Executive Summary, 2022-FMIC-B-004, February 28, 2022

The Board Has Effective Processes to Collect, Aggregate, Validate, and Report CARES Act Lending Program Data

Findings

Section 13(3) of the Federal Reserve Act and section 4026 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act require the Board of Governors of the Federal Reserve System to publicly report on the CARES Act lending programs. The Board meets its CARES Act reporting requirements; voluntarily reports transaction-specific data; and publishes complete and accurate data, with the exception of some immaterial inaccuracies.

The Board established and documented processes for collecting, aggregating, validating, and reporting CARES Act lending program data; however, it can improve the documentation of a key decision related to how it gains assurance that the publicly reported transaction-specific data are accurate and complete. Routinely updating documentation and the associated key decisions may help the Board quickly establish processes for the public reporting of lending activities should similar circumstances arise in the future.

Although the Board’s decision to publish transaction-specific data exceeded applicable statutory requirements for publishing aggregate-level data on the lending programs, we identified additional opportunities to enhance transparency and reduce the potential to report immaterial inaccuracies in the supplemental data. The opportunities we identified can further the Board’s long-term strategic objective to increase the public’s understanding of its activities.

These improvement opportunities arose because the Board created the CARES Act lending programs within a compressed time frame. The Board and the Federal Reserve Banks acted quickly to meet their reporting requirements and focused on ensuring financial accuracy.

Recommendations

Our report contains recommendations designed to help the Board quickly establish processes for reporting on lending programs under similar future circumstances. In its response to our draft report, the Board concurs with our recommendations and outlines actions that have been or will be taken to address them. The Board has taken sufficient actions to address our recommendation related to documenting a key decision, and we are closing this recommendation upon issuance of this report. We will follow up to ensure that the remaining recommendation is fully addressed.

Purpose

The objective of our audit was to assess the Board’s processes for collecting, aggregating, validating, and reporting data related to its CARES Act lending programs. The scope of our audit focused on the Board’s internal controls over the transfer of data from the Reserve Banks; Board processes for ensuring that the data are accurate and complete; and compliance with the relevant reporting requirements for all of the CARES Act lending programs—the Corporate Credit Facilities, which include the Primary Market Corporate Credit Facility and the Secondary Market Corporate Credit Facility (SMCCF); the Main Street Lending Program (MSLP); the Paycheck Protection Program Liquidity Facility (PPPLF); the Term Asset-Backed Securities Loan Facility; and the Municipal Lending Facility. Although the PPPLF does not receive an equity investment from the U.S. Department of the Treasury, we include it in our definition of a CARES Act lending program because it was created to support the CARES Act—established Paycheck Protection Program, and the Board treated the PPPLF like the other CARES Act lending programs for reporting purposes. In addition, we conducted validation testing on SMCCF and MSLP transaction-specific data. We excluded the other CARES Act lending programs from our validation testing activities because the other lending programs were subject to other independent oversight, had no active loans, had limited users, or were established during the 2008 financial crisis.

Background

The COVID-19 pandemic disrupted economic activity in the United States, which affected many sectors of the financial system. In response to the pandemic, the Board established lending programs under the CARES Act to support state and local governments and businesses of all sizes. The Federal Reserve System is required by statute to report on any outstanding loan or guarantee programs once every 30 days. To meet its 30-day reporting requirements, the Board has established processes for collecting, aggregating, validating, and reporting CARES Act lending program data.