Grant Thornton

Coronavirus stimulus

Respond and restore. Together.

As Congress readies the largest economic stimulus bill in American history to help stem the fallout from the COVID-19 crisis, fraudsters are waiting in the wings. Federal, State and Local agencies must be equipped with the proper tools and techniques to ensure effective oversight of the stimulus funds.

1 **Designate an anti-fraud POC**
Identify an anti-fraud POC to act as the primary champion for balancing competing imperatives: getting the stimulus money out the door in a timely manner and fighting fraud.

2 **Establish a system of record**
Prior stimulus efforts frequently required extensive record-keeping and oversight to support follow-on impact analyses as well as fraud investigations, so make sure you maintain and enhance your system of record to track benefit disbursements

3 **Identify fraud schemes and red flags**
Identify fraud schemes and red flags based on the benefits you are providing and changes in funding or processes related to COVID-19, and train your people to be on the lookout by providing on-the-job tools and resources.

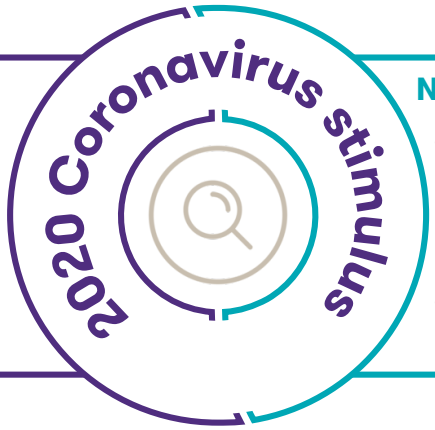
4 **Implement data matching techniques**
Develop analytic tests based on identified fraud schemes for your program and leverage all available data sources to deploy data matching techniques that verify eligibility and reduce improper payments

5 **Establish a feedback loop**
Incorporate a consistent feedback loop among functions and units within your federal agency, state, agency, or the Office of the Inspector General (OIG) to identify and mitigate fraud risks. Consistent communication will allow you to share best practices and utilize all available resources.

6 **Adopt behavioral science techniques**
Proactively stop fraud in its tracks through the implementation of resource-efficient nudges and low-cost human behavior interventions to encourage honesty.

Legitimate beneficiaries

- Legitimate beneficiary double dips on their share of the Stimulus
- Legitimate business beneficiary submits misrepresented applications to the SBA to obtain additional funds



Nefarious fraudsters

- Scammer impersonates an agency offering a loan/benefit through a series of social engineering schemes, with the intent of beneficiary bank account information
- Fraudster poses as a small business owner to defraud the SBA

1 Designate an anti-fraud POC

Multiple functions and units across each agency will be involved in the disbursement of COVID-19 stimulus funds. To eliminate redundancy and ensure a streamlined approach to oversight, it is important to have one dedicated individual to work across the agency to ensure the money is allocated appropriately. The designated antifraud POC can coordinate different offices, among other things, share common red flags and fraud schemes, coordinate reporting, aggregate and share data, and communicate with relevant stakeholders on all fraud initiatives related to the COVID-19 stimulus funds.

2 Establish a system of record

The COVID-19 government response starts with quickly disbursing badly needed funds, but the oversight mechanisms built into the law will be far more effective later if the data you collect now is reliable. Make sure your existing databases capture the relevant information needed to track and monitor funds and take the necessary steps to enhance your existing systems of record now to support oversight. With a reliable set of data, you can better track funds disbursements and identify patterns and irregularities, which can be used to identify a potentially fraudulent benefit before a payment is made as well as enhance the oversight bodies' ability to investigate and prosecute fraud later.

3 Identify fraud schemes and red flags

Understanding how fraudsters will behave in the COVID-19 environment is key. While some fraud schemes will be basic benefits and loan fraud schemes, it is important to determine how they might differ or which ones might be a higher risk based on changes in funding or processes resulting from COVID-19. Some fraud schemes related to COVID-19 stimulus include: disaster loan schemes, misrepresentation of information to increase a payout, identity theft by scammers to get benefits they are not entitled to, bribery and corruption to divert government funds or increase an organizations payout, etc. You can consult external and intergovernmental sources for further ideas on fraud schemes to be on the lookout for.

4 Implement data matching techniques

Data is paramount. Use all information available to you, both from in-house and external sources, to design and leverage data analytics. For example, use information on previously encountered fraud schemes or known risks to design simple analytic tests that identify red flags of fraud, which can be used to either verify eligibility prior to providing benefits or retroactively select cases for investigations. Use government-wide resources that are provided free of charge to supplement your existing analytic controls, such as the Department of Treasury's Do Not Pay Business Center, which verifies eligibility against several government databases, including death records and payment exclusion lists, prior to benefit disbursement.

5 Establish a feedback loop

Take advantage of the knowledge within your agency. COVID-19 stimulus funding provides support to programs that have existed for years—reach out to your SMEs for valuable information on the risks and vulnerabilities associated with these programs. For instance, your OIG is a great resources for information related to known fraud schemes and red flags. Leverage OIG audits, investigations, and evaluations as a way to quickly identify potential vulnerabilities that may arise with the disbursement of stimulus funds based on past activity. Set up a mechanism to routinely communicate on fraud and abuse-related issues, within the agency and with the OIG so information is readily available across the programs involved in stimulus fund administration.

6 Adopt behavioral science techniques

Behavioral science techniques have proven to be an inexpensive and untapped resource in the fight against fraud. Misrepresentation of information (i.e., individuals telling small lies to obtain benefits to which they are not entitled) is a key risk in the COVID-19 stimulus environment. The bill provides close to $2 trillion in aid, so small misrepresentations can add up to large losses for the government. Human behavior interventions are based on research that has shown that people consider their own ethical standards to be high. Thus, a disclaimer before an individual presses submit on an application that states 'There is limited funding, and any misstatement of the truth – no matter how small - might take funding from a family in need' can be surprisingly effective at the changing behavior.

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