



Where's My Relief?

Those expecting governmental assistance could be in for a long wait. But there is an even longer story of how we got here.

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The collective efforts of government agencies to provide the relief promised by the Coronavirus Aid, Relief, and Economic Security (CARES) Act to individuals and small businesses are at risk of failure. Simply overwhelmed by the worst economic downturn in 80 years, the resulting demand for the relief, and the speed at which it is needed, has left understaffed and underfunded agencies struggling to deliver.

It has been three weeks since President Trump signed the over \$2 trillion CARES Act into law, in a bipartisan attempt to lessen the economic impact of the COVID-19 pandemic. Yet today, millions of households and small businesses are still waiting to receive the help they were promised under the legislation. And it is becoming a growing concern that many may never receive the aid they thought would arrive.

The relief that was promised was to come in the form of three basic initiatives: \$1,200 per adult and \$500 per dependent child relief payments; \$350 billion in Small Business Administration (SBA) loans in the form of the Payroll Protection Program (PPP); and \$260 billion in unemployment benefits for the more than 22 million people that now find themselves out of work as a result of COVID lock downs.

As NSA reported previously, the rollouts of all three of these programs had significant issues. The SBA exhausted the PPP funds on Thursday, very little unemployment aid has reached eligible self-employed and gig workers, and a significant number of Americans who were due to receive relief payments saw the message: “payment status not available” when they logged on to the IRS portal.

Discussion in Washington among former and current government officials is now acknowledging that it would have been a tall order for any administration to execute such a massive set of new programs in such a short time. Yes, there were delays and complications without question, but tens of millions of Americans did receive direct deposits worth \$1,200 or more this week and approximately \$350 billion was allocated to, if not yet received by, small businesses across the country.

But one truth remains clear and it is a truth that the tax preparer community knows only too well – the administration’s promise of swift and effective action to provide relief was always going to run afoul of a federal and state apparatus not well designed to deliver service so fast. Let alone when that “service” was in the form of money.

The administration’s efforts to provide relief have been hampered by a technological infrastructure that requires significant knowledge of a software programming language not widely used in decades. In addition, there has been a long-standing reticence to appropriately fund government agencies and a longstanding willingness to keep senior agency positions vacant.

This perfect storm of managerial failings has now left both federal and state governmental infrastructure unable to cope with the demands of implementing one of the biggest government interventions in history. And predictably, the predicament we now find ourselves in has become the political football of the day.

The White House on Friday defended its rollout, saying of the 80 million payments made this week, all but 1 percent reached their intended recipients. President Trump on Friday called the initiative an “incredible success.” Treasury Secretary Steven Mnuchin said Friday in an interview “We couldn’t be more proud of what we’ve done,”

Yet, the administration still faces a significant test over the coming weeks as over 70 million additional taxpayers are eligible for relief, and many of those are without bank accounts or direct deposit information on file.

Among the various problems taxpayers reported this week included payments being sent to incorrect bank accounts, omission to include the \$500 checks for dependent children, and not receiving payment at all due to a technical glitch involving some accounts of people who were clients of chain tax preparers.

The IRS reportedly sent approximately 300,000 stimulus payments erroneously to accounts that no longer exist but were once held by the bank MetaBank. These accounts were only used temporarily during tax season to receive refunds and determine what fees go to tax preparers and what amount goes back to the taxpayer. MetaBank sent the money back to the IRS, which is now likely to issue paper checks and issued a [statement on the confusion](#).

The Washington Post reported that the IRS was unable to send out other payments to certain clients of tax preparers because the system couldn't find their direct deposit information. These and other glitches potentially impact up to 21 million people, according to The Post. The IRS has also wrongly used some 2018 taxpayer data, some people have died, and some have just changed banks, further complicating the process.

The IRS said it is aware of the problems but is limited in what it can do to provide immediate assistance. The IRS had provided a [FAQ section](#) on its website for taxpayer general questions. In addition, eligible taxpayers trying to determine why they got an inaccurate check, or no check at all, are unable to communicate with the IRS directly. Early last week, the IRS closed the last of its service centers in Ogden, UT.

But lack of available agents to answer calls provides just a cursory view of far deeper problems. The IRS uses a decades-old software, the IRS "MasterFile", written in COBOL to actually do the work of the agency. The software is responsible for processing individual and business tax filings and was first developed in 1962.

The stimulus programs provided by the CARES Act have required multiple in-depth coding changes to be made to the "Masterfile". In addition, the agency has at least 16 other databases containing needed taxpayer information, none of which easily communicate with one another.

As well as the coding issues, the IRS has been operating on a seriously depleted staff for over a decade. In 2010 the IRS had approximately 100,000 staff, but that number has dropped almost 25% in the last 10 years leaving the IRS employee count in June of 2019 at 76,000. Compounding the depletion of staff resources is the fact that significant numbers of the staff no longer with the agency were experts in the agency's legacy computer systems.

The Treasury Department is also working to oversee the CARES Act relief programs while its own ranks are depleted. Treasury headed into the crisis with vacancies in several senior positions, some of whom would have likely played key roles in the current crisis. Examples of particular concern are that Secretary Mnuchin does not have a chief of staff or an undersecretary for domestic finance, a role responsible for monitoring large changes in the U.S. economy.

But regardless of these staffing and other issues, it does still warrant reflection that there is simply a lot to get done in a very short time. Senior Treasury and IRS officials are interacting at the highest levels with lawmakers, Federal Reserve officials, the SBA, foreign banking ministers, and international institutions such as the World Bank and International Monetary Fund. On top

of that, Secretary Mnuchin was also intimately involved with much of the crafting of the federal rescue package for the airlines.

IRS spokeswoman Jodie Reynolds said recently that “The IRS delivered this unprecedented effort in record time, delivering the first round of payments less than three weeks after the law was signed. For comparison, the stimulus payments delivered in 2008 took 75 days to begin to reach taxpayers.”

With the broad lift needed to implement the first major bailout package, the administration has not made as much progress as they would have liked on an additional congressional package for the PPP and the Economic Injury Disaster Loan (EIDL) even though both parties seem to agree that it is needed.

As well as the problems faced by applicants to the PPP and EIDL, the unemployment safety net system, run by the [Labor Department](#) and the states, has been equally under pressure with more than 22 million applicants since March 13.

[Unemployment insurance is a federal program](#), but each state administers it for its residents. Many states were simply not prepared for the levels of claims and saw similar issues as have been seen with programs at the federal level. Predictably, many states have similar or the same outdated technology.

“Our systems are barely keeping up with the overwhelming volume,” said New Jersey Governor Phil Murphy (D). New Jersey and other states have been advertising job openings recently seeking people proficient in old programming languages such as COBOL.

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