



# US pandemic response and relief funding

Proactively mitigating fraud, waste and abuse

January 2023

EY teams have managed more than **\$75 billion** in COVID-19 federal disaster relief funding for states, counties, cities and nonprofits in 37 states.

To respond to the COVID-19 crisis, the US government made available \$5 trillion in relief measures in an effort to keep businesses open and households afloat.

More than two years after the first relief funds became available, hundreds of billions of dollars of federal funds have been subject to misappropriation through improper spending, waste, suspicious activity and outright fraud. Some pandemic programs have reported fraud rates ranging from 10%-41%, which adds up to hundreds of billions of taxpayer dollars.<sup>1,2</sup>

US government watchdogs are on the lookout for misuse of funds across these programs and have established the Pandemic Response Accountability Committee (PRAC) to provide independent oversight and support to the Inspectors General community. Agencies found to be misusing funds or noncompliant with program requirements face funding reductions and clawbacks. The EY Forensic & Integrity Services team can help government agencies understand the program risks, put controls in place to comply with regulatory funding requirements and to monitor for/or detect fraud, waste and abuse.

<sup>1</sup> "Fraud in unemployment insurance," Pandemic Oversight, <https://www.pandemicoversight.gov/news/articles/fraud-unemployment-insurance>, 2021.

<sup>2</sup> "Inspection of Small Business Administration's Initial Disaster Assistance Response to the Coronavirus Pandemic," sba.gov, <https://www.sba.gov/document/report-21-02-inspection-small-business-administrations-initial-disaster-assistance-response-coronavirus-pandemic>, 2021.

## Preparing for the challenges that increase the risk of fraud

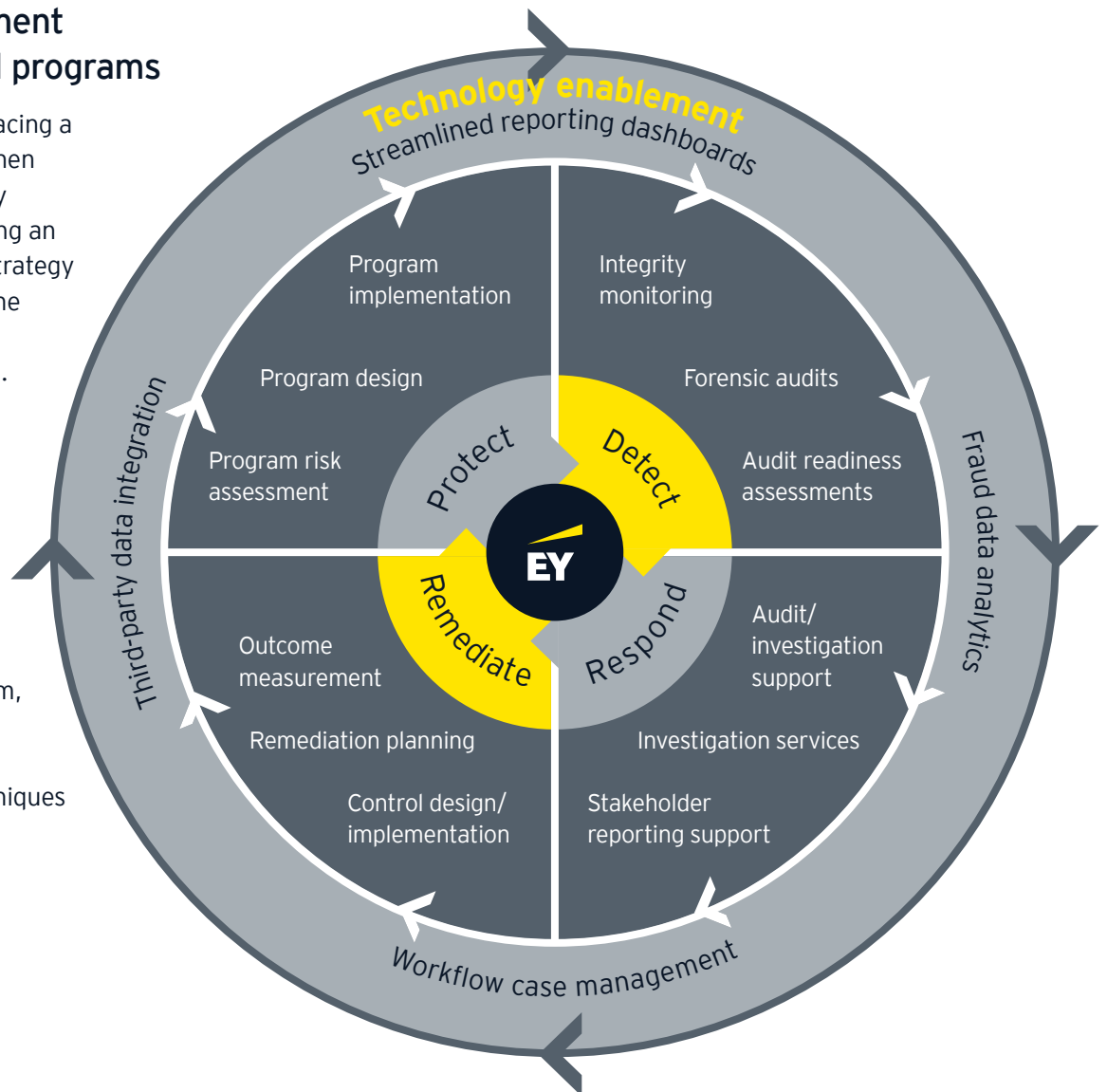
Government agencies have experienced a significant increase in fraud risk driven by an influx of federal funding, combined with pressure to issue funds quickly. In response, many agencies have relaxed or removed controls completely, which significantly increases the risk of fraud. The nature of operating a federally funded program in the current environment has created several challenges for agencies that amplify fraud risk even further.

## Common operational challenges facing governments

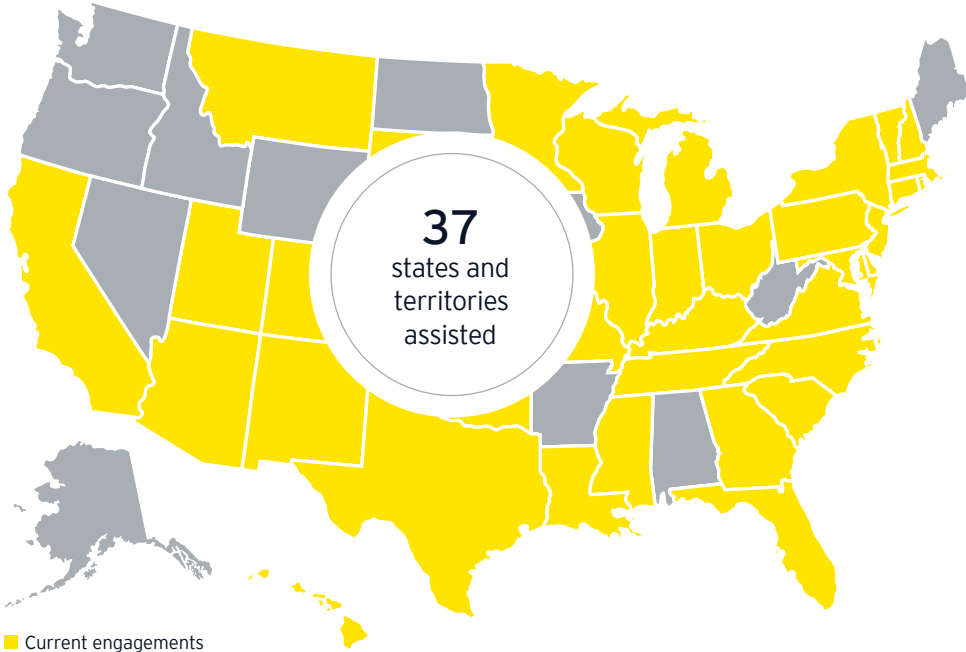
- There is a lack of capacity and resources to support a temporary program surge.
- Complexity of subrecipient and third-party relationships require enhanced scrutiny.
- Siloed technology environment limits data sharing and effective oversight.
- Minimal documentation to support compliance, controls and decisions leads to audit challenges.
- There is a lack of infrastructure and experience responding to inquiries from state and federal oversight bodies.

## Fraud risk management for federally funded programs

Government agencies are facing a constant state of change when combating fraud in federally funded programs. Developing an effective fraud mitigation strategy is imperative to maximize the value of federal funds while maintaining the public trust. An effective fraud risk mitigation strategy should constantly evolve with the ever-changing program requirements, expectation of oversight bodies and adaptation of fraudsters. No matter the state of your federal funded program, assessing the agency's ability to fight today's fraud risk with a full suite of techniques is imperative.



# EY COVID-19 disaster relief experience



- ▶ Grants management, financial management, internal controls
- ▶ Risk assessment and program design
- ▶ Forensic data analytics and investigation support
- ▶ Insurance claims and recovery
- ▶ Integrity monitoring services

## Now

- ▶ Identify key risk areas and eligibility requirements
- ▶ Data exploration and collection
- ▶ Develop analytics to identify fraud risks
- ▶ Set up policies and procedures
- ▶ Capacity assessment
- ▶ Add scalable/temporary resources

## Next

- ▶ Enhance fraud analytics solution through automation and advanced analytics
- ▶ Deploy case management and workflow solution
- ▶ Develop reporting on eligibility and fraud for regulators and executives
- ▶ Identify potential third-party data sets of interest
- ▶ Monitor planning/implementation

## Beyond

- ▶ Risk-based prioritization of fraud investigations and reviews
- ▶ Machine learning to train analytics based on confirmed eligibility or fraud cases
- ▶ Integrate with third-party data
- ▶ Streamline reporting, investigations and reviews
- ▶ React to audit findings
- ▶ Investigate potential fraud, waste and abuse



# Why Ernst & Young LLP

## 850+

The EY federal funds compliance and investigation team includes more than 850 professionals including former government auditors and investigators, compliance officers, and grant administration and emergency management professionals. Many of our personnel have investigated fraud cases in the FBI and prosecuted for the Department of Justice (DOJ).

The federal government may audit or investigate pandemic response and recovery programs and Ernst & Young LLP can help you prepare. We combine our deep knowledge of fraud risk factors, ethical rigor, operational know-how, technical training and resources to promote complete and accurate reporting, comply with the various reporting requirements and provide insights into the execution of programs. We have more than 25 years of experience assisting government agencies with managing billions of dollars in federal response and recovery funds.

Contact us if you suspect your processes, systems and programs are vulnerable or insufficient to stand up to government oversight. Course-correct now before inquiries or audits by regulatory bodies occur.

## Key contacts

### Ernst & Young LLP



**Allen Melton**  
*Americas Forensics*  
Government & Public Sector Leader  
[allen.melton@ey.com](mailto:allen.melton@ey.com)



**Jeff Sallet**  
*Americas Forensics*  
Crisis Management Leader  
[jeffrey.sallet@ey.com](mailto:jeffrey.sallet@ey.com)



**Robert Reeves**  
*Americas Forensics*  
State, Local & Education Leader  
[robert.reeves@ey.com](mailto:robert.reeves@ey.com)



**Gary Burke**  
*Americas Forensics*  
Partner  
[gary.burke@ey.com](mailto:gary.burke@ey.com)



**Reena Panchal**  
*Americas Forensics*  
Insurance & Federal Claims Services Principal  
[reena.panchal@ey.com](mailto:reena.panchal@ey.com)



**Scott Nemeroff**  
*Americas Forensics*  
Managing Director  
[scott.nemeroff@ey.com](mailto:scott.nemeroff@ey.com)



**Matt Jadacki**  
*Americas Forensics*  
Managing Director  
[matt.jadacki@ey.com](mailto:matt.jadacki@ey.com)



**Marc Adams**  
*Americas Forensics*  
Business Development Executive  
[marc.adams@ey.com](mailto:marc.adams@ey.com)

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