

GAO@100 Highlights

Highlights of [GAO-21-551](#), a report to congressional committees

Why GAO Did This Study

As of mid-June 2021, the U.S. had about 33.4 million reported cases of COVID-19 and about 593,000 reported deaths, according to CDC. The country also continues to experience serious economic repercussions from the pandemic.

Six relief laws, including the CARES Act, had been enacted as of May 31, 2021, to address the public health and economic threats posed by COVID-19. As of May 31, 2021, of the \$4.7 trillion appropriated by these six laws for COVID-19 relief—including about \$1.6 trillion appropriated by ARPA, which was enacted in March 2021—the federal government had obligated a total of \$3.5 trillion and had expended \$3.0 trillion, as reported by federal agencies.

The CARES Act includes a provision for GAO to report on its ongoing monitoring and oversight efforts related to the COVID-19 pandemic. This report examines the federal government's continued efforts to respond to, and recover from, the COVID-19 pandemic.

GAO reviewed data, documents, and guidance from federal agencies about their activities. GAO also interviewed federal officials; representatives from organizations for states and localities; and other stakeholders, including manufacturers of PPE (e.g., N95 respirators, surgical masks, and nitrile gloves).

What GAO Recommends

GAO is making 15 new recommendations for agencies that are detailed in this Highlights and in the report.

View [GAO-21-551](#). For more information, contact A. Nicole Clowers, (202) 512-7114 or clowersa@gao.gov.

July 2021

COVID-19

Continued Attention Needed to Enhance Federal Preparedness, Response, Service Delivery, and Program Integrity

What GAO Found

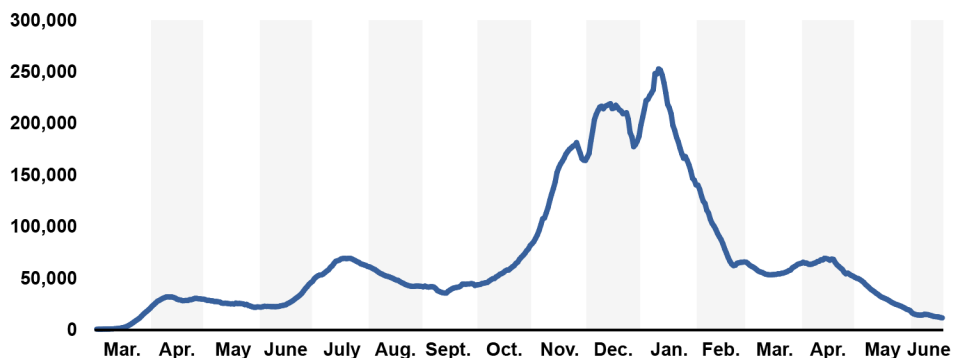
The nation is concurrently responding to, and recovering from, the COVID-19 pandemic, as the number of cases, hospitalizations, and deaths have declined in recent months. Among the factors that have contributed to the decline in these metrics, the development and administration of multiple vaccines across the nation have been key. About 53.1 percent of the U.S. population 12 years and older—almost 150.7 million individuals—had been fully vaccinated as of June 23, 2021, according to the Centers for Disease Control and Prevention (CDC).

Continuing to deliver “shots in arms” will be a priority for the federal government, as individuals yet to be vaccinated remain at risk from COVID-19 and as new variants of the virus continue to emerge. A successful vaccination program is seen as essential to further stabilizing the economy and safely returning to prepandemic activities, such as in-person learning for students in the 2021–22 school year.

The economic and public health recovery from the pandemic and its effects remains fragile. Data from the Department of Labor show that labor market conditions improved in March, April, May, and June 2021 but remained worse relative to the prepandemic period. Additionally, new reported COVID-19 cases from June 5 to June 18, 2021, averaged about 13,000 per day—less than a tenth of the peak reported in January 2021 (see figure).

Reported COVID-19 Cases per Day in the U.S., Mar. 1, 2020–June 18, 2021

7-day moving average of reported cases per day



Source: GAO analysis of Centers for Disease Control and Prevention (CDC) data. | [GAO-21-551](#)

Since GAO began reporting on the federal response to the pandemic in June 2020, it has made 72 recommendations. The agencies generally agreed with 57 of these recommendations and are in the process of implementing a majority of them; 16 of these recommendations have been fully implemented. GAO also made four matters for congressional consideration, three of which remain open. In this report, GAO is making 15 new recommendations in the areas of federal preparedness and response, delivery of benefits and services, and program integrity. GAO's recommendations, if effectively implemented, can help improve the government's ongoing response and recovery efforts as well as help it to prepare for future public health emergencies.

GAO's new recommendations are discussed below.

COVID-19 Testing

CDC has opportunities to improve collaboration and communication with stakeholders. Prior to the COVID-19 response, CDC had not developed a plan for enhancing laboratory testing capacity that identifies objectives and outlines agency and stakeholder roles and responsibilities for achieving these objectives within defined time frames. Doing so would be consistent with the stated goal of its own memorandum of understanding with public health and private laboratory partners and would also be consistent with other leading principles on sound planning that GAO has identified in its prior work.

GAO recommends that CDC work with appropriate stakeholders to develop a plan to enhance surge capacity for laboratory testing. CDC agreed with this recommendation.

CDC initially developed a flawed COVID-19 diagnostic test, which caused challenges for the rollout of testing nationwide. CDC has taken steps to improve its process for developing tests, but additional actions could help strengthen CDC's preparedness and enhance the nation's testing capacity during a future infectious disease outbreak. For example, establishing contracts with test kit manufacturers prior to a public health emergency could allow CDC to supplement the supply produced by CDC and aid in the rapid manufacturing and deployment of test kits during a future public health emergency. **GAO recommends that CDC assess the agency's needs for goods and services for the manufacturing and deployment of diagnostic test kits in public health emergencies, including the potential role of establishing contracts in advance of an emergency.** CDC agreed with this recommendation.

Strategic National Stockpile

The Strategic National Stockpile (SNS) contains a multibillion dollar inventory of medical countermeasures—drugs, vaccines, supplies, and other materials—to respond to a broad range of public health emergencies. The SNS can be used as a short-term stopgap buffer when the supply of materials may not be immediately available in affected areas during a public health emergency. The Department of Health and Human Services' (HHS) Office of the Assistant Secretary for Preparedness and Response (ASPR) oversees the SNS.

The Public Health Emergency Medical Countermeasures Enterprise (PHEMCE), an interagency group of experts, advises the Secretary of Health and Human Services in prioritizing, developing, procuring, deploying, and effectively using medical supplies and other countermeasures for the SNS. In the years before the COVID-19 pandemic, ASPR began restructuring the PHEMCE. This led to concerns from interagency partners regarding the effectiveness of interagency collaboration and transparency, such as a lack of clarity on how ASPR makes decisions about medical countermeasure issues, including for the SNS inventory. In addition, while the PHEMCE was being restructured, ASPR did not conduct SNS annual reviews from 2017 through 2019; these reviews result in recommendations to HHS regarding SNS procurement and are provided to Congress.

According to the former Assistant Secretary who initiated the restructure, although PHEMCE was successful in advancing the development of medical countermeasures, its consensus-driven process did not reflect the urgency needed and PHEMCE proceedings created security vulnerabilities. ASPR officials acknowledged that the changes ASPR made to the PHEMCE from 2018 to 2020 did not fully achieve the desired aims and created other challenges. The office is in the process of reassessing and reestablishing new organizational processes for the PHEMCE, but it has not yet finalized planning documents, including an organizational charter and implementation plan, to guide those efforts. **GAO recommends that ASPR develop and document its plans for restructuring the PHEMCE. The plans should describe how ASPR will ensure a transparent and deliberative process that engages interagency partners in PHEMCE responsibilities outlined in the Pandemic and All-Hazards Preparedness and Advancing Innovation Act of 2019, including those related to SNS annual reviews. These plans should also incorporate GAO's leading practices to foster more effective collaboration, while ensuring that sensitive information is appropriately protected.** HHS—which includes ASPR—agreed with this recommendation.

PHEMCE interagency partners raised concerns about the transparency of PHEMCE activities and deliberations, and ASPR lacked documentation of PHEMCE activities and deliberations after 2017. ASPR was unable to provide documentation to GAO regarding PHEMCE decisions or recommendations made from 2018 to 2020; the rationale for the changes to the PHEMCE; or PHEMCE meeting agendas and minutes from 2018 to 2020. Not maintaining such documentation is inconsistent with HHS's policy for records management and leaves Congress and key stakeholders without assurance that steps taken are advancing national preparedness for natural, accidental, and intentional threats.

GAO recommends that ASPR implement records management practices that include developing, maintaining, and securing documentation related to PHEMCE activities and deliberations, including those related to the SNS.

HHS, including ASPR, agreed with this recommendation.

The nationwide need for supplies to respond to COVID-19 quickly exceeded the quantity of supplies contained in the SNS. Thus, ASPR used procurement processes in addition to its standard process, including direct shipment of supplies from vendors. Through this direct shipment process, supplies purchased by ASPR were not used to replenish the SNS but instead were primarily distributed from vendors directly to state, local, territorial, and tribal governments.

Although ASPR has documented policies and procedures for its standard procurement process, ASPR did not have documented policies and procedures, including related control and monitoring activities, to address payment integrity risks for its direct shipment procurement process. Without written policies and procedures documenting how ASPR tracks the direct shipment and receipt of supplies before issuing payments, there is an increased risk that ASPR may make improper payments to vendors for incorrect supplies or quantities or for supplies that the intended recipients did not receive. In addition, it is difficult for management to assess the adequacy of controls over the direct shipment procurement process, and ASPR lacks assurance that its staff fully understand the process and properly and consistently perform their duties.

GAO recommends that, to strengthen the current procedures for the SNS, HHS update its policies and procedures for the SNS, including related control and monitoring activities, to document the direct shipment procurement process and address payment integrity risks. Although HHS, including ASPR, did not agree with GAO regarding the need to address payment integrity risks, it stated that HHS will update its policies and procedures, including related control and monitoring activities to document the direct shipment procurement process.

Domestic Medical Supply Manufacturing

Before the pandemic, the U.S. generally depended on foreign suppliers for certain types of personal protective equipment (PPE), including nitrile gloves and surgical gowns. Multiple stakeholders representing manufacturers, distributors, and other purchasers noted that meaningful, transparent federal engagement with industry could enhance the resilience of domestic manufacturing and the supply chain. According to some stakeholders, such engagement with the private sector could help ramp up private investment in domestic PPE manufacturing, among other things.

In January 2021, GAO reported that HHS had not developed a process for engaging with key nonfederal stakeholders and Congress for development of a supply chain strategy for pandemic preparedness, including the role of the SNS. GAO recommended that HHS do so, and the department generally agreed with GAO's recommendation. However, as of May 2021, HHS had not implemented this recommendation. GAO continues to underscore that engaging with key nonfederal stakeholders—in meaningful, proactive ways to obtain their business and industry expertise—and with Congress is critical for developing strategies to build a sustainable domestic medical supply manufacturing base.

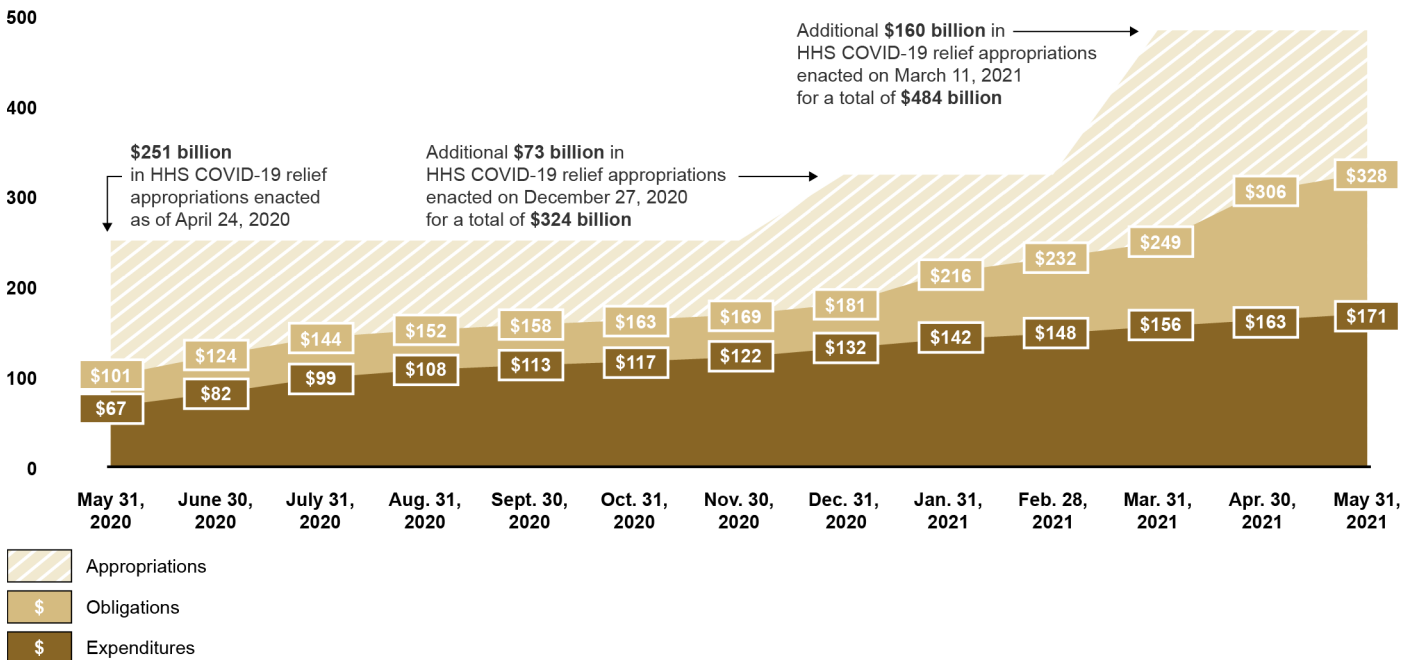
HHS COVID-19 Funding

As of May 31, 2021, Congress had appropriated to HHS approximately \$484 billion in COVID-19 funds in six relief laws. The majority of HHS's appropriations from the first five relief laws had been obligated and about half had been expended. Specifically, as of May 31, 2021, the department reported the following (see figure):

- Of the \$324 billion appropriated in the first five COVID-19 relief laws, about \$253 billion had been obligated (about 78 percent) and about \$168 billion had been expended (about 52 percent).
- Of the \$160 billion appropriated in the sixth law, the American Rescue Plan Act of 2021 (ARPA), about \$75 billion had been obligated (about 47 percent) and about \$3 billion had been expended (about 2 percent).

HHS's Reported COVID-19 Relief Appropriations, Obligations, and Expenditures from COVID-19 Relief Laws, as of May 31, 2021

HHS COVID-19 relief appropriations (dollars in billions)



Source: Department of Health and Human Services (HHS) data. | GAO-21-551

The percentage of obligations and expenditures varied across selected COVID-19 response activities for a variety of reasons, including the nature of the activities, their planned uses, and the timing of the funds provided through the six COVID-19 relief laws.

HHS uses spend plans to communicate information about its COVID-19 spending. The first five COVID-19 relief laws generally require the department to develop, update, and provide these spend plans to Congress every 60 days. The sixth relief law, ARPA, does not require a spend plan, but according to HHS officials, the department is preparing a consolidated plan that captures the first five relief laws and a separate spend plan for funding provided through ARPA. The consolidated spend plan is under internal review at HHS and the ARPA spend plan is still being finalized. As of May 2021, GAO had received and reviewed a total of 15 spend plans—the original spend plans and subsequent updates—provided by HHS. GAO found that the most current spend plans generally do not include time frames for obligating the remaining funds, which is useful information for oversight and informing future funding decisions by Congress.

Guidance from the Office of Management and Budget to federal agencies, including HHS, noted the importance of spending transparency and regular reporting to help safeguard taxpayer dollars. **GAO recommends that HHS communicate information about, and facilitate oversight of, the department's use of COVID-19 relief funds by providing projected time frames for its planned spending in the spend plans it submits to Congress.** HHS partially concurred with the recommendation and stated that the department would aim to incorporate some time frames on planned spending where that information may be available such as time frames for select grants to states.

Higher Education Grants

The Department of Education (Education) has faced inherent challenges that increase the risk of improper payments for its Higher Education Emergency Relief Fund (HEERF) grants to institutions of higher education to prevent, prepare for, and respond to COVID-19. For example, funding needed to be processed and distributed expeditiously because of health and economic threats to institutions of higher education posed by the COVID-19 pandemic. GAO tested Education's procedures for approving and processing HEERF grants through a sample of obligations and found that the department had not effectively designed and implemented procedures needed to identify erroneous obligations after awarding the grants. GAO estimated that for 5.5 percent of schools receiving HEERF grants (about 262 of 4,764 schools in GAO's sample), Education awarded grants that exceeded the amounts allocated—including three instances in GAO's sample for which Education obligated \$20 million more than was allocated.

Officials from Education's Office of Postsecondary Education stated that because of time and staffing constraints and the high volume of grants administered, they did not regularly perform quality assurance reviews after obligation to identify and correct erroneous obligations. **GAO recommends Education design and implement procedures for regularly conducting quality assurance reviews of obligated amounts for higher education grants, including HEERF, to help identify and correct erroneous obligations in a timely manner.** Education agreed with this recommendation.

Coronavirus State and Local Relief and Recovery Funds

COVID-19 relief laws appropriated \$500 billion to the Department of the Treasury (Treasury) to provide direct funding to states, localities, tribal governments, the District of Columbia, and U.S. territories to help them respond to, and recover from, the COVID-19 pandemic. This amount includes \$150 billion that the CARES Act appropriated to Treasury for the Coronavirus Relief Fund (CRF) in March 2020 as well as \$350 billion that ARPA appropriated to Treasury for the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) in March 2021. Recipients can use CRF payments to offset costs related to either the pandemic’s direct effects (e.g., public health needs) or its indirect effects (e.g., harm to individuals or businesses as a result of COVID-19-related closures). The CSLFRF provides payments to these recipients to cover a broader range of costs stemming from the fiscal effects of the COVID-19 pandemic.

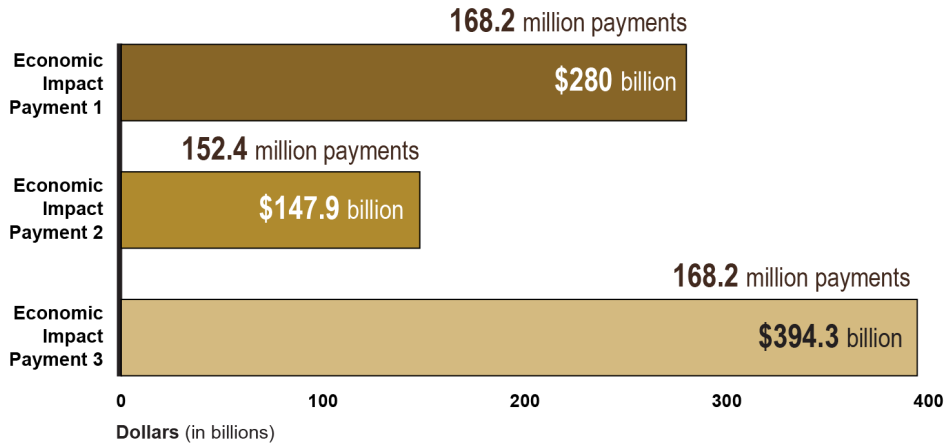
The Single Audit Act establishes requirements for states, localities, Indian tribes, the District of Columbia, U.S. territories, and nonprofit organizations that receive federal awards to undergo single audits of those awards annually when their expenditures meet a certain dollar threshold. Single audits are critical to the federal government’s ability to help safeguard the use of the billions of dollars distributed through the CRF and CSLFRF. Auditors who conduct single audits follow guidance in the Single Audit Act’s Compliance Supplement, which provides guidelines and policy for performing single audits. After consultation with federal agencies, OMB annually updates and issues the supplement. Auditors have reported that the timing of the supplement is critical in allowing them to effectively plan their work.

The timely issuance of single audit guidance is critical to ensuring timely completion and reporting of single audits to inform the federal government about actions needed to help safeguard the use of the billions of dollars distributed through the CRF and CSLFRF. **GAO recommends that OMB, in consultation with Treasury, issue timely and sufficient single audit guidance for auditing recipients’ uses of payments from the CSLFRF.** OMB neither agreed nor disagreed with this recommendation.

Economic Impact Payments

The CARES Act, the Consolidated Appropriations Act, 2021, and ARPA authorized Treasury and the Internal Revenue Service (IRS) to issue three rounds of economic impact payments (EIP) as direct payments to help individuals alleviate financial stress due to the pandemic. (See figure.) To publicize information about how to file a tax return with the IRS to receive an EIP, IRS partners with organizations that work with communities that may not traditionally interact with IRS, such as lower-income families, senior citizens, veterans, tribal communities, and families with mixed-immigration status. According to officials from IRS partner organizations, ensuring eligible nonfilers receive their payments continues to be a challenge. Partners also told GAO their outreach efforts to nonfilers could be more effective if the partners had current data that could help identify specific communities of nonfilers who may need assistance.

Total Number and Amount of Economic Impact Payments (EIP) Disbursed, Rounds 1, 2, and 3, as of May 28, 2021



Source: Internal Revenue Service and Bureau of the Fiscal Service data. | GAO-21-551

In January 2021, Treasury began analyzing nearly 9 million notices it had sent to nonfilers who may be eligible for the first round of EIP payments. However, Treasury does not plan to complete this analysis until fall 2021, more than 6 months after the third round of EIP payments began to be issued. This timing would limit the findings’ usefulness for informing EIP outreach efforts. By waiting to complete the analysis, Treasury and IRS are missing an opportunity to identify communities that may have a higher number of nonfilers and to use that information to inform their outreach efforts as well as the efforts of their outreach partners. **GAO recommends that Treasury, in coordination with IRS, release interim findings on the effectiveness of the notices it sent in September 2020 to potentially EIP-eligible nonfilers; incorporate that analysis into IRS outreach efforts as appropriate; and then, if necessary, release an update based on new analysis after the 2021 filing season.** Treasury neither agreed nor disagreed with this recommendation.

Tax Relief for Businesses

To provide liquidity to businesses during the COVID-19 pandemic, the CARES Act and other COVID-19 relief laws included tax measures to reduce certain tax obligations, including measures related to net operating loss carryback claims. In some cases, these reductions of obligations led to cash refunds. The Internal Revenue Code and the CARES Act generally require IRS to issue certain refunds within 90 days from the date when a complete application for a tentative carryback adjustment is filed or 90 days from the last day of the month in which the return is due, whichever is later. IRS data show that the agency is not meeting the statutory refund requirement for these relief measures and that as of May 1, 2021, the average processing time for refunds was 154 days, excluding additional time for final processing and distribution.

IRS officials said it is taking longer to process returns because IRS facilities that process paper returns continue to operate at reduced capacity to accommodate social distancing. In the meantime, transparent communication about these issues could help taxpayers know when to expect their refunds. Specifically, an explanation on IRS's website that processing times for tentative refunds may exceed the expected 90 days because of service disruptions would provide taxpayers with more accurate information and expectations for receiving a refund. **GAO recommends that IRS clearly communicate on its website that there are delays beyond the statutory 90-day timeline in processing tentative refunds.** IRS neither agreed nor disagreed with this recommendation.

2021 Tax Filing Season

IRS is experiencing delays in processing certain returns received in 2021, resulting in extended time frames for processing returns for some taxpayers. IRS reported that it is taking longer than usual to manually review some of these returns. Specifically, as of the end of the 2021 filing season, IRS had about 25.5 million unprocessed individual and business returns, including about 1.2 million returns from its 2020 backlog, and 13.7 million returns that it had suspended because of errors. IRS staff must manually review these returns with errors. IRS typically has unprocessed returns in its inventory at the end of the filing season, but not to this extent. For example, at the end of the 2019 filing season, IRS had 8.3 million unprocessed individual and business returns, including 2.7 million returns suspended for errors. IRS's annual tax filing activities include processing more than 150 million individual and business tax returns electronically or on paper.

With significantly more returns currently being held for manual review than in prior years, more taxpayers are trying to get information about the status of their returns and refunds. However, taxpayers have had difficulty obtaining status updates on their refunds from IRS, either by phone or online. IRS's website does not contain all of the relevant information regarding delays in processing 2021 returns and issuing taxpayers' refunds. Additionally, IRS's automated message on its toll-free telephone line for individual taxpayers has not been updated to explain refund delays or to include any other alerts associated with the 2021 filing season. **GAO recommends that IRS update relevant pages of its website and, if feasible, add alerts to its toll-free telephone lines to more clearly and prominently explain the nature and extent of individual refund delays occurring for returns that taxpayers filed in 2021.** IRS neither agreed nor disagreed with this recommendation.

This report contains additional recommendations related to disseminating information related to leave benefits for employees.