



## Office of Inspector General

Board of Governors of the Federal Reserve System  
Bureau of Consumer Financial Protection

# Coronavirus Pandemic Oversight Challenges

In mid-March, the Board of Governors of the Federal Reserve System began a complex intervention in the nation's economy in response to the pandemic. The Board has adjusted target interest rates and used its emergency lending authority under section 13(3) of the Federal Reserve Act to ensure liquidity in financial markets and provide lending support to various sectors of the economy. While some of these facilities are modeled after those created during the 2008 financial crisis, others have been created in new and unique ways for the pandemic response. Signed into law on March 27, the Coronavirus Aid, Relief, and Economic Security (CARES) Act authorized, among other things, the U.S. Department of the Treasury's investment in facilities established by the Board and mandated public reporting of information about the government's pandemic response. Significant coordination among the Board, Treasury, and numerous other federal agencies will be necessary as the Board continues its pandemic response.

Of course, the scope of the Board's response so far and its potential future actions must properly address the significant challenges ahead for the broader economy as well as the statutory requirements of the CARES Act. As the Office of Inspector General for the Board, we are initially focused on

1. governance and controls to ensure consistent execution of the Board's programs by the Federal Reserve Banks designated to put them into action, as well as vendor activities to execute program objectives
2. coordination activities among the Reserve Banks or the designated program manager to execute, monitor, and improve that execution over time
3. data aggregation and validation, particularly before program-related information is shared with the public or congressional stakeholders
4. the monitoring and tracking of unique features associated with specific programs, such as
  - a. the forgiveness of Paycheck Protection Program loans and its effect on the security interests under the Paycheck Protection Program Liquidity Facility
  - b. the limits associated with the Primary and Secondary Market Corporate Credit Facilities
  - c. the Treasury's equity investments in specific CARES Act programs

We are actively collecting and analyzing information in these and other areas to identify emerging risks with a view to initiating targeted audits or evaluations.

In addition to oversight related to the Board's facilities and related activities directly supporting the economy, we are also actively monitoring

1. measures taken to encourage financial institutions to lend consistent with the spirit and intent of specific lending programs, such as the Paycheck Protection Program

2. the Board's efforts to review community banking organizations' participation in pandemic response programs to confirm that participation is commensurate with an institution's governance, risk management, and internal control capabilities
3. the extent to which pandemic response lending efforts reach intended recipients and serve intended communities
4. specific measures to encourage and foster more lending during the pandemic response

Throughout these activities, the security of Board data, communications, networks, and systems essential to the Board's and the Federal Reserve System's response to the pandemic are of paramount importance. We have expanded our testing of critical information technology systems and broadened the scope of our security control reviews previously planned to meet the requirements of the Federal Information Security Modernization Act of 2014. We are also coordinating directly with various information technology organizations throughout the System, including those Reserve Banks that provide services to the Board and across the System.

Further, we are dedicated to identifying and investigating potential fraud affecting the facilities and other Board programs central to the pandemic response. To do so, we leverage our relationships with various federal law enforcement organizations, U.S. attorney's offices, and components of the U.S. Department of Justice.

Finally, we are focused on additional oversight activities as the Office of Inspector General for the Bureau of Consumer Financial Protection. Although the programs and operations of the Bureau are not directly provided funding by the CARES Act or tasked with CARES Act requirements, the agency plays a vital role in protecting consumers from pandemic-related consumer financial fraud and abuse. In this regard, we actively oversee Bureau supervisory activity and monitoring of consumer complaints. We also work closely with Bureau enforcement and our law enforcement partners throughout the country to identify, investigate, and prosecute pandemic-related fraud as it emerges.

As we conduct these oversight activities, we will continue to work closely with other inspectors general, the U.S. Government Accountability Office, the Pandemic Response Accountability Committee, and our congressional committees of jurisdiction in order to efficiently deploy oversight resources where they are most needed.