

Fighting Fraud and Enhancing Oversight Through Collaboration and Analytics

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Overview

- Examine the Evolution of the Federal Oversight Community
- Discuss How Pandemic Spending Changed the Oversight Landscape
- Identify Opportunities to Further Enhance Oversight

The Inspectors General

Inspectors General—or “IGs”—have been around since the Revolutionary War, with the first IGs called on to inspect the troops and report on their condition.

In the 1970s, scandals and reports of corruption impacted the public’s faith in the federal government.

In 1978, the Congress passed the Inspector General Act. The Act created 12 independent inspectors general.

Role of OIGs

- Conduct **independent** and objective audits, investigations, and inspections.
- Prevent and detect fraud, waste, abuse.
- Promote economy, effectiveness, and efficiency in government operations.
- Keep agency heads, Congress, and the American people informed of their findings.



Results that Matter

In fiscal year 2024, OIG investigations resulted in approximately:

- 3,675 criminal prosecutions
- 1,015 civil actions
- \$18.4 billion in recoveries



Hard to Argue with the Results But...

How is the oversight community viewed and are we making a difference?



March 2020: COVID – 19 Pandemic

Changed
Everything...



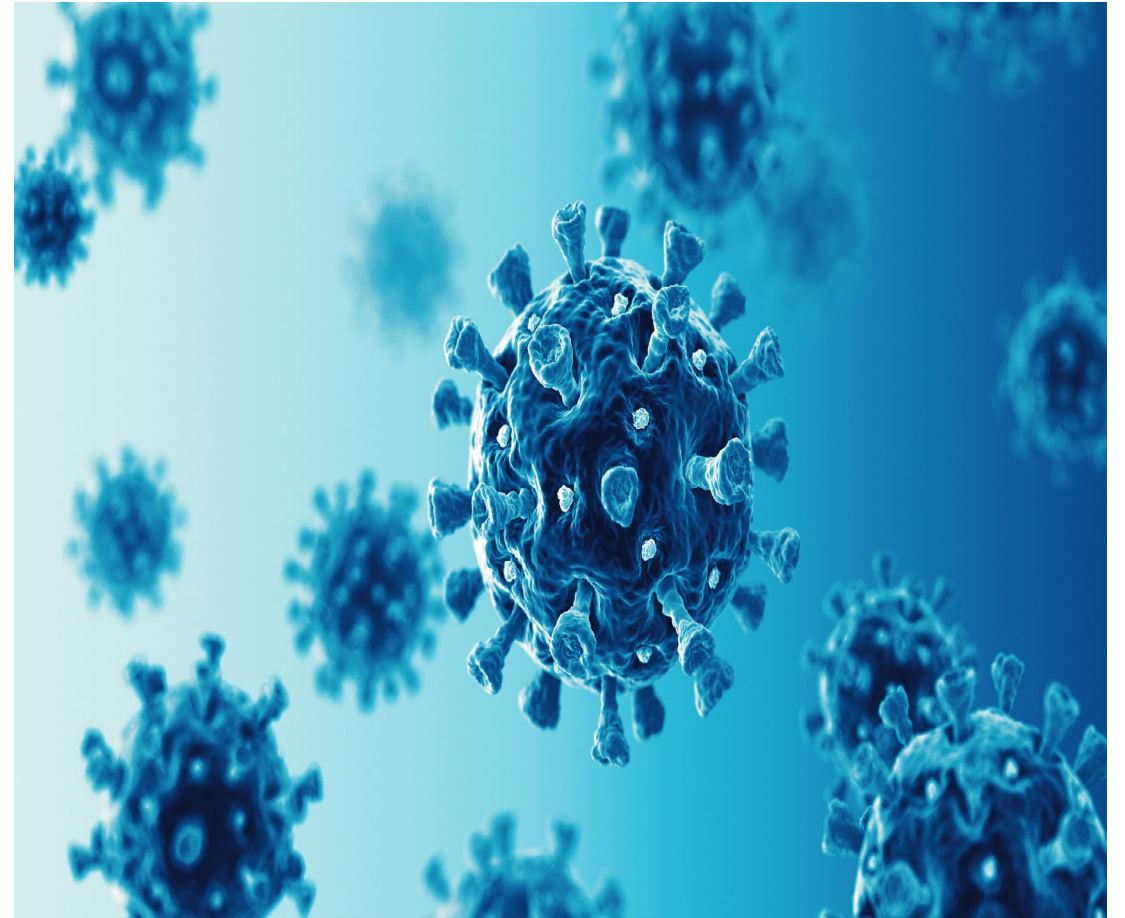


Federal Funding

- > \$5 Trillion Pandemic Spending
- \$350 billion in State and Local Fiscal Recovery Funds
- Urgency, complexity of programs
- Outdated and inadequate systems

Unprecedented Federal Spending...

- Over 500 pandemic relief programs across more than 40 agencies.
- The Paycheck Protection Program distributed approximately \$800 billion in funding, roughly the same amount as the entire American Recovery and Reinvestment Act of 2009.
- In the first 14 days of April 2020, about 1.7 million PPP loans were issued totaling over \$343 billion.



Led to Unprecedented Levels of Fraud

- Small Business Administration OIG estimated more than \$200 billion in potentially fraudulent COVID-19 EIDLs and PPP loans.
- Department of Labor OIG identified **one** Social Security Number was used in **40** states in an attempt to gain unemployment benefits.



SBA OIG Rising to the Challenge

- SBA OIG received more than 270,000 hotline complaints and allegations of wrongdoing.
- Identified more than 104,000 actionable leads — more than 100 years of investigative case work.



GAO's Fraud Estimate

In April 2024, GAO estimated total losses to the government due to fraud ranged between \$233 billion and \$521 billion.

GAO's fraud estimate represents 3–7 percent of average annual obligations in this period.

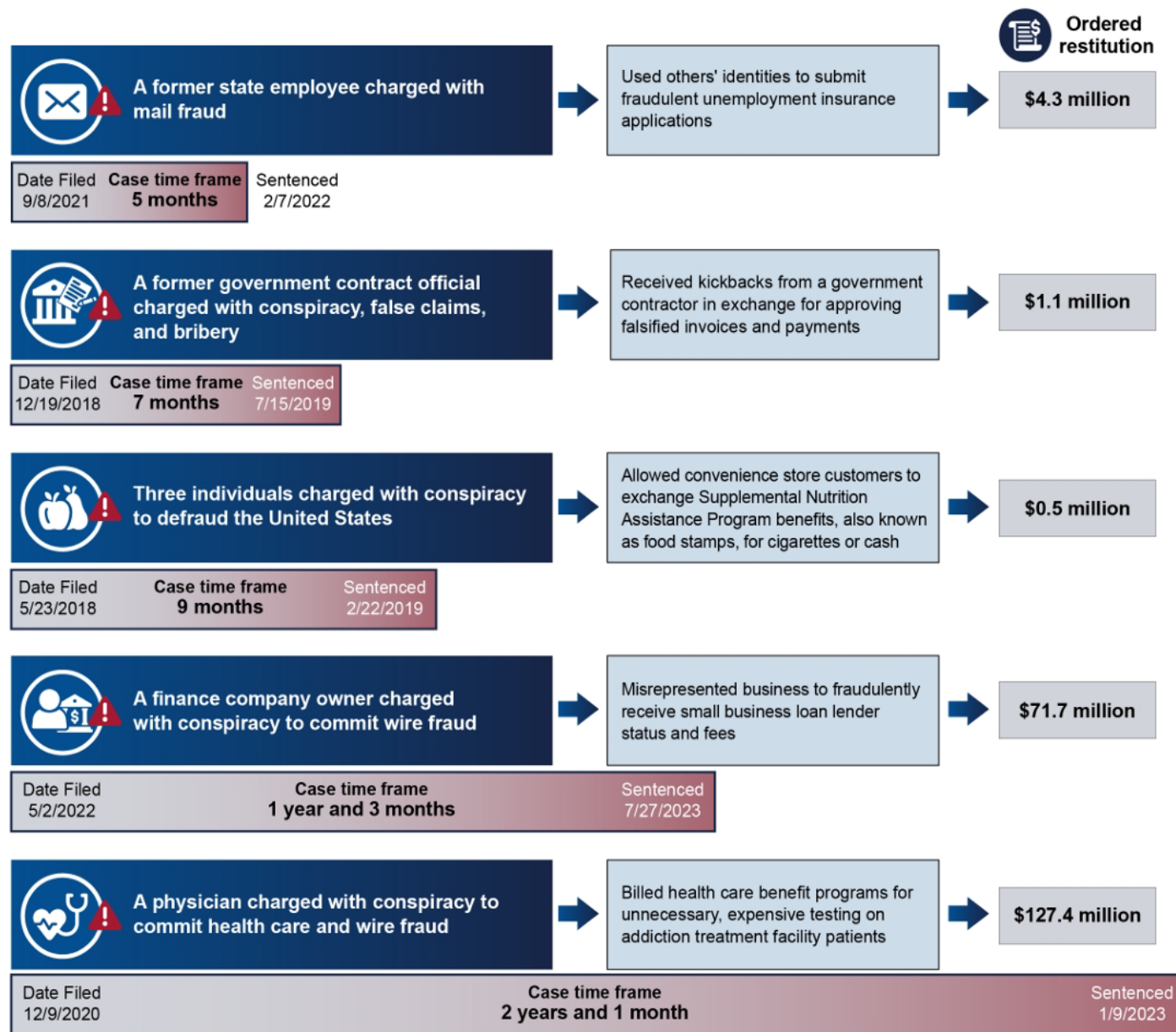


April 2024

FRAUD RISK MANAGEMENT

2018-2022 Data Show
Federal Government
Loses an Estimated
\$233 Billion to \$521
Billion Annually to
Fraud, Based on
Various Risk
Environments

Illustrative Examples of Fraud Perpetrated Against the Federal Government





A Path Forward: Oversight to Insight

Enhancing Collaboration and Using Analytics

Adapting to A Fast-Paced, Changing Oversight Environment

- Build strategic partnerships and enhance collaboration
- Implement agile oversight
- Enhance the use of data analytics



Say the Quiet Part Out Loud

An inherent tension between helping an agency in real time and protecting oversight **independence.**



Build Strategic Partnerships

- Hold monthly update meeting with Agency head and senior staff.
- Maintain open lines of communication and have agreed upon process for resolving conflicts real time.
- Spend the time to get to know agency officials.
- No surprises!



State and Local Partners Are Key to Effective Oversight Of Funds

Federal Agencies and OIGs

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graph TD; A[Federal Agencies and OIGs] --> B[State Auditors]; B --> C[County Auditors];
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State Auditors

County Auditors

Pandemic Response Accountability Committee

- Promotes transparency by publicly reporting spending data.
- Collaborates across the oversight community.
- Detects and prevents fraud through leading-edge data analytics.
- Holds wrongdoers accountable.

Implement Agile Oversight

What is agile oversight?

- Allows organizations to quickly highlight issues that require immediate action.
- Provides additional tools to efficiently create more timely reviews, reports, and other products.



Useful Agile Resources



Enhancing the Use Data Analytics Requires...

Getting More Comfortable with data



Shifting our thinking about technology



Changing How We Communicate



OFFICE OF INSPECTOR GENERAL
U.S. DEPARTMENT OF LABOR

FOR IMMEDIATE RELEASE
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More Than 2,000 Individuals Charged for Unemployment Insurance Fraud Since the COVID-19 Pandemic Began

Washington, D.C. – Inspector General Larry D. Turner of the U.S. Department of Labor (DOL) today announced that the Office of Inspector General's (OIG) efforts to combat unemployment insurance (UI) fraud have resulted in over 2,000 individuals being charged with crimes since the COVID-19 pandemic began in March 2020.

"This milestone demonstrates the dedication and expertise of our special agents, data scientists, intelligence analysts, digital forensic examiners, and support staff," said Inspector General Turner. "I am extremely proud of my team's hard work to uncover fraud and protect taxpayer dollars. We remain committed to holding accountable those who exploit DOL programs and operations."

These investigations have already led to more than 1,400 convictions, resulting in a total of over 36,000 months of incarceration and \$1.1 billion in monetary accomplishments. Additionally, the DOL-OIG's oversight work has identified close to \$47 billion in potential UI fraud.

Ongoing Challenges

In the DOL-OIG's most recent [Semiannual Report to Congress](#)¹, Inspector General Turner raised concerns about the impending expiration of the statute of limitations for many pandemic-related UI fraud cases. Without an extension, opportunities to pursue additional investigations and recover stolen taxpayer funds will be lost. IG Turner also highlighted the depletion of supplemental pandemic oversight funds, which limits the DOL-OIG's ability to continue investigations at the current pace. Extending the statute of limitations and providing additional resources are critical to ensuring that fraudsters are held accountable.

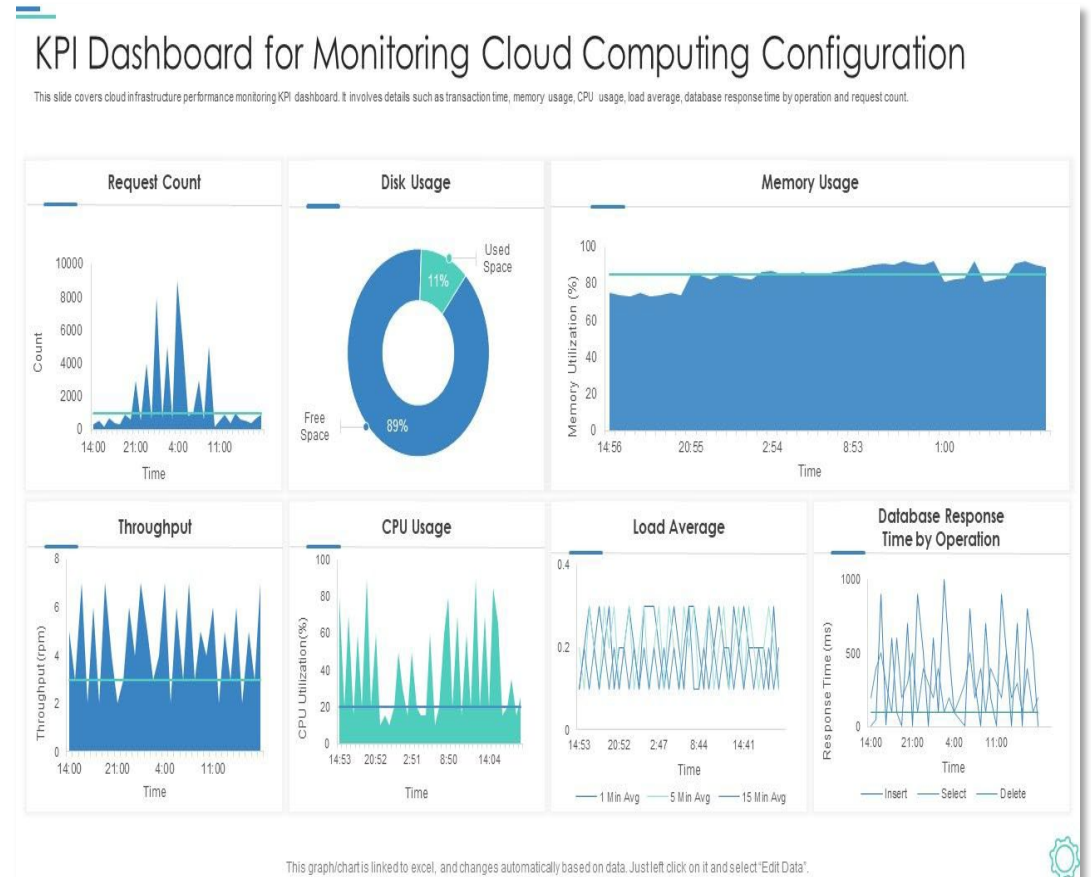
Background

The COVID-19 pandemic caused unemployment claims to surge to historic levels. Within five months, more than 57 million people filed initial claims through the UI program, a federal-state initiative designed as the first line of economic defense against unemployment. In response, over \$688 billion in federal and state UI benefits were distributed during the pandemic.

As reported by DOL-OIG², the rapid infusion of hundreds of billions in federal funds into the UI program gave individuals and organized criminal groups a high-value target to exploit. That,

¹For more details, please visit: <https://www.dhs.gov/publication/semiannual-report-to-congress>

²For more details about DOL-OIG UI investigations, please visit: <https://www.dhs.gov/publication/dhs-oig-ui-investigations>



The PACE has **68 public, non-public, and commercial data sources**, providing access to more than **1.6 billion records**. As of January 2025, the PACE has supported **48 OIG and federal law enforcement partners** in more than **1,000 pandemic-related investigations** involving over **23,000 subjects** and **more than \$2.4 billion in estimated fraud loss**.



68 data sources



1.6 billion records



48 federal partners



1,000+ investigations



23,000+ subjects



\$2.4+ billion in fraud



A Model for Future Oversight

Moving from “pay and chase” to fraud prevention

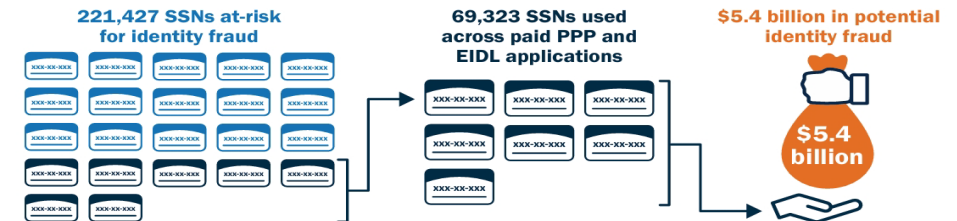


FRAUD ALERT: PRAC Identifies \$5.4 Billion in Potentially Fraudulent Pandemic Loans Obtained Using Over 69,000 Questionable Social Security Numbers

Improved Government Information-Sharing and Controls Would Strengthen Program Integrity and Better Protect the Public

This Fraud Alert from the Pandemic Response Accountability Committee (PRAC) identifies 69,323 questionable Social Security Numbers (SSNs) used to obtain \$5.4 billion from the **Small Business Administration's (SBA) COVID-19 Economic Injury Disaster Loan (COVID-19 EIDL) program and Paycheck Protection Program (PPP)**. These programs provided nearly \$1.2 trillion in assistance to small businesses and their employees affected by the COVID-19 pandemic.

The PRAC's team of data scientists identified the potential fraud and identity theft by using the PRAC's Pandemic Analytics Center of Excellence (PACE) to analyze information from over 33 million COVID-19 EIDL and PPP applications. The PRAC used publicly available Social Security Administration (SSA) information to identify a targeted selection of SSNs used on applications, both disbursed and undisbursed, that may have been invalid or not assigned prior to 2011. Using the legal authorities included in the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act), the PRAC then requested SSA provide us with verification information for these SSNs.¹ In response, SSA informed us that 221,427 of the SSNs used on applications in this targeted selection were either not issued by SSA or that identifying information in SSA's records did not match the name and/or date of birth information provided by the COVID-19 EIDL or PPP applicant, suggesting potential identity fraud in the use of those SSNs.² The PRAC determined that \$5.4 billion in COVID-19 EIDL or PPP loans was disbursed to applicants using 69,323 of those SSNs between April 2020 and October 2022. The PRAC further determined that 175,768 of the SSNs were used in COVID-19 EIDL and/or PPP applications that were not disbursed by SBA for reasons we discuss below (see Table 1 for analysis).



¹ The PRAC did not request or obtain SSN data from SSA in connection with this analytics review. Rather, as described below, we requested that SSA simply verify information that applicants had provided to SBA in COVID-19 EIDL and PPP applications, which SSA performed and then provided us with the results.

² We would expect some false positives in the 221,427 questionable SSN population based on fuzzy matching logic where two records are not exact matches but have a high likelihood of referring to the same individual. Performing an automated match is subject to error, including unrecognized nicknames or misspellings, transposed numbers, and data entry and clerical errors. We observed examples where records were flagged as an incorrect name when an individual's first name and last name were transposed. We cannot estimate the exact proportion of false positives without an in-depth understanding of the verification algorithm used by SSA. To maintain the security of SSA's SSN verification process, SSA does not release the agency's matching logic concerning how it verifies SSNs.

January 2023

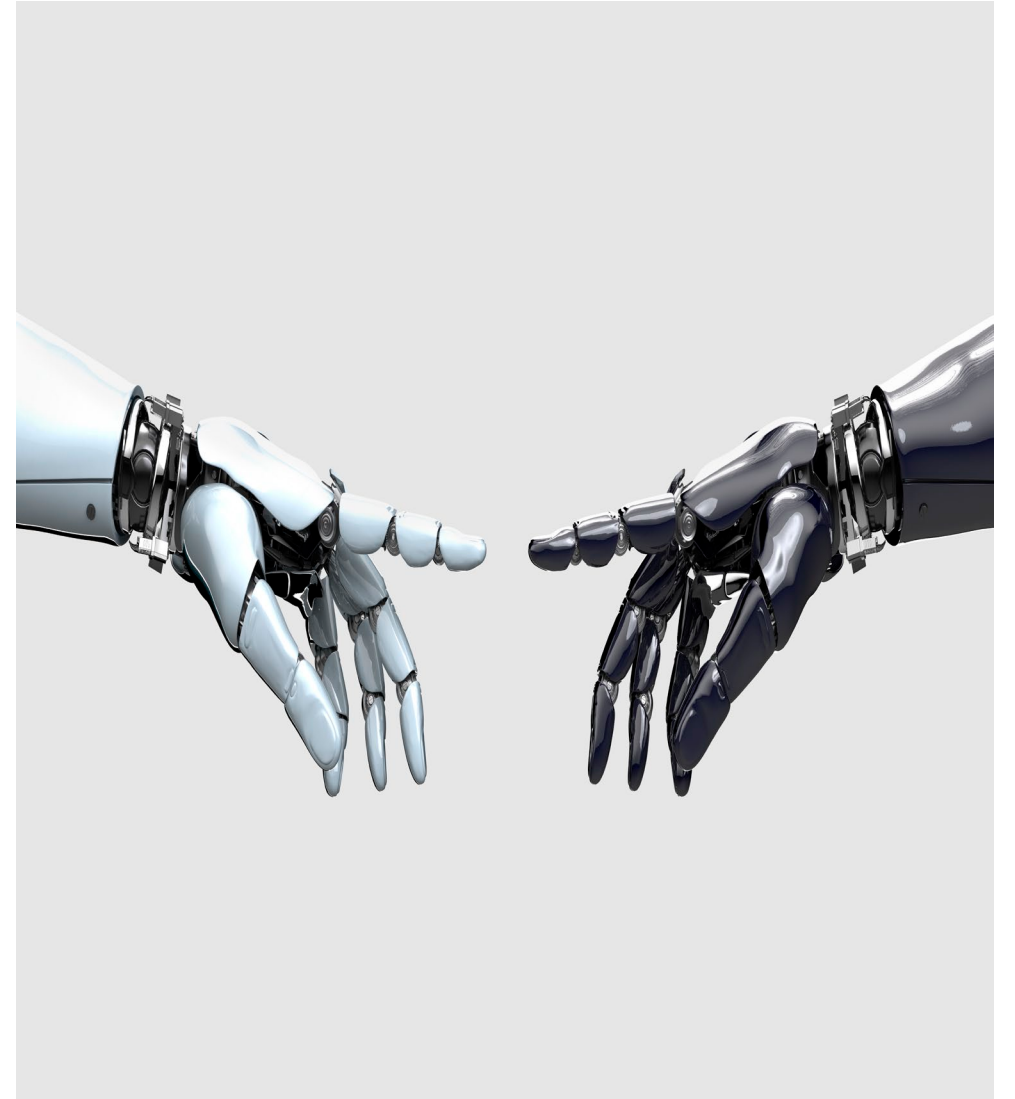
FRAUD ALERT: \$5.4 Billion in Pandemic Loans Used Questionable Social Security Numbers

How can you help agencies prevent fraud before it occurs?

Review and analyze program applicant information for potential fraud indicators **before** funds are disbursed.

Three questions and data analytics led to the PRAC identifying \$5.4 billion in potential fraud.

Imagine how much fraud would have been prevented if analytic capabilities had already been in place?



A Model for Future Oversight

Prevent the fraud from occurring



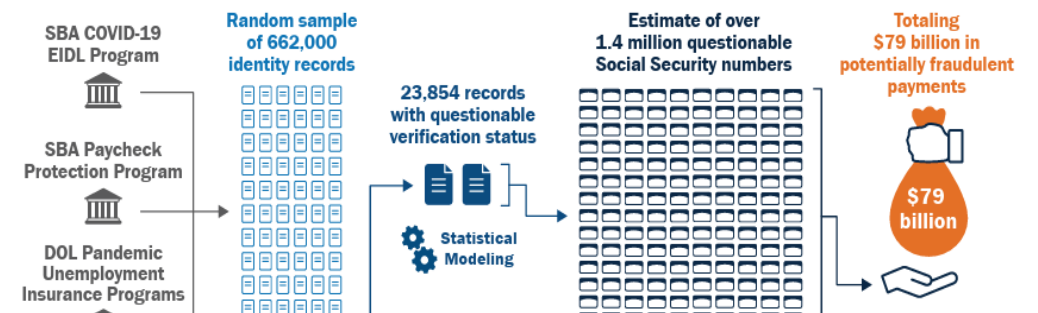
FRAUD PREVENTION ALERT: Pre-Award Vetting Using Data Analytics Could Have Prevented Over \$79 Billion in Potentially Fraudulent Pandemic Relief Payments

The PRAC Analyzed Applications Across Major Pandemic Relief Programs to Identify Potential Fraud Using Stolen or Invalid Social Security Numbers

As part of our independent oversight of the \$5 trillion in COVID-19 relief programs, the Pandemic Response Accountability Committee (PRAC) conducts in-depth data analysis across multiple federal programs to identify potential fraud, waste, abuse, and mismanagement and to provide agencies with lessons learned to prevent future program fraud.

This PRAC fraud prevention alert focused on some of the largest pandemic relief programs: the Small Business Administration's (SBA) COVID-19 Economic Injury Disaster Loan (COVID-19 EIDL) program and Paycheck Protection Program (PPP), and the Department of Labor's (DOL) pandemic-related Unemployment Insurance (UI) programs. In 2023, the SBA Office of Inspector General (OIG) and the DOL OIG estimated that the total amount of fraud and improper payments for these programs is nearly \$400 billion.¹

In this alert, the PRAC estimates the amount of potential fraud across these programs stemming from the use of stolen or invalid Social Security numbers (SSNs), and illustrates how pre-award vetting using the PRAC's data analytics tools could have mitigated this risk.



Closing Thoughts

- Adhere to your core values
- Be clear about your mission and vision
- Look for opportunities amidst the uncertainty
- Focus on outcomes and impact



Thank you!

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