Treasury's Bureau of the Fiscal Service to identify risk points in the processes by which disbursements of funds are made to recipients, as well as coordinating anti-fraud investigations with other OIGs, other law enforcement agencies, and the U.S. Department of Justice.

Treasury OIG is making preliminary inquiries to determine the impact of telework and closures on bureaus' ability to conduct on-site reviews, such as for financial institutions regulated by the Office of the Comptroller of the Currency, and entities subject to the oversight of the Alcohol and Tobacco Tax and Trade Bureau.

In addition, Treasury OIG has coordinated with the Federal Reserve Board OIG to assist in full oversight of the Implementation of Emergency Economic Stabilization Funds distribution processes by Treasury and the Federal Reserve.

**For more information on the Treasury Office of Inspector General visit <https://www.treasury.gov/about/organizational-structure/ig/Pages/default.aspx>**

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<sup>2</sup> Social Security Act of 1935, as amended.

# U.S. DEPARTMENT OF TRANSPORTATION

The United States transportation system is central to the American economy as it facilitates the nation's jobs, businesses, and way of life. The transportation industry has been one of the hardest hit by the COVID-19 pandemic. As such, implementing the CARES Act is among the U.S. Department of Transportation's (DOT) highest priorities in this time of national emergency.

The CARES Act provides DOT with over \$36 billion to prevent, prepare for, and respond to COVID-19 across all modes of transportation. To its credit, DOT swiftly distributed these funds and has begun implementing the Act's requirements to provide much-needed relief to American workers, families, and businesses.

The volume of CARES Act funds and the speed with which the funds have been disbursed creates oversight challenges. Therefore, to aid the Department in meeting its mission while promoting effective stewardship of significant taxpayer dollars, the DOT OIG is providing a summary of five key risk areas for DOT's consideration in bolstering its oversight of CARES Act grantees and contractors. These potential risk areas and the OIG's suggested actions to mitigate those risks are drawn largely from the OIG's prior work assisting DOT with oversight of a large influx of funds for economic stimulus and emergency relief. By maintaining focus on these areas early on and putting in place key internal controls, DOT can promote efficiencies; help ensure compliance; and better prevent fraud, waste, and abuse. Meeting these goals will maximize the efficacy of CARES Act funds in our nation's time of crisis.

## Effectively Managing Grants to Support the Nation's Airports

In accordance with the CARES Act, the Federal Aviation Administration (FAA) awarded \$10 billion to about 3,000 commercial and general aviation airports through CARES Act formula grants and the Airport Improvement Program (AIP). These funds are intended to support airports' continuing operations and replace lost revenue resulting from the sharp decline in passenger traffic and other airport business due to COVID-19. To promote effective stewardship of these grants, the Agency will need to enforce grant assurances to ensure recipient airports use the funds only for their intended purpose and meet CARES Act and AIP requirements. Moreover, FAA will be overseeing the vast number of grants with its limited resources. This underscores the importance of following a risk-based oversight approach, assigning the appropriate risk level to grantees, and adjusting the Agency's oversight accordingly.

## Adapting Existing Stewardship and Oversight Approaches While Ensuring Prudent Use of Waivers in Surface Transportation

Through the CARES Act, surface transportation agencies received an extraordinary amount of funding as well as the authority to temporarily waive existing federal regulations in specific areas. The Federal Transit Administration (FTA) was provided \$25 billion to help the nation's public transit systems mitigate the impacts of COVID-19. The Act provided another approximately \$1 billion to the Federal Railroad Administration to similarly support Amtrak, as well as smaller amounts to the Maritime Administration and the Federal Motor Carrier Safety Administration. Notably, the CARES Act authorizes using funds to support public transit agencies' operating expenses. As a result, FTA and other CARES Act-funded surface transportation agencies may need to adopt new or alternative approaches to ensure recipients meet federal requirements and funds are used for eligible purposes. Further, the CARES Act requires FTA, along with other agencies, to provide waivers to certain rules to account for conditions caused by COVID-19 and expedite the funding process. It will be vital to monitor the impact of these waivers closely and provide transparency, including meeting congressional reporting requirements under the Act for the use of waivers.

## **Executing Contracts and Grants Effectively to Achieve Transportation Program and Project Outcomes**

Given the large influx of funds the CARES Act provides, DOT will need to award and administer contracts and grants effectively, including ensuring required cost estimates and justifications are in place and fostering competition to the extent practicable. DOT could help mitigate these cost risks and ensure more effective use of CARES funds by assessing pricing and competition trends and sharing best practices across all Operating Administrations and their grantees. In addition, it is vital that DOT provide clear direction to contractors and grantees on desired outcomes along with requirements for supporting and reporting expenditures. Moreover, a major challenge underscoring all of DOT's CARES Act efforts will likely be ensuring that qualified, skilled, and appropriately trained personnel and support staff are available to manage the awarded funds.

## **Tracking and Monitoring CARES Act Funds While Ensuring the Availability and Integrity of DOT's Financial Management Systems**

Strong financial stewardship of CARES Act funds will depend on DOT's ability to effectively disburse, track, and monitor them. However, DOT may face risks in enforcing grantees to submit quality data on their spending. To help mitigate risks and enhance accountability as DOT quickly disburses CARES Act funds, it will be critical to implement data quality procedures for tracking and monitoring. Further, to reduce the risk of improper payments, DOT can enhance its efforts to detect errors in tracking and monitoring grant activities. In addition, to better protect the availability, data integrity, and confidentiality of sensitive information and mitigate risks to its financial management information technology systems, DOT will need to effectively select, assess, and monitor its security controls and effectively detect and correct weaknesses.

## **Increasing Outreach and Education to Transportation Agencies to Prevent and Detect Fraud, Waste, and Abuse**

The volume of CARES Act funds and the speed with which they must be disbursed puts them at a higher than usual risk for fraud, waste, and abuse. DOT can help mitigate this risk by increasing its outreach and education efforts to enhance understanding among DOT staff, grantees, and their contractors on how to recognize, prevent, and report potential fraud to the appropriate authorities, including the OIG. It will also be essential to take timely action to suspend and/or debar individuals or firms that have defrauded the government or are otherwise known to be irresponsible, while enhancing efforts to ensure these parties do not receive federal contracts in the future.

**For more information on the DOT Office of Inspector General visit <https://www.oig.dot.gov/>.**

# U.S. DEPARTMENT OF VETERANS AFFAIRS

The U.S. Department of Veterans Affairs (VA) has a \$220.7 billion budget with nearly 390,000 employees serving an estimated 19 million veterans for fiscal year 2020. VA maintains a presence in every state, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Republic of the Philippines, and the U.S. Virgin Islands. VA also operates the largest integrated health care system in the United States with over 1,200 medical facilities serving more than 9.2 million enrolled veterans. COVID-19 has had a major impact on VA's ability to fulfill its mission of caring for the nation's veterans by providing health care, benefits, and memorial services through its three administrations—the Veterans Health Administration (VHA), the Veterans Benefits Administration (VBA), and the National Cemetery Administration—as well as its ability to fulfill its “fourth mission” to improve the nation's preparedness and response to disasters and emergencies. Even before the pandemic, VA's size and complexity of operations made it extremely challenging to manage effectively. The pandemic is exacerbating long-standing challenges and delaying initiatives intended to remediate these problems, including financial management and the transformation of business processes.

To assist with the response to the current crisis, the CARES Act provided \$19.6 billion in supplemental funding for VA. Because VA's financial management system is over 25 years old and has functional limitations well documented in OIG reports, VA may experience financial management and reporting challenges related to those supplemental funds. In addition to continued oversight of VA's financial management and controls, the OIG is primarily focused on four areas of concern to assist VA during these challenging times. They are described below.

## Mitigating Risks to Patients and Staff

Safeguarding health care settings is essential for preventing the spread of COVID-19, particularly in nursing homes (referred to by VA as community living centers) because patients in these facilities are considered to be at higher risk for infection, and the nation's most devastating outbreaks have occurred in long-term care settings. In mid-March 2020, VHA began implementing screening processes to assess veterans' and visitors' infection status at all VHA facilities. In the OIG's recent report on VHA's COVID-19 screening processes and pandemic readiness, the results from an expeditious, unannounced evaluation of these screening procedures are detailed.<sup>1</sup> Although the OIG found that the majority of VA facilities visited had effective screening and access control procedures, the inspection team noted deficiencies in screening processes and access controls at multiple facilities.

In addition to securing settings, facilities must ensure key operations are running efficiently, particularly those providing critical supplies and equipment. During a pandemic, it is especially critical that hospitals have effective core services that promote quality care and patient safety. Access to appropriate personal protective equipment and testing kits are essential to preventing the transmission of the virus among staff and patients. However, during the March 2020 inspections for the report mentioned above, facility leaders acknowledged low inventory of personal protective equipment for staff and inefficiencies related to COVID-19 testing. Widespread media reports have indicated that these types of issues have worsened because of the duration of the public health emergency and nationwide shortages of critical supplies, leading at some point to rationing in the VA health care system.

Further, the limitations of some of VA's other core services such as inventory control and distribution are likely to negatively affect VA's ability to determine which locations have excess supplies that could be routed to locations with greater needs. VA recognizes the importance of having supplies and equipment where and when they are needed for

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<sup>1</sup> VA OIG, *OIG Inspection of Veterans Health Administration's COVID-19 Screening Processes and Pandemic Readiness* (20-02221-120, March 26, 2020).

staff use and patient care and has been in the process of migrating to a new inventory management system. Successful implementation of a new inventory management system and addressing procurement issues will continue to be key challenges moving forward.

## Maintaining Access to Care

Despite concerted efforts to improve patients' access to timely and quality care at VA facilities through increased facility staffing, internal process improvements, and expanded community care and telehealth options, providing this access continues to be a significant challenge for VHA. For more than a decade, the OIG, Government Accountability Office, VA, and others have issued numerous reports regarding concerns with delays or barriers to accessing VA care. Recently, these access issues have been exacerbated, as both VA facilities and community providers have curtailed non-urgent and routine health care appointments to avoid placing staff and patients at unnecessary risk of contracting COVID-19 and to preserve limited supplies and equipment. To partially address these access issues, VA has reported a dramatic uptick in the use of telehealth. However, a significant backlog for in-person appointments will likely persist for months or longer because of the imbalance between capacity and demand for telehealth appointments, the inability to perform many types of health care services without person-to-person contact, and information technology (IT)-related issues that limit some patients' abilities to obtain service via telehealth.

## Providing Accurate and Timely Claims Decisions and Appeals

Starting March 19, 2020, VA regional offices were closed to the public. By leveraging telework, available IT resources, and other strategies, VBA has been endeavoring to effectively administer nearly \$125 billion in mandatory funding for federally authorized benefits and services to eligible veterans, their dependents, and survivors. Nonetheless, published OIG reports identified recurring deficiencies such as inadequate planning, controls, and IT functionality that contribute to inefficiencies and inaccuracies in benefit claims and appeals processing. As a result of these recurring issues involving VBA's processes, COVID-19 demands will further stress attempts to maintain the accuracy and timeliness of essential claims and appeals-related activities, such as conducting disability examinations and collecting and processing documents that are transmitted via mail. However, the magnitude of the impact is unknown at this time.

## Identifying and Mitigating the Risk of Fraud, Waste, and Abuse

VA has numerous initiatives to curb fraud, waste, and abuse. However, the pandemic is creating novel opportunities for bad actors, particularly as financial controls are loosened to facilitate rapid purchases of essential goods and services. On numerous recent occasions, VA has referred suspicious activity to the OIG for investigation with noteworthy outcomes. For example, in one of the first and largest COVID-19-related fraud cases brought to date, VA OIG investigators collaborated with other law enforcement authorities to arrest a Georgia resident for attempting to sell millions of nonexistent respirator masks and other personal protective equipment totaling over \$750 million to VA in exchange for large upfront payments.<sup>2</sup> Continued, quick handoffs between VA and the OIG, as well as the use of the OIG's predictive analytics of procurement and claims data, will help address criminal activity and other misconduct arising during the pandemic. Fully resourcing this type of work is among the OIG's top priorities.

**For more information on the VA Office of Inspector General visit <https://www.va.gov/oig/>.**

<sup>2</sup> U.S. Department of Justice, *Georgia Man Arrested for Attempting to Defraud the Department of Veterans Affairs in a Multimillion-Dollar COVID-19 Scam* (April 10, 2020). View at <https://www.justice.gov/opa/pr/georgia-man-arrested-attempting-defraud-department-veterans-affairs-multimillion-dollar-covid> (last accessed May 13, 2020).

# U.S. ELECTION ASSISTANCE COMMISSION

In the CARES Act, the U.S. Election Assistance Commission (EAC) received a supplemental appropriation of \$400 million for Election Security Grants to be allocated to states and territories (hereinafter, states) using a congressionally-directed formula “...to prevent, prepare for, and respond to coronavirus, domestically or internationally, for the 2020 Federal election cycle.” The CARES Act also includes special reporting requirements under which states “...shall provide to the Election Assistance Commission, within 20 days of each election in the 2020 Federal election cycle in that State, a report that includes a full accounting of the State’s uses of the payment and an explanation of how such uses allowed the State to prevent, prepare for, and respond to coronavirus.” EAC must transmit any such reports to designated committees in Congress within 3 days of receipt. The fiscal year 2020 Consolidated Appropriations Act (Appropriations Act), which provided the original \$425 million for Election Security Grants supplemented by the CARES Act, requires states to match 20 percent of the federal funds with state funds over the 2-year period following passage of the Appropriations Act.<sup>1</sup> The matching requirement from the 2020 Appropriations Act carries forward to the supplemental appropriation in the CARES Act. EAC must provide CARES Act funds within 30 days of passage and the funds are available for the states to obligate until December 31, 2020.

## **Response to the COVID-19 Pandemic Has Virtually Supplanted EAC’s Regular Workload and EAC Received No Supplemental Funding to Support the Extra Needs**

The biggest challenge EAC currently faces is the need to redirect staffing to respond to the COVID-19 crisis. EAC’s pandemic response involves providing resources to the states, distributing an additional \$400 million in grant funds (within approximately 1 month of distributing the original \$425 million), responding to an unusually high number of congressional and media inquiries, updating relevant best practices and research products for election officials, establishing and maintaining a new webpage devoted to administering elections during the pandemic, scheduling hearings, and providing video resources for election officials to assist them in making difficult decisions.<sup>2</sup> None of the bills that have funded the federal government’s pandemic response contained any funds for EAC salaries or administrative costs to support or ease the resulting workload compression.

## **Matching Requirements Applicable to the CARES Act Supplemental Appropriation Create a Potential Consequence Which Together with Timing Constraints May Effectively Prevent Some States from Obtaining and Using the Funds Fully**

The CARES Act became law on March 27, 2020. Each state may use the federal funds for pandemic-related costs incurred between January 20, 2020, and the end of the calendar year. States thus have a little less than a year to spend the federal and state matching funds on a fairly narrow scope of activities and costs. By contrast, the Appropriations Act gives states 2 years from passage of the law to meet the matching requirement, a provision that carries forward to the supplemental CARES Act appropriation. However, while the Appropriations Act funds may be spent on improvement of

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<sup>1</sup> Further Consolidated Appropriations Act, 2020, Pub. L. No. 116-94 (2019).

<sup>2</sup> The EAC’s website on administering elections during the pandemic can be found at <https://www.eac.gov/election-officials/coronavirus-covid-19-resources> (last accessed on June 8, 2020).

election administration, the funds for the CARES Act supplemental appropriation must be spent only for the CARES Act purposes, namely, prevention, preparation, and response to the coronavirus in the 2020 election cycle. Although EAC has worked closely with the Office of Management and Budget and relevant congressional committee staffs to craft guidance that allows as much flexibility as possible under the law, states may have difficulty identifying pandemic-related costs on which to spend any state matching funds after the completion of the 2020 election cycle. Thus, states effectively have only a few months in which to appropriate and expend their pandemic response funds.

## **States May Not Have Full and Accurate Cost Information Within the 20-day Timeframe Contained in CARES Act Reporting Requirements**

Some states may not be able to obtain sufficient information on all of the costs for a given election within 20 days of the date of the election, so reports of expenditures required by the CARES Act may not provide a fully accurate picture of their costs. Thousands of local jurisdictions, rather than states, administer elections and report their expenditures to the states after completing all election-related activities including counting absentee ballots, performing audits and other processes, certifying the election, and verifying election data. Such activities at the local level may be difficult to complete in time to identify, accumulate, summarize, verify, and prepare cost information for the states to report to the EAC within the 20-day requirement.

## **A Few States' Requirements for Legislative Action Could Delay or Prevent Use of CARES Act Funding**

All 56 eligible grantees requested and received EAC CARES Act grant funding. However, two states requested only the amount of funding they would be able to match with the required state share, which was less than the full funding available to them. Those states may request additional federal funding if they can secure the additional state funds required to match their full federal allocation.

In addition, while all states requested and received funds, a few of the states that requested their full funding still need their respective state legislatures to authorize the use of the federal funds and/or appropriate the states' matching funds. Many state legislatures have experienced altered schedules due to the pandemic and many state budgets are strained by non-election costs incurred to respond to the pandemic. Thus, some state legislatures may not be able to take action in time to allow states to use the funds during the period of availability.

**For more information on the EAC Office of Inspector General visit <https://www.eac.gov/inspector-general>.**

# U.S. ENVIRONMENTAL PROTECTION AGENCY

The U.S. Environmental Protection Agency's (EPA) mission is to protect human health and the environment. During the coronavirus pandemic, the EPA has made many adjustments to programs and operations by, for example, issuing regulatory waivers and making exceptions to regulatory requirements, policy, and internal controls. The EPA's most immediate response to the coronavirus pandemic has involved approving disinfectants to kill the SARS-CoV-2 virus, which causes the COVID-19 virus, on surfaces. The EPA has also developed a list of products that are registered to destroy viruses known to be as difficult—if not more difficult—to kill than SARS-CoV-2. In addition, to address pesticide supply chain shortages, the EPA is temporarily allowing companies to change—without prior EPA approval, as is typically required—the suppliers of certain active ingredients in approved products.

The OIG is tracking and reviewing EPA responses to the coronavirus pandemic. The OIG also plans to assess the risks of the EPA's emerging and existing activities to address the pandemic. To guide the OIG's work, the OIG has identified some initial challenges to the EPA's ability to achieve its mission, as well as to the EPA's internal operations. These challenges, and some of their associated risks, are detailed below.

## Risks to EPA's Mission Achievement—Successful Implementation of EPA Programs

### *Enforcement and Fraud Risks*

Effective enforcement is key to combating and deterring violations of law, including fraud. Inspections of recent imports have identified products marketed with unsubstantiated and potentially dangerous claims of protection against SARS-CoV-2. Companies are also fraudulently claiming that their products are approved or endorsed by the EPA or contain EPA-approved disinfectants for use against SARS-CoV-2. The prevalence of fraud related to EPA programs and operations will most likely increase as fraudsters identify new ways to exploit consumers frightened by the coronavirus pandemic.

The EPA has also implemented a temporary environmental enforcement policy that curtails several routine regulatory monitoring and enforcement activities. The EPA must maintain a robust enforcement program to address environmental violations and promote deterrence. The OIG recently reported that the EPA's enforcement activities and its resources for conducting routine regulatory enforcement work have declined over time.<sup>1</sup> Additional reduction in enforcement activity places the EPA's regulatory mission at greater risk and threatens the Agency's overall mission to protect human health and the environment.

### *State, Tribe, and Territory Program Implementation*

States, tribes, and territories often act as the frontline implementers of federal environmental laws on the EPA's behalf. As a result of the coronavirus pandemic, these groups face financial and personnel challenges that further limit their ability to adequately implement federal requirements. Similar challenges face the nation's drinking water and wastewater utilities. Tribal drinking water and wastewater treatment operations have been particularly impacted by personnel shortages. Additional planning, assistance, and oversight by the EPA may be necessary to support states, tribes, territories, and local utilities facing resource strain under the coronavirus pandemic.

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<sup>1</sup> EPA OIG, *EPA's Compliance Monitoring Activities, Enforcement Actions, and Enforcement Results Generally Declined from Fiscal Years 2006 Through 2018* (20-P-0131, March 31, 2020).

## ***Risk Communication to the Public***

Recent OIG reports have identified risk communication as an Agency challenge, including a March 2020 management alert on ethylene oxide-emitting facilities.<sup>2</sup> The issues identified in that alert may persist or increase in severity as some of these facilities—particularly those that provide medical sterilization services—are further strained to address pandemic-related issues. Also, the lessened regulatory oversight noted above may produce environmental or public health risks requiring additional communication to affected communities.

## **Risks to EPA’s Operations—Maintaining a Safe and Productive EPA Workforce**

### ***Returning to Work Safely***

The Agency must ensure that its field employees—inspectors, educators, on-scene coordinators, and others—can protect their own safety and the safety of those with whom they interact. This requires the EPA to procure additional personal protective equipment and adapt existing protocols. As the coronavirus pandemic persists, the EPA faces the challenge of eventually returning its 15,000-member workforce to federal office spaces. This requires successful implementation of cleaning, social distancing, and continued protection protocols across more than 150 EPA facilities.

### ***Effective Remote Technology***

The OIG previously identified the need for the EPA to enhance information security. This challenge has become more critical in the current environment. Continuing EPA operations in the face of the coronavirus pandemic has required the Agency to adapt its network to support a now primarily virtual workforce and provide an unprecedented number of remote employees with a reliable, stable means to communicate and access critical applications and data. Information technology (IT) helpdesk functions could be delayed by an overtaxed IT staff, who also must now deploy and manage new tools and technology. Unprecedented levels of remote access also raise the risk of security breaches of remotely stored and transmitted data.

### ***Understanding Organizational Risk***

The EPA does not have complete information about the preexisting organizational risks it faces in its programs and operations. This is exacerbated by the unprecedented crisis impacting EPA programs agency-wide. Furthermore, EPA has not received an increase in full-time equivalent positions or budget to address this significant regulatory workload. Without prior risk assessments, the EPA faces additional hurdles to adapt to the new risks presented by the coronavirus pandemic. For example, the OIG previously identified the EPA’s lack of a workload-needs assessment as a top management challenge. The absence of a robust workload analysis may affect the EPA’s ability to remain resilient in the face of illnesses or other limitations to existing program staffing.

### ***Financially Sound Contract Oversight***

The OIG has consistently raised concerns about the EPA’s oversight of contracts. The EPA faces a new challenge in contract management as a result of Section 3610 of the CARES Act, which authorizes agencies to reimburse contractors for the costs of paid leave for their personnel who are unable to both access a government-approved facility and telework because their jobs cannot be performed remotely. The EPA has advised that funds for Section 3610 will come from program offices, which would impact program funding. However, the EPA has not yet established guidance for implementing this section.

**For more information on the EPA Office of Inspector General visit <https://www.epa.gov/office-inspector-general>.**

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<sup>2</sup> EPA OIG, *Management Alert: Prompt Action Needed to Inform Residents Living Near Ethylene Oxide-Emitting Facilities About Health Concerns and Actions to Address Those Concerns* (20-N-0128, March 31, 2020).

# U.S. OFFICE OF PERSONNEL MANAGEMENT

The U.S. Office of Personnel Management (OPM) OIG identified the top challenges the Agency faces to ensure COVID-19 response and recovery funds received are appropriately spent.

In March 2020, OPM, along with the rest of the federal government, experienced a sudden and dramatic shift to a maximum telework operational status because of COVID-19. OPM's Chief Information Officer expressed concerns about the ability of OPM's aging information technology (IT) infrastructure to absorb this sudden workload increase in remote access to its virtual private network (VPN) and network connections.

OPM's Office of the Chief Information Officer developed a strategy to manage capacity by focusing on mission critical systems and people, and reducing unnecessary "bandwidth hogs" like streaming video services, such as YouTube. OPM has a second but smaller VPN that backs up the larger VPN enclave that is envisioned for use by executive-level and other mission critical communications, if needed.

As OPM's maximum telework operations continued through March and April 2020, the Agency's network operations center (NOC) closely monitored VPN usage and network performance. The NOC observed that OPM's VPN and network were generally stable and fully operational. However, it also became clear that OPM lacks a suitable enterprise solution for video web conferencing, which limits effective and secure remote collaboration. The increased telework has also highlighted shortcomings in OPM's ability to remotely administer its systems, as well as aging hardware supporting VPN and network connections. In addition, many OPM processes are paper-based and reliant on human interaction, like processing federal retirement applications or routing executive correspondence.

OPM's supplemental COVID-19 funding of \$12 million is focused on improved collaboration and conferencing tools, workflow management, remote administration, and the software and hardware needed to support a majority telework environment for the foreseeable future. OPM has established an integrated project team to manage the acquisition of the necessary tools to support these needs. At this time, other than the normal procurement constraints, the OIG does not see any major challenges facing OPM as it seeks to effectively spend its emergency supplemental funds.

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# UNITED STATES POSTAL SERVICE

The United States Postal Service faces several significant challenges in response to the COVID-19 pandemic. Summarized below are three challenges either brought on or exacerbated by the pandemic.

## Managing a Large, Essential Workforce with Limited Telework Options

First and foremost, the majority of the 630,000 postal employees are essential workers, who are in plants or out on the street daily to meet the mission of delivering critical items to America. Postal employees need to continue working to ensure mail and packages are processed and delivered, especially as stay-at-home orders and concerns about the virus have created more demand for delivery services. The Postal Service has had to find ways to continue to keep the mail moving while keeping its employees safe. This includes distribution of personal protective equipment, implementing measures at retail and mail processing facilities to ensure appropriate social distancing, and giving carriers guidance on social distancing and changing work practices and processes while delivering the mail.

In addition, the impacts of the pandemic have been felt on the workforce and on mail flows. The Postal Service is facing labor shortages as employees become sick, fear getting sick, or need to take time off to provide dependent care. Over a thousand postal employees have tested positive for the virus, and there have been numerous postal employee deaths. Managing postal operations with an insufficient number of workers could potentially lead to delays in mail processing and delivery in some instances.

## Mail Volume Declines Associated with the Economic Crisis

Another critical uncertainty faced by the Postal Service is the impact of the COVID-19 crisis on its financial health. The Postal Service is expected to fund its operations through the revenues it earns from the sale of postal products and services, and it was already facing significant financial problems prior to the pandemic, with cumulative net losses of \$83.1 billion from 2007 through mid-2020. The financial challenge pre-pandemic is driven by the loss in letter mail, and the pandemic has worsened this decline. However, the pandemic has also resulted in a surge in parcel volumes for the Postal Service. It is unclear whether this parcel growth is temporary or more long-lasting, and it is difficult to determine how much of the revenue gap from the significant mail volume loss will be compensated for by this surge in parcel revenue.

The CARES Act expanded the Postal Service's total borrowing authority from \$15 billion to \$25 billion, and the Postal Service has stated that this continued borrowing authority will allow it to have sufficient liquidity to continue operations until at least May 2021. However, to maintain sufficient liquidity, the Postal Service will likely continue to defer its end-of-the-year retirement benefit-related payments. The combination of additional debt and deferred payments could lead to deeper financial concerns in the long term.

## Critical National Infrastructure Impacts

In addition to these broader issues, the Postal Service faces two specific national infrastructure challenges that have arisen due to the COVID-19 pandemic—distribution of the economic impact payments and broader voting by mail. Supporting the U.S. Department of the Treasury in the issuance of billions of dollars in stimulus funding directly to individuals is a critical role of the Postal Service in the response to this pandemic. Ensuring timely and accurate delivery of these payments is a current challenge that the Postal Service is focusing significant attention towards. The Postal

Service is also having to address the risk of increased theft of the mail as thieves may target postal carriers that are delivering these checks.

Finally, this election season, the number of voters who request and return ballots via the mail in local, state, and national elections is expected to increase significantly due to the COVID-19 pandemic. This presents several unique challenges for the Postal Service as the Agency must ensure the timely processing and delivery of increased ballot volumes. It also must handle likely increases in political campaign mail associated with these elections. In addition, the Postal Service will have to collaborate more closely with elections officials whose familiarity with postal processes may be limited, and who may not fully understand how to use the Postal Service effectively to mail and receive ballots.

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