

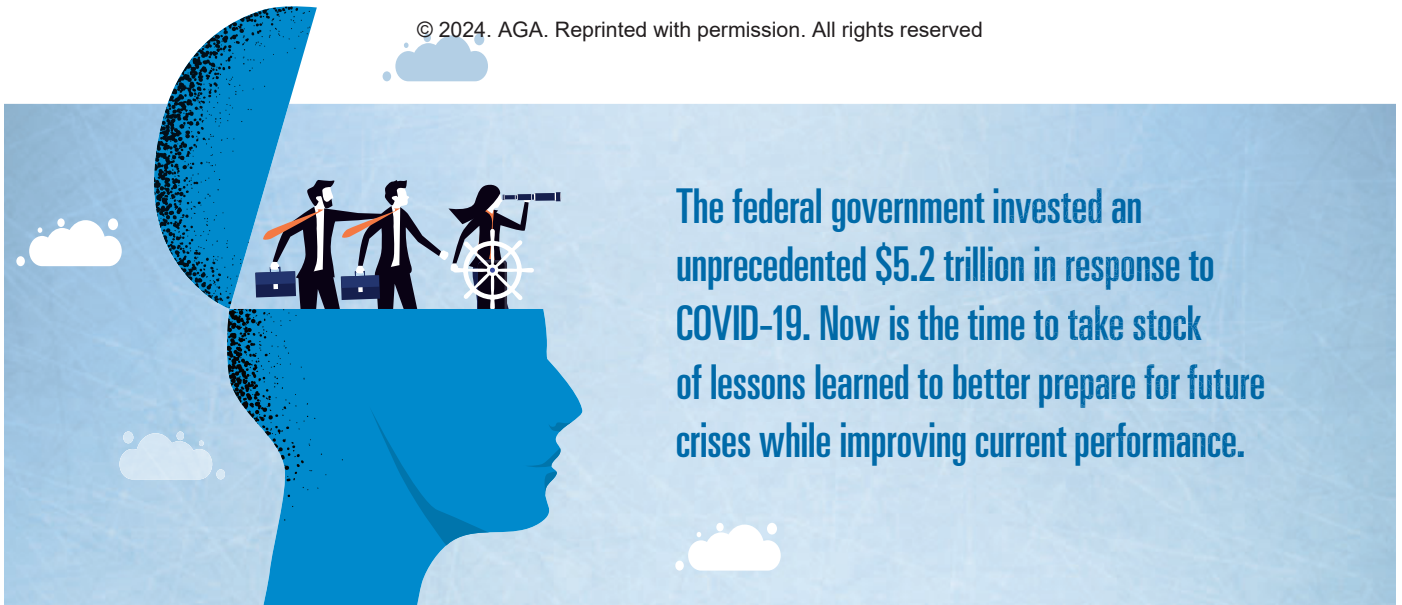
Expect the Unexpected

**By Andrew C. Lewis, Wendy J. Allen
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The pandemic brought the nation together to combat a silent, invisible adversary that wreaked havoc on the world and threatened our way of life. The federal government invested an unprecedented \$5.2 trillion¹ in response to COVID-19. It is now time to take stock of lessons learned to strengthen preparedness for future crises and support improvements in current performance.

The accountability community learned lessons in many areas from the pandemic. This article highlights four dimensions that affected the response

to COVID-19, all crucial to planning for future crises: 1) measuring the impacts of relief spending to inform future relief program design and resource allocation; 2) preparing for the expected to be better prepared for the unexpected; 3) fostering agility, flexibility and empowerment to empower performance; and 4) assessing the future of telework. It also explores how accountability professionals can better support policymakers and program managers in making sound decisions, delivering on programs, and providing accountability, transparency, and control in times of crisis.



The federal government invested an unprecedented \$5.2 trillion in response to COVID-19. Now is the time to take stock of lessons learned to better prepare for future crises while improving current performance.

1. Measure the Impact of Relief Spending to Inform Future Crises

A wide range of new programs were quickly conceived in response to COVID-19. It is now time to comprehensively evaluate their impacts, strengths, and areas for improvement. For example, the \$778 billion Paycheck Protection Program (PPP) provided a lifeline to small businesses, which are essential to America's prosperity. The ability to immediately roll out PPP is noteworthy. The processes and regulations continued to evolve because of the program's complexity and the support required from other sectors. For instance, the banking industry executed loans on behalf of the government, which included loan forgiveness provisions based on employee retention.

While the program quickly disbursed funds, it did not include normal performance goals and measures in line with its magnitude. It is important to understand the impact now and whether small businesses received the assistance they needed to save jobs. For example:

- Was the design of PPP optimal?
- How could program objectives and goals have been better defined?
- What additional performance measures could have been established and used to manage the program and make mid-course changes?

- What worked well?
- Where could effectiveness and efficiency have been improved?
- How many jobs were protected that would otherwise have been lost?
- How many and what types of small businesses were saved by the infusion of federal funds?
- Could relief funds have been targeted differently, since not all sectors of small business were equally affected by the pandemic? A small business could conceivably have qualified for a loan that was later forgiven without experiencing any COVID-19-related economic hardship.
- Were underserved communities, which were particularly hard hit by COVID-19, prioritized?
- Did the federal government need to spend \$788 billion?
- What was the return on investment?
- Could a stronger control environment have been established — at least one that required matching readily available information to validate borrowers' identities and reporter information before making loans — while still disbursing funds expeditiously?

Given the urgency of getting funds into the hands of small businesses, a conscious decision not to validate applicants' reported information before making loans resulted in

the honor system. PPP immediately became a magnet for fraudsters. Under normal circumstances, applicants and the information they report in applying for loans must be validated at the outset. Validation tools exist, such as Treasury's Do Not Pay portal and Social Security's death information. Also, businesses must report federal income and payroll taxes for employees, as well as provide taxpayer identification numbers. Failure to have reported this information in the past could have red-flagged non-existent businesses. Likewise, since tax information includes the number of employees and their earnings from the business, it also could have been used to determine loan amounts and subsequent loan forgiveness levels. Nevertheless, for PPP loans, a legitimate small business could have overstated these figures to increase the loan value and subsequent forgiveness because no safeguards were in place.

Self-validation and subsequent auditing and investigation to identify potential fraud and overpayments represent a "pay and chase" strategy. Identification, prosecution, and incarceration after the fact are costly. The return can be pennies on the dollar since fraudulent payments largely vanish. From career criminals to organized fraud rings to people who saw this as an opportunity for free money, some perpetrators have been identified and prosecuted by the Department of Justice (DOJ) in their ongoing investigations of

COVID-19 fraud. In August 2023, DOJ announced the seizure of over \$1.4 billion in COVID-19 relief funds across various programs and over 3,000 fraud charges.² In one case, an individual convicted of masterminding an \$18 million PPP fraud ring was sentenced to 17 years in prison.³ But this may be the tip of the iceberg, and the magnitude of PPP fraud may never be known, given the limits of “pay and chase.”

The Pandemic Response Accountability Committee (PRAC), led by the federal Inspectors General (IGs), has been instrumental in identifying COVID-19 fraud and overseeing spending for all COVID-19 programs. PRAC and its Pandemic Analytics Center of Excellence have proven value far beyond COVID-19 oversight in the development of leading practices. The PRAC should be made a permanent entity with expanded responsibilities and capabilities for fighting fraud in government programs.⁴

2. Prepare for the Expected To Be Better Prepared for the Unexpected

The government response to COVID-19 was affected by three notable factors. First, governments were not completely prepared for what could have been reasonably expected. Aged systems, already highly vulnerable to fraud, waste and abuse in normal times, should not have been expected to suddenly perform in the crisis. Also, identity theft ran rampant, which must be addressed as a national priority in partnership with state and local governments and the private and non-profit sectors before the next crisis.⁵ Finally, audit recommendations should always be acted upon, not linger unresolved for years. Failure to address them before the pandemic intensified problems.

Once a crisis hits, it is too late to invest in new accountability systems and enhanced controls. Robust enterprise risk management (ERM)

and fraud risk management (FRM) are essential to program management, accountability, and transparency. They should never be viewed as burdensome, check-the-box compliance exercises best left to financial managers and auditors. Empowered chief risk officers and the full range of accountability professionals must be at the planning table. Also, collaboration between stakeholders, including the public, is essential to address the potential impacts of emerging threats and catastrophic events. It is critical to be proactive versus reactive.

Certain management problems that arose during COVID-19 were well known but had remained on the back burner for decades. The cost of inaction was staggering and predictable. For example, antiquated state unemployment insurance (UI) systems, some developed in the 1970s and typically running on outdated software,⁶ faced longstanding service delivery and program integrity challenges that were exacerbated

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The accountability community can help strengthen readiness for crises by treating the governmental pandemic response as a learning tool and benefiting from the lessons learned. But let's act now, while the experiences are still fresh.

during COVID-19. Some eligibility requirements were eased, and new UI programs expanded eligibility and benefits. In a 17-week period in 2020, some 51 million people nationwide applied for UI — a quarter of the workforce and 10 times the number of UI cases in all of 2019. Some recipients waited months for their first unemployment payment.⁷ Also, UI fraud ran rampant. The Government Accountability Office (GAO) estimated UI fraud was “likely between \$100 billion and \$135 billion,” or “about 11% and 15%, respectively, of the total amount of UI benefits paid” from April 2020 to May 2023.⁸

COVID-19 underscored the need to finally modernize UI systems, which GAO added to its High-Risk list in June 2022.⁹ Participants in stakeholder panels convened by GAO identified various options for transforming the UI system, including changes to program design to better target support, improvements to infrastructure, and enhancements to program integrity, such as:

- Tightening federal standards for state UI implementation.
- Modernizing IT systems.
- Obtaining additional data sources to identify fraudulent claims.

3. Foster Agility, Flexibility, and Empowerment for Better Performance

The response to COVID-19 required greater management agility, flexibility and empowerment. Governments had, no choice but to immediately adjust the way they operated. They introduced complex new programs and

largely closed their physical offices in the rapid shift to remote work. They also moved quickly to expand virtual communication capabilities and, with exceptional trust, equipped their workforce with tools to work from home. Their decision-making grew more agile, a factor with broad application post-pandemic, and they adapted audit approaches and techniques, such as virtual auditing and expanded analytic capabilities.¹⁰

Governments proved they could pivot quickly and collaborate within agencies and between agencies and levels of government. The accountability community must now work together to determine how to apply leading concepts for the long-term by cataloging lessons learned. Reverting to the prior status quo should not be an option. Sustaining a sense of urgency similar to the onset of the pandemic, governments must thoroughly explore the benefits of embracing the new ways of doing business while the memory of the pandemic is fresh. What worked well during COVID-19 must be identified and widely exported across governments. Addressing identified shortfalls and longstanding problems also must be prioritized. Again, the cost of past inaction in fixing fundamental problems was devastating during COVID-19.

Establish or use existing collaborative structures to assess alternatives, such as intergovernmental working groups that represent all levels of government. The process could involve organizations such as the Joint Financial Management Improvement Program (JFMIP);¹¹ the CFO Council; the Council of Inspectors General for Integrity and Efficiency; the

National Association of State Auditors, Comptrollers and Treasurers; and the Government Finance Officers Association. AGA has a role to play in promoting partnerships and collaboration and in expanding knowledge of leading practices through its training and research.

4. Assess the Future of Telework

The pandemic was the ultimate test for teleworking. As physical offices continue to reopen to in-person work, leaders can use their recent experience to define the future of work. In partnership with the workforce that made things happen during COVID-19, it will be essential going forward to provide flexibility that benefits both employers and employees, based on good data and mission needs, to increase performance through innovation and renewed customer focus.

GAO reported the percentage of workers across all sectors who primarily teleworked tripled from 2019 to 2021, from 5.7% to 17.9%; and personnel doing any work from home doubled from 17.9% to 38.1%. By a margin of 28% to 7.5%, staff in management positions and related occupations were more likely to telework than those in service occupations. In its review of various studies, GAO noted telework generally made a positive impact on worker productivity in certain sectors, but methodological issues complicate an estimation of its long-term impacts.¹²

While COVID-19 demonstrated that remote workforces can be highly productive, one size does not fit all employers or employees. Employee engagement, coming together as teams, and interacting face-to-face with co-workers and stakeholders remain crucial elements of connecting the workforce. The U.S. Patent and Trademark Office and GAO¹³ used hybrid telework extensively pre-COVID-19. Their experiences and rationale for the design of telework programs are valuable, especially in the way they addressed on-the-job training, supervision, collaboration, team building, internal control and accountability.

Governments should also consider whether further expansion of technology to build virtual offices would deliver competitive advantage in:

- Performing work.
- Reducing office footprints.
- Eliminating long commutes that reduce worker productivity and harm the environment, especially in large metropolitan areas with heavy concentrations of government employees.
- Recruiting highly qualified employees and experts in areas of special need, such as technologists and data scientists, who do not live near government offices and are not interested in relocating.

Having the data needed to make sound, fact-based decisions on the extent and design of telework can be challenging and may depend on further innovation and advances in technology. Decisions must be supported by business cases. In a survey of U.S.-based executives and workplace managers, 80% said: “had they had a better grasp of actual employee preferences, they would have taken a starkly different approach to their return to work office plans.” Over half said they did not make critical workplace decisions because of a lack of data, and over a quarter acknowledged critical decisions were made on gut instincts.¹⁴

Final Thoughts

Americans are resilient and historically rise to the occasion in overcoming adversity. Once people understood the severity of COVID-19, they worked together to do what was needed. Given the sheer magnitude and long-term fiscal impact of spending \$5.2 trillion, it is time to catalogue lessons learned and document leading practices, including the four dimensions and the case study presented here. It will require collaboration across all levels of government, the private and non-profit sectors and academia, and listening to input from the public. The accountability community can help strengthen readiness to address crises by treating the governmental pandemic response



CASE STUDY: ECONOMIC IMPACT PAYMENTS

The Economic Impact Payment (EIP) program demonstrated the ability to rapidly fill information gaps to disburse urgently needed stimulus funds. All three rounds of COVID-19 relief legislation¹⁵ provided for EIPs to individuals and families, with program spending totaling \$814 billion.¹⁶ Treasury and the IRS had to identify and locate eligible recipients and expeditiously make payments. Included were homeless people, estimated at 580,000 in 2020,¹⁷ and the unbanked and underbanked,¹⁸ who represented 5% and 13%, respectively, of all households in the U.S. in 2020.¹⁹ Previous federal relief payment programs were nowhere near the magnitude and complexity of EIP. Dedication, ingenuity, and extensive use of direct deposits to bank accounts made it possible to get COVID-19 relief funds into the hands of Americans quickly.

EIP eligibility and payment amounts were tied to income levels reported on federal tax returns and the number of eligible household members. The government was responsible for determining eligibility and making expedited payments in the correct amounts, but Treasury and IRS faced significant information gaps. In April 2020, IRS estimated 30 million individuals and families who do not normally file tax returns were eligible to receive EIPs.²⁰ Also, some filers may not have provided bank account information to make a direct deposit, or they changed banks after filing their most recent tax return. A person's residence also could have changed. IRS implemented a “Get My Payment” portal for people to provide current bank account information, which was used for all three rounds of EIPs.

Treasury also drew upon electronic payment information for recent government payments, such as Social Security and Supplemental Nutritional Assistance Payments. The department had the foresight to make sure COVID-19 relief legislation expressly authorized sharing account records between federal government systems. Otherwise, certain disclosure statutes restricted or limited information sharing without specific authorizing legislation or without compliance with procedural requirements that could have slowed payments. This authority was pivotal in expediting EIPs and provides a blueprint for future relief payments.

GAO reported more than 81 million payments totaling more than \$147 billion were electronically transferred to recipients' bank accounts within two weeks of the enactment of the first round of COVID-19 relief legislation. Within two months, 95% of the first round of EIPs, representing 98% of the dollar value, had been disbursed.²¹ Also, Treasury rapidly implemented EIP debit cards, primarily used for citizens who were homeless, unbanked or underbanked.

The experience and data from the first round of EIPs further accelerated the payment timeline for the second and third rounds.²² Second round direct deposits began two days after enactment of the legislation, while mailing of paper checks started on day three. The number of debit cards grew from 3.6 million to 8.1 million. The third round was even faster, beginning one day after enactment of the legislation, when 90 million payments valued at \$241 billion were electronically disbursed.²³

as a learning tool and benefiting from the lessons learned. Let's act now, while the experiences are still fresh, to prepare for a future in which the unexpected should be expected. ■

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