Understand the oversight and agency reporting requirements resulting from the CARES Act, so you can help ready your agency for what lies ahead.

COVID FINANCIAL MANAGEMENT

The CARES Act — Agency Reporting and Oversight Implications

By Jason Wagoner
4/30/2020

Key insights

• The CARES Act includes oversight provisions aimed at preventing and detecting fraud, waste, abuse, and mismanagement.

• There are five levels of oversight, three of which are new under the CARES Act.

• Agencies are subject to various reporting requirements as a result of the additional funding provided by the CARES Act.

“No money shall be drawn from the Treasury, but in Consequence of Appropriations made by law; and a regular Statement of Account of the Receipts and Expenditures of all public money shall be published from time to time.”
At roughly $2 trillion, the Coronavirus Aid, Relief, and Economic Security (CARES) Act represents the largest emergency economic stimulus package in United States history — much larger than the roughly $800 billion economic stimulus package passed in 2009, known as the American Recovery and Reinvestment Act (ARRA). Similar to ARRA, the CARES Act has reporting requirements and distinct oversight and accountability provisions “to promote transparency and support oversight of funds.” Federal agencies need to understand their reporting requirements and the oversight provisions aimed at preventing and detecting fraud, waste, abuse, and mismanagement. These requirements may compel federal agencies to test their internal control framework and potentially take actions to strengthen it.

Agency impact
The CARES Act splits the law into two divisions, Division A and Division B.

CARES Act Division A
Division A primarily tasks the following agencies with provisions for keeping workers paid and employed, enhancing the health care system, and stabilizing the economy:

- The Small Business Administration (SBA)
- Department of the Treasury (Treasury)
- Department of Health and Human Services (HHS)
- Department of Labor (DOL)
- Department of Education (Education)

The law allows the SBA to offer several new temporary loan programs to provide relief for American workers and small businesses. Additionally, the law directs the SBA to provide loan forgiveness, subsidies for loan payments, and grants for entrepreneurial development. Agencies must provide detailed expenditure plans to Treasury no later than 180 days after the law is enacted.

Treasury is establishing loan terms and conditions and assisting the SBA with loan program administration. They are supporting states, municipalities, and eligible businesses through Treasury’s Exchange Stabilization Fund, which
supports various loans, loan guarantees, and other investments for those affected by COVID-19. The loans and loan guarantees are all subject to and made in accordance with the provisions of the Federal Credit Reform Act of 1990.

HHS is supporting America’s health care system through the CARES Act by:

- Examining and reporting on the security of the nation’s medical product supply chain
- Reporting and summarizing the activities and outcomes associated with HHS’ education and training program grants, contracts, and cooperative agreements
- Extending existing HHS programs, such as Medicare and Medicaid

Under the CARES Act, the DOL is administering a series of unemployment insurance provisions, including pandemic unemployment assistance, emergency unemployment relief for governmental and nonprofit entities, and pandemic emergency unemployment compensation. DOL must certify to the Treasury for payment certain sums payable to each state.

The Department of Education has a multitude of education provisions as a result of the CARES Act, including campus-based waivers, supplemental educational opportunity grants for emergency aid, and adjustments of subsidized loan usage limits.

**CARES Act Division B**

Division B of the CARES Act provides for emergency appropriations for coronavirus health response and agency operations. Several agencies received various levels of funding to provide support in combating coronavirus. For example, the Department of Agriculture funding will provide support to farmers, including specialty agricultural producers, livestock producers, and producers that supply local food systems, such as farmers markets, restaurants, and schools. The Department of Commerce received funding to respond widely, both domestically and internationally, to economic injury because of the pandemic.

The Act also provides emergency funding for other agencies. For example, the Federal Emergency Management Agency received $45 billion for its disaster relief fund. Other agencies that received emergency appropriations include:
• Departments of Justice, Defense, Homeland Security, Interior, Veterans Affairs, Energy, and Labor
• National Aeronautical and Space Administration
• National Science Foundation
• Nuclear Regulatory Commission
• Federal Communication Commission
• Social Security Administration
• Environment Protection Agency
• Office of Personnel Management

Know your oversight requirements
As noted above, the U.S. Constitution requires departments and agencies to make a “regular statement of account.”

As a first step, agency officials must understand the requirements for successfully implementing federal programs in accordance with the CARES Act requirements. Even more important, knowing the oversight requirements early — during program implementation — allows for assessments and implementation of an appropriate control environment, which can help address risks and mitigate potential issues down the road.

The CARES Act provides for five levels of oversight
Existing oversight mechanisms include:

• Appropriations provided to various agencies’ current Office of Inspectors General, to conduct audits and investigations of projects and activities carried out with the emergency funds made available to the agencies.
• The Government Accountability Office must submit a report in December 2020, and annually thereafter, with regard to the loans, loan guarantees, and other investments made under the law.

The CARES Act also provides for three newly created oversight functions expressly established to provide specific and targeted oversight of the implementation and administration of the funding:
• Special Inspector General for Pandemic Recovery created within the Treasury to conduct and coordinate audits and investigations of the making, purchase, management, and sale of loans and loan guarantees.

• Congressional Oversight Commission has reporting requirements to Congress with regard to the impacts the loans and loan guarantees are having on the financial well-being of the country’s people, economy, financial markets, and financial institutions.

• Pandemic Response Accountability Committee was created through the law to promote transparency and support oversight of the funds provided by the CARES Act to prevent and detect fraud, waste, abuse, and mismanagement.

The Pandemic Response Accountability Committee will also develop a strategic plan to coordinate efforts with the Inspectors General. This coordination will include audits and reviews of the contracts made through the CARES Act to target such things as wasteful spending and poor contract or grant management, and to ensure the reporting of contracts and grants meets applicable standards.

How we can help

From start to finish, our team of federal government industry auditors, consultants, and IT professionals are here to support federal agency officials in meeting their oversight requirements during these uncertain times. Our COVID-19 resource center provides clear information that can help you sift through the noise.

You can also subscribe to our email communications to get the latest news. Our experienced professionals can help navigate the complexities of audit performance, audit readiness, or fraud risks, best preparing you for what lies ahead.

Contact Us

Jason Wagoner
Principal
T: 301-902-8568