

Botched Tests, \$1,200 Checks for Dead Marred U.S. Virus Response

- Rush to issue business loans, stimulus checks led to fraud
- Report is first comprehensive view of the coronavirus response

The federal government's quick action to issue stimulus payments in the wake of the coronavirus crisis led to more than a billion dollars of fraudulent payments, while slow action to address the health risks might have worsened the outbreak, according to a report by a government watchdog.

"In emergency situations, such as the Covid-19 pandemic, it is understandable, and appropriate, for agencies to want to get funds out the door quickly," the Government Accountability Office said in the report released Thursday. "However, without the necessary safeguards in place, funds may not get to the intended places or be used for the intended purposes."

Still, the government has yet to spend much of the \$2.6 trillion that Congress has approved for the coronavirus response. So far, only \$643 billion has gone to the six largest programs, which include the corporate bailout fund, small business loans, and funding for health care providers.

The report is the most comprehensive assessment to date of the government's efforts to combat the health and economic consequences of the pandemic.

Here are the key takeaways:

Testing Failures Bedevil the U.S.

Despite President Donald Trump's boasts about the U.S. leading the world in Covid-19 testing, the GAO found that the Centers for Disease Control and Prevention reported incomplete and inconsistent data on viral testing from state and local health departments. That made it more difficult to track and mitigate infections and guide decisions about re-opening communities, the GAO said.

The report also highlighted the insufficient equipment and supplies in the Strategic National Stockpile to respond to the pandemic, as well as concerns

expressed by state and local officials about the “distribution, acquisition, and adequacy of supplies.”

While steps have been taken to meet the unprecedented need for information testing, the CDC reported data from different sources that have varied over time and haven’t been counting tests the same way, the GAO found.

For example, some states count the number of people tested while others count the number of samples tested — which could include several tests from one person — and some data didn’t distinguish between viral and antibody testing, the report said.

The Department of Health and Human Services issued guidance on June 4 that would help with data collection and reporting, and the CDC maintains it used the best testing data available, the report added.

IRS Should Contact Relatives of Deceased

The Internal Revenue Service issued about 1.1 million economic stimulus payments worth \$1.4 billion to people who have recently died, which largely went to their next of kin. The IRS has said that recipients of those payments should return the money, but many people may be unaware that they are required to do so.

The report recommended the IRS look at “cost-effective options for notifying ineligible recipients on how to return payments.” The IRS hasn’t said whether it would require that the money be returned or how it plans to enforce its position that the payments should be sent back.

The GAO also recommended that Congress explicitly allow the Social Security Administration to share its full death data with the Treasury Department to prevent any future payments to ineligible individuals.

PPP Is Still a Black Box

The GAO said it “encountered the most difficulty trying to obtain information” from the Small Business Administration, which has overseen the approval of more than 4.7 million forgivable Paycheck Protection Program loans totaling \$516.5

billion. Spokesman Chuck Young said the agency agreed on Wednesday to provide the requested loan data but wants a meeting first to discuss how the GAO will restrict proprietary and personal information.

Earlier: Watchdogs Eye Trillions in Virus Aid While Leashes Are Kept Taut

The GAO pointed out that while the SBA and the Treasury have promised to review all PPP loans of more than \$2 million and potentially others, it had not provided adequate details as of June 15 on how that will be done. The administration's initial reluctance to release the names of recipients and loan amounts has become a flashpoint among lawmakers who have criticized a lack of oversight of the loan program.

The PPP was designed to get money to small businesses quickly through lenders relying largely on certifications by borrowers. But it was also plagued by late guidance that changed multiple times — especially the rules on how loans can become grants — increasing the likelihood that borrowers might misuse loan proceeds or not have their loans forgiven as they expect, the report said.

“Because of the number of loans approved, the speed with which they were processed, and the limited safeguards, there is a significant risk that some fraudulent or inflated applications were approved,” the report said. “In addition, the lack of clear guidance has increased the likelihood that borrowers may misuse loan proceeds or be surprised they do not qualify for full loan forgiveness.”

Unemployment Insurance and Fraud

There's likely to be billions of dollars in unemployment insurance fraud this fiscal year as unemployment claims have surged to more than 42 million, up from 5.1 million last year when there was \$2.7 billion worth of fraudulent payments, the report said.

Improper payments are likely to occur when individuals return to work, but still continue to collect jobless benefits. Lack of communication between employers and state unemployment agencies about PPP loans could also increase the potential for workers to double-dip on benefits.

Read More: Watchdog Warns of 'Significant' Fraud with Unemployment Money

The issue is becoming the centerpiece of the debate surrounding the next stimulus bill that lawmakers will debate in July. The CARES Act expanded benefits to an additional \$600 per week, something that Republicans are pushing to wind down, while Democrats say the benefit should remain until the unemployment rate drops.

HHS Hasn't Spent Much on a Vaccine

The Department of Health and Human Services has spent only \$18 million of the nearly \$5.5 billion allocated for vaccine and therapeutics. The GAO said it plans to continue to watch federal efforts to accelerate and coordinate vaccine testing and development.

Anthony Fauci, the National Institute of Allergy and Infectious Disease director, told a congressional panel this week that he was “cautiously optimistic” that a vaccine could be available by the end of the year. There are several vaccine candidates nearing readiness for trials, including one by the biotech firm Moderna Inc., that is expected to be tested on 30,000 people starting in July, Fauci said.

Pandemic Air Travel Could Drastically Change

The GAO is urging Congress to mandate that the Department of Transportation create a plan for passenger and cargo airlines to prevent the spread of disease from abroad — after department officials said it wasn't their job.

The report said that the DOT wanted to pass the responsibility to Health and Human Services and the Department of Homeland Security, but the GAO said transportation officials should take the lead.

“The United States will not be prepared to minimize and quickly respond to future communicable disease events and garner international cooperation in addressing pandemics without such a plan,” according to the report.

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