

**Testimony of Assistant Inspector General,
Office of Investigations, James Izzard, Jr.**

**Before the Committee on Transportation and
Infrastructure**

U.S. House of Representatives

**“Assessing the Federal Government’s
COVID-19 Relief and Response Efforts and
Its Impact”**





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Chairman DeFazio, Ranking Member Graves, and Members of the Committee:

Thank you for the opportunity to discuss the Department of Homeland Security, Office of Inspector General's (OIG) critical oversight of the Federal Emergency Management Agency's (FEMA) preparedness, response, and recovery efforts related to the coronavirus (COVID-19) pandemic. Since the beginning of the pandemic, we have provided significant and timely information about the Department and its COVID-19 response through our audits, inspections, evaluations, and investigations. We are committed to transparency and keeping you and your fellow Members of Congress fully informed of our findings and recommendations.

Annually, DHS OIG provides taxpayers with a substantial return on their investment. Each fiscal year DHS OIG issues hundreds of recommendations to improve the integrity, accountability, and performance of the Department. In FY 2020, DHS OIG identified \$7,500,553,271 in questioned costs and funds put to better use through audits and inspections. In FY 2020, DHS OIG achieved more than \$1.1 million in recoveries, \$389,000 in fines, and more than \$15.3 million in restitutions.

The DHS Inspector General (IG) is one of nine statutory IGs who are members of the Pandemic Response Accountability Committee (PRAC), created by Congress through the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*. We closely coordinate with the PRAC, as appropriate, to share model practices and enhance our effectiveness.

The CARES Act provided DHS \$45.9 billion for COVID-19 relief and provided DHS OIG \$3 million in supplemental funding, through a transfer from the Disaster Relief Fund (DRF), to conduct oversight of those funds. Given this funding and the range of associated mandates, DHS adopted a layered response to deliver critical supplies and services. FEMA, along with other Federal partners, is the DHS component responsible for managing the Federal Government's COVID-19 pandemic response.¹ On August 8, 2020, then-President Trump authorized FEMA to expend up to \$44 billion from the DRF for lost wage payments.²

On December 27, 2020, the *Consolidated Appropriations Act* first required FEMA to provide funeral assistance through its Individual and Household Programs for deaths related to the COVID-19 pandemic. The Act provided \$2 billion to reimburse funeral expenses incurred through December 31, 2020, at a 100 percent Federal cost share. On March 11, 2021, President Biden signed the *American Rescue Plan Act (ARPA)*, which appropriated \$50 billion to FEMA for costs associated with major disaster declarations, including for funeral assistance and did not limit the date for expenses incurred.³ As of July 12, 2021, FEMA has provided over \$606 million to more than 91,000 people to assist with COVID-19-related funeral costs for deaths occurring on or after January 20, 2020.⁴ DHS OIG did not receive an additional allocation to

¹ ["The Federal Emergency Management Agency's Response to COVID-19 and Other Challenges."](#) Statement of Robert Fenton, Senior Official Performing the Duties of the Administrator, FEMA. April 14, 2021. *See also*, ["Known for Disaster Aid, FEMA Prepares for New Challenge with Coronavirus Relief"](#), *NPR*, March 19, 2020.

² [Presidential Memoranda, Memorandum on Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019, August 8, 2020.](#)

³ [American Rescue Plan Act of 2021, P.L. 117-2.](#)

⁴ [FEMA press release HQ-21-134, July 12, 2021.](#)



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oversee those monies, but nonetheless, we initiated work to oversee FEMA's funeral assistance efforts, as described below.

INVESTIGATIONS

Since January 2020, DHS OIG has received a substantial number of COVID-19 fraud complaints nationwide and continues to investigate fraud perpetrated by companies and individuals seeking to exploit DHS-affiliated government programs, including relief programs that FEMA administers. To date, DHS OIG has received more than 6,000 complaints and initiated 120 investigations. Many of our investigations involve individuals who have also attempted to defraud other COVID-19 programs.

Since the passage of the CARES Act, DHS OIG has been at the forefront to detect, deter, and investigate COVID-19 fraud perpetrated against DHS and its components through our participation on working groups, coordination with FEMA, and reliance on the expertise of our professional staff.

Our special agents participate in various working groups and task forces at the local, state, and regional level. This includes partnering with the Small Business Administration (SBA) OIG, Department of Labor OIG, Veterans Affairs OIG, United States Postal Inspection Service, Homeland Security Investigations (HSI), United States Secret Service, Federal Bureau of Investigation (FBI), and United States Attorney's Offices.

We also participate in national working groups and task forces including the:

- Department of Justice (DOJ) Stimulus Funds Fraud Working Group;
- COVID-19 Fraud Enforcement Task Force;
- National Unemployment Insurance Fraud Task Force;
- DOJ Procurement Collusion Strike Force;
- DOJ Grant Fraud Working Group; and
- PRAC.

We interface with FEMA through a joint Fraud Working Group. That Fraud Working Group provides fraud training, including indicators and fraud scheme awareness, that is tailored to assist FEMA employees with preventing and reporting suspected fraud. With respect to FEMA's funeral assistance program, DHS OIG special agents are actively and independently collaborating with FEMA to facilitate early detection of fraud.

DHS OIG also developed an innovative approach to enhance the way we identify COVID-19 fraud schemes. Our team of special agents, forensic accountants, analysts, digital forensic examiners, and data scientists provides a multidisciplinary approach to analyzing large and complex data sets to identify fraud indicators and develop investigative leads. Using its expertise and a suite of cutting-edge data analytics tools, along with support from other Federal, state, and local partners, DHS OIG has uncovered complex, multi-million-dollar fraud schemes involving FEMA personal protective equipment (PPE) contracts and facilitators of major



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unemployment insurance fraud schemes involving FEMA funds. Over the last 10 months, our team has executed 15 search warrants and seizures, recovered \$3 million, and realized 10 judicial actions, and our team continues to open new investigations that will likely yield high-impact results. We also developed an analytical dashboard to identify fraudulent FEMA vendors who were contracted to provide PPE for the National Stockpile. We have shared our model practice with the Inspector General community and through the PRAC.

In addition, we established an internal COVID-19 fraud investigation team dedicated to identifying and investigating unemployment insurance fraud. This team is comprised of geographically dispersed agents who conduct high impact COVID-19 fraud investigations nationwide. In addition to investigating fraud associated with FEMA COVID-19 funding, these agents coordinate with task forces, working groups, and United States Attorney's Offices nationwide.

Examples of our high-impact FEMA COVID-19 fraud investigations include:

Personal Protective Equipment Contract Fraud. On February 3, 2021, the Chief Executive Officer (CEO) of Federal Government Experts, LLC (FGE) pleaded guilty to making false statements, wire fraud, and theft of government funds. The investigation determined the CEO repeatedly, and falsely, claimed to contracting officials from FEMA and Veteran's Affairs (VA) that he was in possession of large quantities of PPE, including N95 masks.

Based on the CEO's statements, FEMA and the VA awarded FGE contracts to deliver more than 6 million N95 masks for a total cost of \$38.5 million. FEMA intended to procure the N95 masks for the National Stockpile, and the VA intended to use the PPE to protect employees and patients at various VA facilities. Despite the CEO's claims, FGE failed to supply any PPE to FEMA and the VA. Ultimately, it was determined that the company was never in possession of large quantities of PPE or N95 masks despite the CEO's fraudulent claims.

In addition, it was determined the CEO applied for various loans on behalf of FGE under the Federal Payroll Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL) Program. The loan applications submitted by the CEO falsely stated the number of FGE employees and the amount of FGE's payroll. Specifically, the CEO claimed FGE had 37 employees when, in fact, the company had 9. The CEO also claimed he had a monthly payroll of \$322,000 when, in fact, FGE's monthly payroll was \$13,907. FGE was awarded PPP and EIDL loans in the amount of \$1.06 million. On June 16, 2021, the CEO [was sentenced](#) to 21 months in Federal prison, with 3 years of supervised release, and paid \$348,714 in restitution.

Lost Wages Assistance Fraud. In November 2020, DHS OIG determined that an individual and her co-conspirators fraudulently acquired \$436,834 in FEMA Unemployment Insurance (UI) benefits, which included using the identities of state prisoners. On April 8, 2021, the United States Attorney's Office for the Eastern District of Virginia issued a nine-count indictment charging four defendants with conspiracy to commit fraud in connection with major disaster benefits, fraud in connection with major disaster benefits, and mail fraud. One of the defendants [pleaded guilty](#) on June 24, 2021, and is scheduled to be sentenced in October 2021. Judicial outcomes regarding the three co-defendants are pending.



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In a similar scheme, an individual [pleaded guilty](#) on June 11, 2021 to mail fraud for her role in fraudulently obtaining FEMA unemployment benefits for 22 prison inmates. With the assistance of an inmate co-conspirator, the individual used the identities of prisoners to file fraudulent UI claims to collect at least \$223,984 in unemployment benefits.

We continue to build and maintain relationships with our Federal, state, and local law enforcement counterparts and to use data analytics to identify significant fraud rings that impacted FEMA's Lost Wages Assistance Program. Given our current limited funding, we are focusing on Federal, state and local partners in areas most heavily impacted by unemployment insurance fraud. As we identify new fraud schemes, the number of cases will continue to grow.

AUDITS

Between 2014 and 2017, DHS OIG issued three reports on DHS' readiness to continue mission essential functions during a pandemic. In FY 2014, we reported⁵ that DHS did not adequately assess its needs before purchasing pandemic preparedness supplies and did not effectively manage its stockpile of pandemic PPE and antiviral medical countermeasures. In FY 2016, we reported⁶ DHS did not ensure sufficient coordination, adequate training, and consistent screening of people arriving at U.S. ports of entry during its response to Ebola. In FY 2017, we reported⁷ that DHS may not be able to effectively execute its preparedness plans during a pandemic. In total, we made 28 recommendations and those recommendations are closed. In FY 2021, we conducted a verification review of DHS' efforts to determine the adequacy and effectiveness of DHS' corrective actions to our prior recommendations.⁸ While the Department provided adequate documentation of its initial plans and actions to address the 28 recommendations, DHS did not effectively implement corrective actions to address three recommendations intended to provide operational efficiencies and controls needed in the current pandemic. We made three recommendations to ensure we improved department-wide oversight of PPE and pandemic planning. The Department concurred with the three recommendations and they remain open.⁹

We recently completed an audit that is directly relevant to FEMA's ability to deliver crucial supplies in response to COVID-19 but was initiated prior to the COVID-19 pandemic: *FEMA Must Strengthen Its Responsibility Determination Process* ([OIG-21-44](#)). We conducted this audit to determine whether FEMA contracting personnel followed Federal regulations, DHS policies, and FEMA procedures when awarding disaster response contracts. We found FEMA contracting personnel did not always take the necessary steps to ensure prospective contractors

⁵ *DHS Has Not Effectively Managed Pandemic Personal Protective Equipment and Antiviral Medical Countermeasures* ([OIG-14-129](#)).

⁶ *DHS' Ebola Response Needs Better Coordination, Training, and Execution* ([OIG-16-18](#)).

⁷ *DHS Pandemic Planning Needs Better Oversight, Training, and Execution* ([OIG-17-02](#)).

⁸ *Ineffective Implementation of Corrective Actions Diminishes DHS' Oversight of Its Pandemic Planning* ([OIG-21-14](#)).

⁹ A recommendation is considered open when agreed-upon corrective action has not been implemented. A recommendation is resolved when the Component management official and OIG agree on (1) the reported findings and recommendations, (2) the corrective actions to be taken, and (3) where appropriate, target completion dates.



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could deliver goods and services during compressed disaster response timeframes. As a result of inadequate guidance, FEMA personnel awarded contracts without making fully informed determinations as to whether prospective contractors could meet contract demands. Between March and May 2020, FEMA awarded and canceled at least 22 contracts, valued at \$184 million, for crucial supplies in response to the national COVID-19 pandemic. By awarding contracts without ensuring prospective contractors can meet contract demands, FEMA will continue wasting taxpayer dollars and future critical disaster and pandemic assistance will continue to be delayed. We made one recommendation to strengthen FEMA's responsibility determination process. FEMA concurred with our recommendation and it remains open.

In the early days of the COVID-19 pandemic, DHS OIG identified the need to collect data before launching audit work in this unprecedented area. Therefore, in March 2020, DHS OIG began gathering DHS and the U.S. Department of Health and Human Services (HHS) pandemic response data in real time. We observed daily and semi-weekly interagency conference calls hosted by FEMA and HHS officials and monitored FEMA and HHS' daily national COVID-19 situation reports. OIG used this information to inform ongoing and proposed projects related to the pandemic.

Since June 2020 our auditors have been monitoring FEMA's use of CARES Act funds in addition to FEMA's vaccine support role. Our auditors participate with Federal, state, and local oversight officials on various working groups, including the PRAC and the National Association of State Auditors, Comptrollers and Treasurers' COVID-19 Accountability Work Group, to coordinate oversight work across local, state, and Federal agencies and to identify issues related to the administration of CARES Act and the ARPA funding. Finally, our Office of Audits is actively involved in DHS OIG's Disaster Relief Working Group, which focuses on our COVID-19 oversight work. This group collectively identifies common oversight issues and facilitates coordination and deconfliction.

Since March 2020, we have initiated nine new audits related to FEMA's response to COVID-19, including audits of FEMA's Federal coordination efforts and medical supply chain. Our [ongoing audits](#) of FEMA's COVID-19 response include:

- FEMA's Federal Medical Supply Chain in Response to COVID-19: Our objective is to determine to what extent FEMA managed and distributed medical supplies and equipment in response to COVID-19.
- FEMA's Federal Coordination Efforts in Response to COVID-19: Our objective is to determine how effectively FEMA supports and coordinates Federal efforts to distribute PPE and ventilators in response to the COVID-19 outbreak.
- FEMA Emergency Food and Shelter Program (EFSP) Administration of CARES Act Funding: Our objective is to determine whether FEMA is administering CARES Act funding for the EFSP in accordance with Federal requirements to meet program goals.



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- FEMA's Response to Declaration Requests for States, Tribes, and Territories: Our objective is to determine whether FEMA follows its policies and procedures consistently when responding to state, tribal, and territorial declaration requests.
- FEMA's Controls of Mission Assignments in Response to COVID-19: Our objective is to determine to what extent FEMA develops and oversees mission assignments for COVID-19 in accordance with FEMA's policies and procedures.
- FEMA's Disaster Relief Fund for Lost Wages Assistance to DHS Employees: Our objective is to determine to what extent eligible DHS employees received FEMA's DRF for supplemental state lost wages assistance.
- FEMA's DRF Lost Wages Assistance to States and Territories: Our objective is to determine to what extent FEMA ensured states and territories distributed supplemental state lost wage assistance from the DRF to eligible recipients.
- FEMA's Funeral Assistance for COVID-19: Our objective is to determine how effective FEMA's policies, procedures, and internal controls are in providing proper oversight of its funeral assistance program for COVID-19.
- FEMA's Workforce Management during Concurrent Events: Our objective is to determine whether FEMA is effectively planning, managing, and deploying its workforce to successfully respond to concurrent and consecutive disasters and emergencies, including assisting other DHS components or Federal agencies.

We look forward to reporting the results of these audits when they are complete.

Our oversight of the Department and its components would not be possible without the continued, bipartisan support from Congress that we have received for our budget requests. Because of that support, we expanded our ability to obtain and analyze a growing volume of digital forensic evidence, initiated efforts to modernize our information technology infrastructure, and we augmented our program and support staff to enhance our effectiveness. For example, we hired experts to help us improve our business information systems, improve the strength of our processes, and increase the efficiency of our workforce. In addition, we hired additional special agents in our Major Frauds and Corruption Unit to expand our ability to combat COVID-19 fraud. Congress' support has directly enhanced our ability to promote accountability and deter future fraud against DHS and its programs.

Thank you for the opportunity to discuss the important work of DHS OIG and our continued oversight of the Department and FEMA's COVID-19 response. This concludes my testimony, and I look forward to answering any questions you may have.