

A hand is shown in the upper left corner, with the index finger pointing towards a digital screen. The screen displays a complex network graph with nodes and edges in various colors (blue, green, yellow, red, purple). The background is dark, and the screen's glow illuminates the hand and the surrounding area. A yellow rectangular box is overlaid on the bottom right of the image, containing text.

CARES Act oversight

May 1, 2020

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Introduction

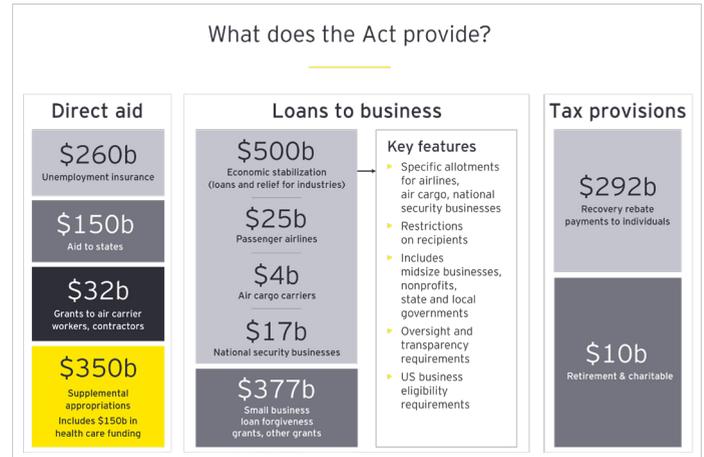
On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act or the Act) was signed into law to provide unprecedented stimulus to the US economy and support distressed businesses and individuals in the wake of the COVID-19 pandemic. This law presents a historic opportunity for government to support the American people at a time of crisis. So that the CARES funds are appropriately spent, the act requires inspections, audits and/or investigations to be performed by agency inspectors general (IGs) as well as establishes the Pandemic Response Accountability Committee (PRAC) with the objectives of preventing and detecting fraud, waste, abuse and mismanagement, and mitigating major risks.

Overview

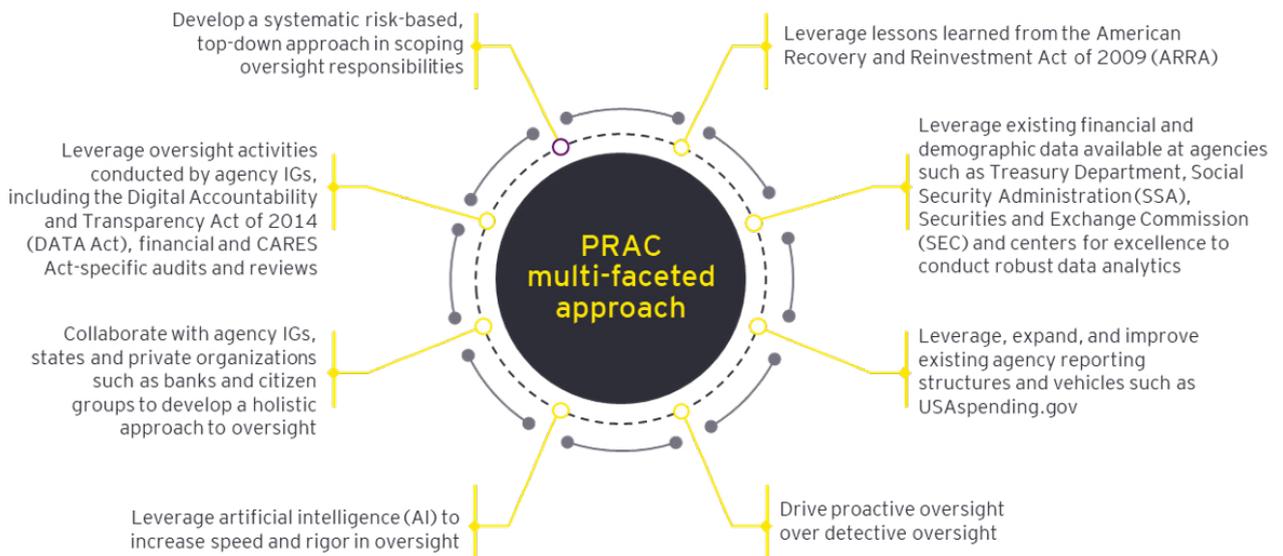
This document presents PRAC requirements and challenges aligned to EY solutions and provides tangible examples of actions that can be executed by the PRAC now, next and in the future (i.e., beyond). The document concludes with how EY solutions can be leveraged by agency IGs in fulfilling their CARES Act oversight responsibilities.

Oversight objectives

The objectives of the PRAC, as established within the CARES Act, are to prevent and detect fraud, waste, abuse and mismanagement, and mitigate major risks through executing and coordinating oversight activities of covered funds (i.e., CARES Act funds and all other federally appropriated COVID-19-related funds) as well as providing support to agency IGs in their oversight of covered funds. The oversight is to be executed by conducting audits or reviews of the use of covered funds or collaborating or supporting agency IGs in executing audits or reviews.



The scale of the CARES Act is unprecedented at over \$2.3 trillion and represents a significant challenge in terms of oversight for both the PRAC and federal agency inspectors general. To successfully accomplish its objectives, the PRAC must utilize a multi-faceted approach that focuses on risk, leverages lessons learned from prior stimulus oversight and CARES and drives cutting-edge technology, proactive oversight and collaboration.

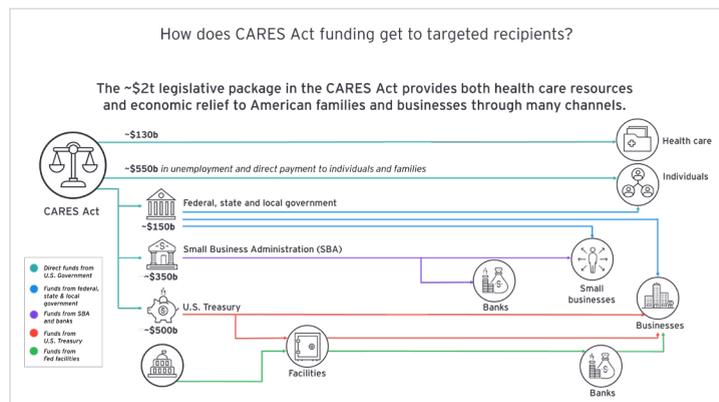


PRAC

now, next and beyond

Since the enactment of the CARES Act, trillions of dollars have and will continue to flow down from the federal level to state and local agencies, commercial institutions (i.e., banks, health care facilities) and individuals.

One of the most important lessons from ARRA is that oversight must be at the forefront rather than an afterthought, which is why the CARES Act puts the PRAC and agency IGs on the front lines, demanding accountability and guarding against waste, fraud, abuse and mismanagement. Therefore, the PRAC must act quickly.



Here are the actions that can be executed by the PRAC now, next and beyond.

Now

Program strategy

- ▶ Develop a governance model incorporating agency IGs and Special IG for Pandemic Oversight
- ▶ Identify lessons learned from ARRA and related Recovery Accountability and Transparency Board (RATB) Recovery Operations Center (ROC) and Recovery.gov initiatives
- ▶ Develop a systematic risk-based, top-down approach to scoping oversight activities

Build capacity

- ▶ Exercise all available authority to align appropriate personnel to positions necessary to execute on mandate
- ▶ Identify additional support needs that best align to oversight mission

Information and communication

- ▶ Provide design and infrastructure, including a dedicated CARES Act oversight public-facing website, to adequately respond to the law, including reporting to the president and Congress

Next

Operationalize program

- ▶ Use an oversight program through collaboration with agency IGs and multiple vendors
- ▶ Prioritize processes and procedures in execution of audits/reviews
- ▶ Develop a data collection and management strategy

Execute audits and reviews

- ▶ Use a risk-based approach to execute audits or reviews focusing on fraud, waste and abuse (FWA) as well as accountability of use of covered funds
- ▶ Prioritize proactive vs. reactive oversight
- ▶ Collaborate with or support agency IGs on oversight execution
- ▶ Collaborate with state and local agencies, private organizations as well as citizens' groups

Beyond

Reporting

- ▶ Implement an infrastructure dedicated to fulfilling reporting requirements, including management alerts, biannual oversight reports, impact reports, and results of audit and reviews
- ▶ Maintain and expand CARES Act oversight public-facing website
- ▶ Identify and execute additional reporting and communications needs based on stakeholders' feedback

Define a future state

- ▶ Develop a future state vision and road map to evolve the strategy, program operations, reporting and communication and focus of audits and reviews

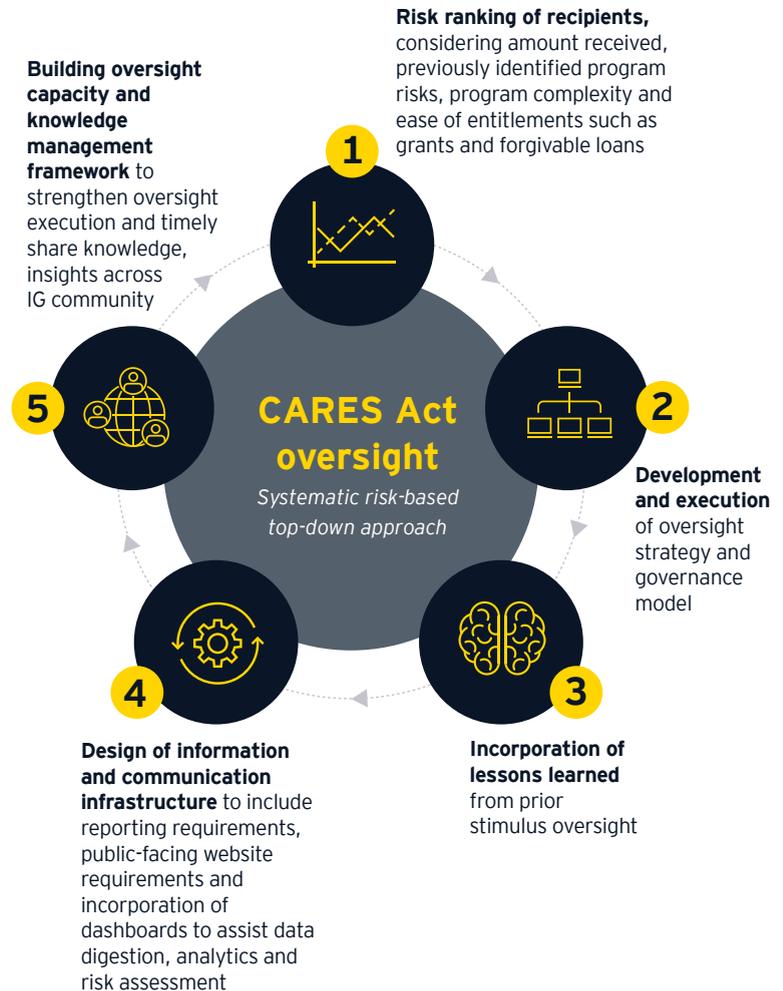
Let's discuss how
Ernst & Young LLP can help.

Strategic planning and oversight

Strategic planning

Our finance strategy advisory team has extensive experience designing and evaluating oversight and compliance programs. We were engaged by the U.S. Treasury's Office of Financial Stability to support the implementation of the Troubled Asset Relief Program (TARP), including implementing controls, managing risk, reporting to stakeholders, and designing and implementing a compliance framework. We have also assisted many state-level departments and agencies with managing billions of dollars in federal disaster recovery grants from Federal Emergency Management Agency (FEMA) and other agencies.

This experience allows us to understand the related risks that agencies face in administering billions in aid. We can assist the PRAC in developing an oversight strategy based on a comprehensive strengths, weaknesses, opportunities and threats (also known as SWOT) analysis, to clearly articulate the strategic goals and measures of success for the PRAC. An oversight program must also be stood up to implement the strategy, leveraging lessons learned from the ARRA, RATB, ROC and Recovery.gov, coupled with existing financial oversight, audit and compliance enforcement functions under agency IGs and similar authorities. The success of the oversight program will be determined by the strength of the strategy and the capacity (experienced people with the right skill sets) to execute the strategy. Furthermore, our experience indicates that a robust approach for building PRAC's data and analytics capabilities can accelerate the effectiveness of oversight, risk management and reporting.



Forensic reviews

IGs are on the front lines against FWA and are called to provide both a proactive and reactive posture to violations against the integrity of CARES Act funding. These reviews, audits and other processes will all come into play to uncover evidence of abusive activity among CARES Act disbursements.

CARES Act funding spans across a wide range of disbursement channels, producing massive volumes of data across programs and loan mechanisms and putting unprecedented strain on the PRAC and agency IG personnel to monitor compliance. State-of-the-art technology solutions will be required to gather, assess, analyze and triage data, and ultimately to respond with data-driven insights. Our Global Public Sector Forensic & Integrity Services (EY Forensics) professionals have extensive experience in assisting organizations in

detecting FWA while using the latest leading-class EY technology.

Our forensics team

EY Forensics combines the collective experience of over 4,500 professionals drawn from the public and private sectors, including former law enforcement, federal prosecutors, and regulatory and intelligence community leaders. We provide data-driven insights using advanced analytics and bring a deep understanding of the complexities of fraud risks facing federal agencies.

Click on our competencies below to learn more:



Forensics

Fraud schemes continuously evolve. Responding effectively requires leveraging broad-based leading practices to proactively mitigate risk, while simultaneously meeting regulatory requirements and promoting strong operating performance. EY Forensics leverages a proven monitoring and investigations framework, supported by EY state-of-the-art technology, to identify and respond to EY Forensics risks consistently and effectively. Our Virtual Analytics Infrastructure (EY Virtual) is a microservice-based AI and forensic data analytics platform. It supports risk management and investigative activities by providing actionable insights within a secured efficient and scalable technology environment.

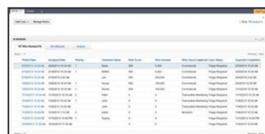
Click a screenshot to the left to learn more about EY Virtual.

Forensic reviews

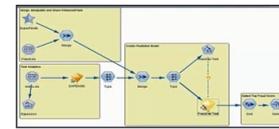
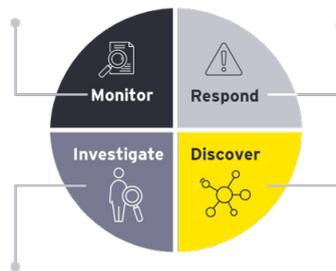
Our tools can rapidly execute data collection via a strategy that encompasses the broad range of data sources, which can include collection and ingestion of existing financial and demographics data available at agencies such as Treasury, SSA, SEC and centers for excellence, to conduct robust data analytics, driving the use of proactive oversight.



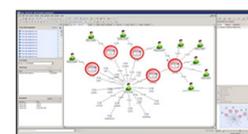
Detection: Identify fraud within a business process, using both traditional and IT-enabled techniques



Case management: Assign tasks, flag transactions and delegate projects for review



Data-supported: Apply fraud insights and automated alerts to take action in real or near time - when it matters



Pattern & link: Uncover hidden fraud and relationships with big data

Our Integrity Monitoring process is set up to begin delivering value from day one.

We focus on helping to drive value to our clients to support the effective and efficient delivery and control of major projects. Our methodologies, tools and templates have been derived from leading practices through years of experience on large, highly complex projects. We focus on areas of greatest risk within a program to help drive value to our clients. We have worked with clients to enhance resources to combat and detect waste, fraud, abuse, and corruption to achieve program and project objectives. Our overall approach aims to customize our services to the individualized needs and circumstances of our clients.

The Integrity Monitoring framework				
Step 1 - Scoping and planning		Step 2 - Execution of Integrity Monitoring program		
		Step 3 - Reporting and communications throughout		
Initiate	Program governance	Periodic monitoring	Grant approval and processing	Recipient compliance
<ul style="list-style-type: none"> ▶ Conduct interviews ▶ Implement procedure and process review to understand key controls, processes and regulatory requirements 	<ul style="list-style-type: none"> ▶ Understand overall program governance to identify process gaps and execution risks 	<ul style="list-style-type: none"> ▶ Records review and compliance checks ▶ Ongoing evaluation to assess compliance 	<ul style="list-style-type: none"> ▶ Integrity and compliance of the funds recipient process ▶ Data analytics to detect anomalies 	<ul style="list-style-type: none"> ▶ Investigations and compliance (e.g., background checks, monitoring of recipient support) ▶ Data analytics to detect anomalies

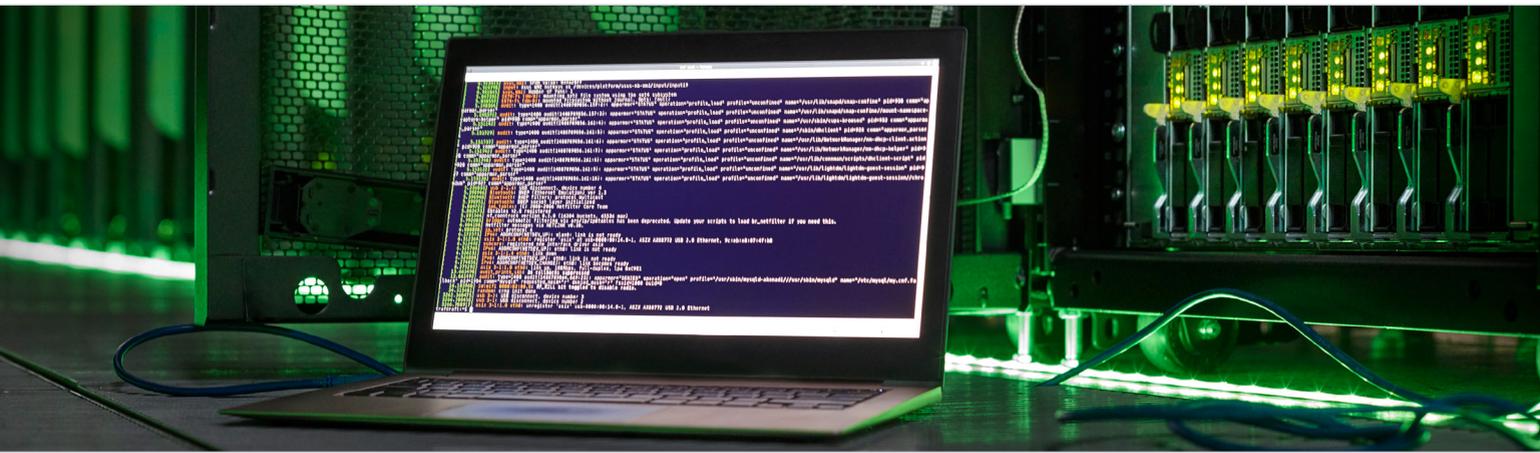
Forensic reviews

EY Forensics TARP accountability and monitoring services prepared us for CARES Act oversight

As part of the government's TARP antifraud monitoring efforts, EY Forensics was engaged by the Office of Compliance within Treasury's Office of Financial Stability to assist its antifraud unit (AFU) in establishing, supporting and executing a fraud, waste and abuse compliance program to monitor websites and assess facts to build the basis for and conduct investigations of potentially fraudulent activity in connection with TARP housing programs. Within months of the establishment of the TARP Hardest Hit Fund in 2010, we began assisting the Office of Compliance in developing a robust compliance framework to monitor for and investigate instances of third party fraud, waste and abuse in connection with TARP processes and funds. This involved assessing for abusive activity in connection with claims for and uses of funds, as well as in the solicitation of TARP-related services to consumers.

Once the compliance framework was established, we began our work executing FWA monitoring and

investigation activities under Treasury's guidance. We leveraged our forensics tools and techniques to identify a population of cases meriting further escalation. We then performed investigations on those cases to gather and present evidence and assess the facts of the alleged fraudulent activity conducted by third parties, including instances of misrepresentations of their association with TARP and other acts of TARP-related fraud. From initial compliance program establishment through final execution and reporting out of investigations, EY Forensics efforts furthered the AFU's mission of identifying and reporting on suspected fraud and providing critical information to law enforcement and other federal regulators as informed by our investigations. Our work supported Treasury's goals of optimizing the effectiveness of TARP programs, detecting and responding to potential instances of TARP fraud, and – perhaps most critically – enhancing public trust in the fair and efficient operation of TARP programs.

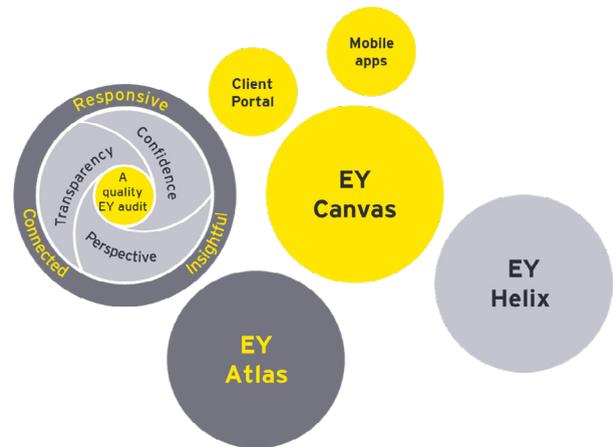


Compliance and incurred cost audits

As a leader in providing assurance services, we have one of the largest audit practices among the Big Four. With a dedicated team of over 200 federal and state and local auditors, our Public Sector Assurance practice focuses on supporting federal and state and local agencies with their audit and attestation needs by providing financial, grants compliance, program and incurred cost audits as well as attestation services. We perform hundreds of grants and laws and regulations compliance audits every year, support the Defense Contract Audit Agency with cost incurred audits and assist governments, including California, Texas, Florida, New York, New Jersey and the US Virgin Islands, with emergency fund monitoring including audits. We are well suited and prepared to assist the PRAC with compliance and incurred cost audits for CARES Act covered funds.

Our consistent position as a market leader enables us to make significant investments in digitally transforming the audit, and it creates a culture where sustainable audit quality is the focus. The integration of the latest technologies helps us deliver high-quality audits that emphasize risk identification. For example, artificial intelligence (AI) techniques – most prominently machine learning – allow us to look at data using advanced pattern recognition and harness this functionality to digitally assist our auditors by:

- ▶ Analyzing and extracting data from unstructured data, such as contracts, invoices and images, to gain further audit evidence
- ▶ Analyzing large sets of data to help identify, assess and respond to the risks of misstatement due to fraud



EY Canvas

Our global online audit platform lies at the heart of the audit. EY Canvas **Client Portal** is integrated into EY Canvas and connects our clients directly with our auditors. EY Canvas **mobile apps** connect our people around the globe and allow them to support our clients on the go.

EY Atlas

This tool provides our auditors and our clients with the latest accounting and auditing content.

EY Helix

Our suite of data analytics is embedded in our audit process and helps us provide deeper insights to our clients.



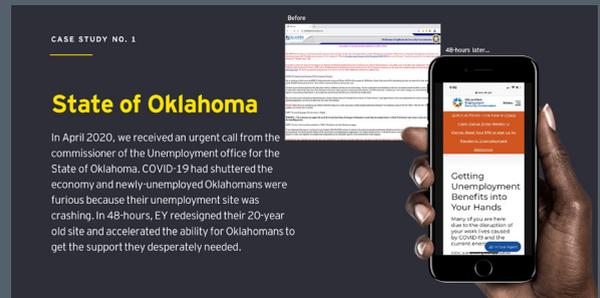
Pandemic oversight website

The CARES Act requires the PRAC to maintain a user-friendly, public-facing website to foster greater accountability and transparency in the use of covered funds and the coronavirus response. The PRAC has already launched version 1.0 of the website. Subsequent versions of the website will need to respond to the specific requirements of the law to include making materials and information explaining the coronavirus response and how covered funds are being used; findings from inspectors general; operational, economic, financial, grant, subgrant, contract and subcontract information in user-friendly visual presentations; and detailed data on any federal government awards that expend covered funds, including a unique trackable identification number for each project.



EY Design Studio is a nationwide team of strategists, creatives and developers pushing the boundaries of what's possible. We have 250+ passionate practitioners who wake up every day ready to bring your ideas to life. From developing strategic road maps to designing and launching citizen-focused products, EY Design Studio provides every service you need to turn your ideas into reality.

Click each button to learn more about our capabilities and services.



Pandemic oversight website



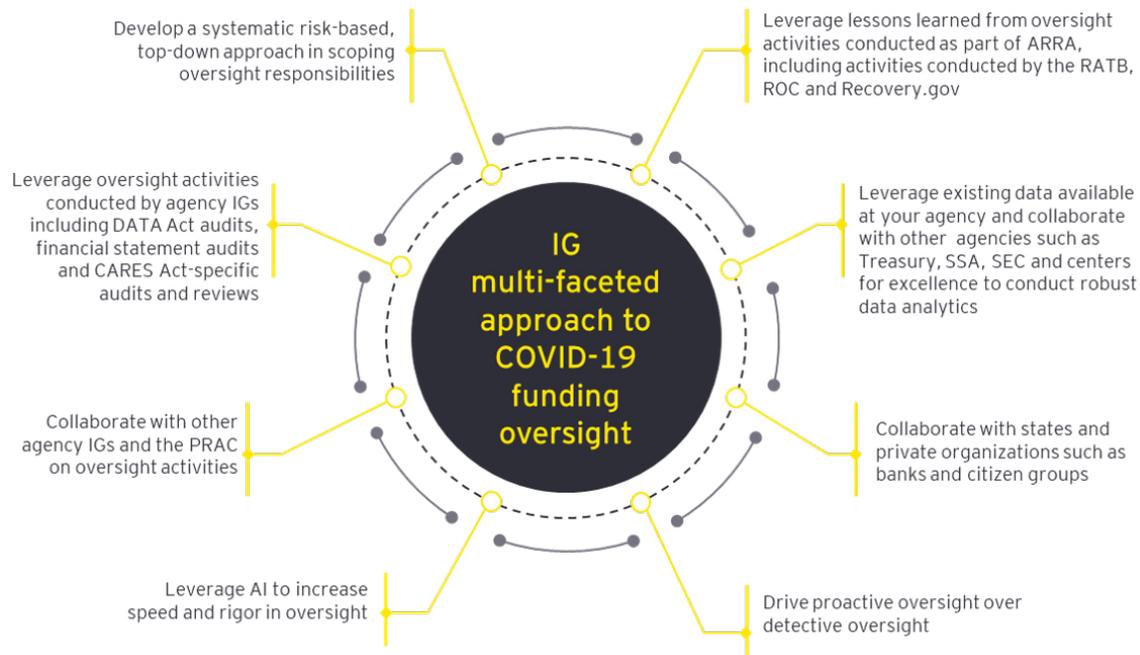
EY Design Studio can deliver a modern, user-optimized pandemic oversight website in weeks, not months.

Capability	<30 days	90 days
User experience	<ul style="list-style-type: none"> ▶ User-friendly responsive website accessible via smartphones, tablets and desktop browsers, including on static content such as FAQs and external links ▶ Downloadable, open-format reports in multiple standard file types ▶ Links to other government content, so users may access: <ul style="list-style-type: none"> ▶ <i>Recommendations made to agencies relating to covered funds and the COVID-19 response, as well as status of each recommendation</i> ▶ <i>Plans for federal agencies to use covered funds</i> ▶ Displays of external data to display jobs created or sustained by the CARES Act 	<ul style="list-style-type: none"> ▶ Multi-language support ▶ Dynamic content (based on trends - <i>monthly most viewed</i>) ▶ Advanced creative assets (videos, infographics) ▶ Expanded support materials (based on site analytics, user feedback)
Search and navigation	<ul style="list-style-type: none"> ▶ Keyword search ▶ Database filtering and segmenting 	<ul style="list-style-type: none"> ▶ Advanced search (e.g., NLP, auto-fill) ▶ Advanced filtering and segmenting (e.g., tagging structure) to prevent double-counting of sub-awarded funds ▶ Search trends and related terms
Support and feedback	<ul style="list-style-type: none"> ▶ Chat bot for FAQs ▶ User feedback tools ▶ Confidential feedback mechanisms 	<ul style="list-style-type: none"> ▶ Advanced chat bot ▶ Basic call center support ▶ Interactive tutorial features (such as WalkMe user-guiding overlays)
Accessibility and compliance	<ul style="list-style-type: none"> ▶ WCAG 2.0 AA support ▶ Ability to read site without style sheets and JavaScript 	<ul style="list-style-type: none"> ▶ Ongoing accessibility support as needed
Metrics and analytics	<ul style="list-style-type: none"> ▶ Site usage and performance metrics 	<ul style="list-style-type: none"> ▶ Additional metrics to improve usability
Data, reporting and visualization	<ul style="list-style-type: none"> ▶ Initial library of standard dashboards and data visualizations ▶ Geographic visualization of funds distribution ▶ Ability to filter and download data cuts 	<ul style="list-style-type: none"> ▶ Library of standard reports by state, district, etc. ▶ Dashboards that update in real time ▶ Customizable (build-your-own) dashboards and reports ▶ Trend reporting

From our knowledge working with a range of high-profile clients from finance to government and across the private sector, we are confident that we have the experience, knowledge and team to deliver a website that meets the CARES Act requirements and exceeds your expectations.

Applicability to agency IGs

The CARES Act provides funding directly to selected agency IGs for oversight activities to include inspection, audits and investigations. Given the unprecedented amount of covered funds for which oversight must be executed, similar to the PRAC, agency IGs must execute a multi-faceted approach in executing this mandate. However, unlike the PRAC, agency IGs have the ability to act quickly given their existing processes and access to relevant agency data.



Applicability

to agency IGs



Here are the actions that can be executed by agency IGs now, next and beyond.

Now

Program strategy

- ▶ Identify lessons learned from ARRA and related RATB, ROC and Recovery.gov initiatives
- ▶ Determine the sufficiency of existing vehicles for collaboration with other stakeholders (i.e., PRAC, states, civilian groups, private organizations)
- ▶ Develop a systematic risk-based, top-down approach in scoping oversight responsibilities

Build capacity

- ▶ Exercise all available authority to align appropriate personnel to positions necessary to execute on mandate
- ▶ Identify additional support needs that best align to oversight mission

Next

Operationalize program

- ▶ Execute available authority to augment your program execution capacity through vendor contracts
- ▶ Use a COVID-19-specific oversight program
- ▶ Prioritize processes and procedures in execution of COVID-19-specific audits/reviews
- ▶ Develop a COVID-19-specific data collection and management strategy

Execute audits and reviews

- ▶ Use a risk-based approach to execute audits or reviews focusing on FWA as well as accountability of use of COVID-19 appropriated funds
- ▶ Prioritize proactive vs. reactive oversight
- ▶ Collaborate with other stakeholders on oversight execution

Beyond

Reporting

- ▶ Implement an infrastructure dedicated to fulfilling COVID-19 reporting requirements, including management alerts, biannual oversight reports, impact reports, and results of audit and reviews as applicable
- ▶ Identify and execute additional reporting and communications needs based on stakeholders' feedback

Define a future state

- ▶ Develop a future state vision and road map to evolve the strategy, program operations, reporting and communication and focus of audits and reviews

EY can help

Our finance strategy team can assist agency IGs in developing strategy tailored to your agency. Our forensic and assurance teams can assist you in executing forensic reviews, audits and inspections utilizing our state-of-the-art digital technology, which will allow you to drive resources and oversight coverage to relevant agency data.

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