

THOMAS KRAUSE SAYS TRUMP HAD TO CLOSE USAID BECAUSE OF TRUMP'S POOR COVID MANAGEMENT

In the last few days, Trump has started doing a better job of messaging with his responses to lawsuits. I'll attempt to explain that going forward. But one instance is the Thomas Krause declaration filed in the Attorneys General challenge to the DOGE access to Treasury systems (which I also wrote about in this post). Krause – still serving as the hatchet man CEO of Citrix (which probably creates a serious conflict) – uses his declaration to claim that he is attempting to “improve the accuracy of financial reporting.”

I am responsible, among other duties, for reducing and eliminating improper and fraudulent payments; waste, fraud, and abuse; and improving the accuracy of financial reporting. To that end, I am focused on improving the controls, processes, and systems that facilitate payments and enable consolidated financial reporting.

Later in the declaration, he provides a notably different explanation for his job.

My role on the Treasury DOGE Team is to find ways to use technology to make the Treasury Department more effective, more efficient, and more responsive to the policy goals of this Administration.

To justify the focus of DOGE, Krause cites several Biden-era GAO reports.

7. As illustrated by several reports released by the Government

Accountability Office (GAO), we have our work cut out for us. On January 16, 2025, GAO released a report entitled "Financial Audit: FY2024 and FY2023 Consolidated Financial Statements of the U.S. Government." In the report, GAO summarizes that they were not able to determine if the Financial Report of the U.S. Government is fairly presented. Among other reasons, GAO highlighted "problems in accounting for transactions between federal agencies." GAO found many material weaknesses including "the federal government's inability to determine the full extent to which improper payments, including fraud, occur and reasonably assure that appropriate actions are taken to reduce them." GAO also reported that Treasury and Office of Management and Budget (OMB) officials expressed their continuing commitment to addressing the problems this report outlines. In short, the GAO report identifies the Federal government's inability to account for all of the improper payments including waste, fraud and abuse across federal agencies.

8. On September 10, 2024, the GAO released a report entitled "Payment Integrity: Significant Improvements are Needed to Address Improper Payments and Fraud." The report found that since 2003, cumulative improper payments¹ by executive branch agencies have totaled about \$2.7 trillion dollars. Some of GAO's top concerns [1] included fraudulent or improper Earned Income Tax Credit refunds, Social Security payments, unemployment and Medicare and Medicaid payments. In fiscal year 2023 alone, federal agencies estimated \$236 billion in improper payments across more than 70 federal programs. **In addition, GAO estimated that the total annual financial losses across the government**

from fraud are between \$233 and \$521 billion. These numbers are truly staggering—billions and billions in hard-earned American taxpayer dollars are being misspent every year. GAO highlighted a number of steps that Congress and federal agencies could take to help reduce fraud and improper payments, including that “[a]gencies should improve oversight to ensure that funds aren’t paid to ineligible recipients” [2] and that “[a]gencies should improve their collection and use of data for preventing and detecting fraud.” [3]

9. Similarly, GAO has identified areas for improvement in BFS’s systems related to identifying and tracing transactions to determine whether they were complete and properly recorded in the correct general ledger accounts and line items within the Schedules of the General Fund. See GAO Report, “Financial Statement Audit: Bureau of the Fiscal Service’s FY22 Schedules of the General Fund” (March 30, 2023). Specifically, GAO has found inconsistent reporting, lack of traceability, and need for improved controls with the Treasury’s Central Accounting and Reporting System (CARS), which federal agencies use to track their spending for budgetary and accounting purposes. These kinds of improvements and others can enhance BFS’s ability to ensure accountability in the spending of taxpayer dollars.

1 Improper payments and fraudulent payments are related but distinct concepts. An improper payment is a payment that should not have been made, or that was made with an incorrect amount; fraudulent payments occur due to willful misrepresentation. All fraudulent payments are improper, but not all improper payments are

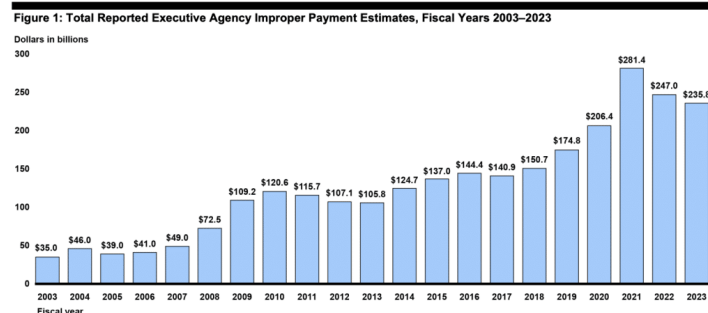
fraudulent. [emphasis and links added]

Elon Musk parroted a lot of this language at his presser at the White House yesterday (which is one reason I say they're beginning to coordinate this better).

If you don't look too closely, the declaration almost makes DOGE look smart. Except I decided to look at one of the reports – the second one – more closely.

And once I did, I realized that Thomas Krause is, in part, using Trump's management failures during COVID as an excuse to start shutting down government. Start with the fact that the first agency Krause focused on after arriving at Treasury was USAID – pursuing his goal of making Treasury, "more responsive to the policy goals of this Administration." But that's not one of the high risk agencies, all of which have to do with direct payments.

Since 2003, which is when they first tracked the data, the amount of improper payments has steadily increased. But it has declined in recent years, under Biden.



There's a reason for that. Look more closely at the estimated improper payments, their sources, *and their timing*.

Program area	Fiscal year (FY) estimated improper payment amounts (in billions) and rates (percent)					
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Medicare ^a	\$48 (7)	\$46 (7)	\$43 (6)	\$50 (7)	\$47 (6)	\$51 (6)
Medicaid ^b	\$36 (10)	\$57 (15)	\$86 (21)	\$99 (22)	\$81 (16)	\$50 (9)
Unemployment Insurance ^c	\$4 (13)	\$3 (11)	\$8 (9)	\$78 (19)	\$19 (22)	\$48 (32)
Paycheck Protection Program ^d	—	—	—	—	\$29 (4)	\$23 (42)
Earned Income Tax Credit	\$18 (25)	\$17 (25)	\$16 (24)	\$19 (28)	\$18 (32)	\$22 (33)
Supplemental Security Income	\$5 (8)	\$6 (10)	\$5 (9)	\$6 (10)	\$5 (9)	\$5 (9)

Legend: — = no reported data.

Source: GAO analysis of Office of Management and Budget, PaymentAccuracy.gov, Department of Health and Human Services (HHS) and Centers for Medicare & Medicaid Services (CMS) data. | GAO-24-107660

For longstanding programs – Medicare and Social Security, the ones Krause mentions in his declaration – the number of improper payments in recent years is about what it was under Trump. What has spiked in recent years (and then receded) are programs that expanded under COVID: Expanded Medicaid and unemployment access, and the PPP program rolled out under Trump, something Krause neglects to mention at [1]. A key thing this report measures is COVID mispayments – that is, improper payments made under programs set up under President Donald Trump, 1.0.

The quotes at [2] and [3] are not actually from the report. They’re from this website (which links to this report).

Many of the recommendations and data used in this report pertain to COVID or lessons learned from it. For example, the report recommends making the payment tracking center set up in response to COVID permanent.

Establish a permanent analytics center of excellence to aid the oversight community in identifying improper payments and fraud.²⁸ This could be achieved by building upon and expanding PACE and making it permanent.

And it recommended building in such collection in case of any future emergency response – in part, to avoid the two to three year delay in finding these payments reflected in the table above.

Require OMB to (1) provide guidance for agencies to proactively develop internal control plans that would be ready for use in, or adaptation for, future

emergencies or crises and (2) require agencies to report these plans to OMB and Congress.

Amend PIIA. Quickly reporting improper payment estimates for emergency relief programs is critical for agency accountability and transparency over whether appropriated funds were spent for their intended purposes. In addition, estimating improper payments and identifying root causes help ensure that agencies develop and implement corrective actions to reduce them.

In November 2020, we recommended that Congress consider, in any future legislation appropriating COVID-19 relief funds, designating all executive agency programs and activities that made more than \$100 million in payments from COVID-19 relief funds as “susceptible to significant improper payments.”³¹ Such a designation would require, among other things, agencies to report improper payment estimates for such a program and develop corrective actions to reduce improper payments. In March 2022, we recommended that Congress amend PIIA to apply this criterion to all new federal programs for their initial years of operation.³² The current approach resulted in 2-to-3 year delays in reporting improper payment estimates for short-term and emergency spending COVID relief programs.

Much of the fraud, too, pertains to COVID relief.

When it is discovered, the Department of Justice (DOJ) can bring charges of fraud against the alleged fraudsters. For example, DOJ has prosecuted over 2,000 COVID-19 fraud-related cases, and hundreds of additional cases are pending. We analyzed the department’s

public statements and court documentation and found that, from March 2020 through March 2024, at least 1,998 individuals or entities facing fraud-related charges were found guilty or liable.¹⁶ This includes charges in cases involving SBA's loan programs, DOL's Unemployment Insurance (UI) programs, and Treasury's economic impact payments. Of the individuals found guilty, at least 1,596 had been sentenced as of March 31, 2024, and many have also been ordered to pay restitution and fines. There were also federal fraud-related charges pending against at least 632 other individuals or entities involving federal COVID-19 relief programs, as of March 31, 2024.¹⁷ We expect the number to continue to increase as investigations take time to develop and given the significant number of investigative leads. For instance, SBA's IG office reported that its actionable leads represent more than 100 years of investigative case work.¹⁸ The government has 10 years to prosecute individuals who committed fraud related to the Paycheck Protection Program (PPP) and the COVID-19 Economic Injury Disaster Loan (EIDL) program.¹⁹ DOL's IG has requested Congress similarly extend the statute of limitations for the pandemic relief UI programs as well.²⁰ Additionally, in a June 2024 press release, the Internal Revenue Service requested to Congress that the statute of limitations for fraud be extended for the Employee Retention Credit.²¹ We support their requests.

Now, to be fair, there was likely to be overpayments and fraud regardless of who was in charge when COVID hit (or when avian flu and measles become pandemics in months ahead).

This is not *all* attributable to Trump's COVID

failures.

But one other thing about this report deserves mention: It is full of discussion of the role of Inspectors General in finding this fraud, including a bunch of the people Trump fired four days into his term – six of whom just filed suit today (which I’ll turn to shortly). Indeed, one of them – Mike Ware – is cited in the report Krause invoked.

18 Stolen Taxpayer Funds: Reviewing the SBA and OIG Reports of Fraud in Pandemic Lending Programs Hearing Before the House Committee on Small Business, 118th Cong. 45 (2023) (statement of Hannibal “Mike” Ware, Inspector General of U.S. Small Business Administration).

Thomas Krause says we need to fix the errors created by Trump’s poor management of COVID. But one of the first things Trump in his second term did was to fire the people who’ve done the most to do so.

Update: Corrected Mike Ware’s last name.

Update: I’ve linked Ware’s testimony, above. Among other things, he estimated that SBC IG identified up to \$200 billion in fraudulent COVID relief.

Using OIG’s investigative casework, prior OIG reporting, advanced data analytics, and additional review procedures, we estimate SBA disbursed more than \$200 billion in potentially fraudulent COVID-19 EIDLs and PPP loans. This estimate represents approximately 17 percent of disbursed COVID-19 EIDLs and PPP funds – specifically, more than \$136 billion COVID-19 EIDLs and \$64 billion in PPP funds. Since SBA did not have an established strong internal control environment for approving and disbursing program funds, there was an insufficient barrier against fraudsters accessing funds that should have been

available for eligible business owners
adversely affected by the pandemic.

In other words, a huge chunk of the fraud Krause
says he is looking for was IDed by one of the
guys Trump fired on day four.