



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

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MEMORANDUM FOR AGENCY CHIEF FINANCIAL OFFICERS

FROM: Michael Rigas
Acting Deputy Director of Management

SUBJECT: Risk-Based Financial Audits and Reporting Activities in Response to COVID-19

Given the significant new and persistent demands placed on agencies in connection with the COVID-19 crisis, this memorandum expands upon OMB M-20-21, *Implementation Guidance for Supplemental Funding Provided in Response to the Coronavirus Disease 2019* (COVID-19), dated April 10, 2020 regarding adjustments to agency reporting deadlines and prioritizing COVID-19 related work. Specifically, it provides additional guidance on prioritizing financial reporting activity, audits and other deadlines that occur on or before July 31, 2020. It also addresses certain other deadlines with even later due dates impacted by work suspended before July 31 because of COVID-19 related work. This memorandum does not apply to reporting requirements that OMB and Treasury have issued and deem essential to sustain critical Government-wide reporting functions and other cross agency priorities, including, but not limited, to those outlined in the Appendix to this memorandum.

Managing Risks to Achieving Financial Reporting and Audit Objectives

Agencies must apply a risk-based framework to achieve critical mission objectives, while balancing reporting and audit requirements in light of the surge in new workload associated with the COVID-19 crisis.¹ Agencies must work closely with OMB, Treasury, and their Inspectors General (IG) to determine the necessary actions to take in response to this memorandum.

Agencies should leverage Enterprise Risk Management (ERM) techniques to identify reporting, audit, and other due dates that are lower in priority than the COVID-19 work and justify their risk tradeoff decisions. In making such risk tradeoff decisions, Agencies should take the following actions:

- Identify all required reports, audits, and other deadlines from May 22, 2020 through July 31, 2020 adversely impacted by the COVID-19 response.

¹ Agencies should refer to OMB Circular No. A-123 Management's Responsibility for Enterprise Risk Management and Internal Control and A-123, Appendix A Management of Reporting and Data Integrity Risk to identify, assess, respond and report on risks pertaining to actions taken in response to this memorandum.

- Identify the resources redirected from the lower priority work and specify the COVID-19 related activities performed instead.
- Consider the risk to post-July 31, 2020 deadlines that may be negatively impacted by COVID-19 activities that were done prior to July 31 (including the 60-day extension provided by M-20-21) and develop a strategy to either meet those deadlines or establish alternate milestones.
- Consult with OMB and Department of the Treasury about how best to continue to report required information to both agencies.
- Consult with Agency IG offices to identify impacted audits and how best to address them. IG offices are doing their own assessment of the capacity to complete planned audits.
- Consult with Agency legal counsel, legislative affairs, and others as needed to determine:
 - The need to notify appropriate Congressional staff, the Government Accountability Office, or other affected stakeholders regarding missed deadlines.
 - Potential risks that your Agency is accepting by choosing to delay established statutory and other deadlines.

Agencies must document and track the rationale for all actions taken in response to this memorandum and be prepared to report them upon request by OMB or other appropriate oversight organizations. Decisions to delay deadlines must also be communicated to the entity that established the due date (*i.e.*, Congress) as appropriate.

Throughout the period of significant COVID-related surge work, agencies must coordinate with their IG Office, Designated Federal Entity or Designated Entity and consider the following:

- Give priority to audits that both management and auditors² agree are associated with programs at higher risk due to COVID-19, and delay work on programs and activities that are lower risk.
- Whether timeframes in OMB Circular A-50 *Audit Follow-up* and 2 CFR 200.521, Management Decision, are feasible or whether those timeframes need to be adjusted as a result of COVID-19.
- Whether alternatives to traditional audit activities are feasible and more cost-effective at this time, such as making use of the Cooperative Audit Resolution and Oversight Initiative (CAROI).
- Whether additional COVID-19 oversight activities increase the risk of duplication and overlap of audit and reporting efforts.
- Limitations imposed by COVID-19 on the agency's capability to prepare reports and support audits such as physical access to facilities, people and records; travel restrictions; and system limitations.

² CIGIE has identified 4 engagements that may need an extension: (1) PIIA Reporting, (2) FISMA Reporting, (3) CFO Act Reporting, and (4) Geospatial Data Act Reporting

Managing Risks Associated with Audits of Agency Financial Reports

Under OMB Circular A-136, audited Agency Financial Reports (AFR) must be published on November 16, 2020. Agencies should take all reasonable steps needed to try to meet that deadline, as demonstrating stewardship even under these extraordinary circumstances is important. Agencies unable to meet the November 16th due date because of COVID-related activities may, with notification to OMB, publish their audited AFR no later than December 30, 2020. If Agencies cannot publish their AFR by December 30, 2020, they must contact OMB as soon as possible but no later than June 30, 2020 to discuss an alternative plan. An alternate plan must be jointly presented by the Agency Chief Financial Officer and Inspector General. In considering alternative plans, OMB will look to find suitable alternatives that have the least negative impact on the preparation of the Government-wide Financial Report and enables the audited AFRs to be published by the statutory deadline. Regardless of issuance date, agencies must still comply with the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) and other reporting deadlines established by the Department of the Treasury for compilation of the Government-wide Financial Report. These deadlines include submitting draft or unaudited AFRs 10 days prior to issuance of final AFRs, or December 15, 2020, whichever comes first. Additional information can be found in OMB Circular A-136 and the Treasury Financial Manual.

Managing Risk Associated with Agency Payment Integrity Requirements

OMB Circular No. A-123 Appendix C requires that improper payment risk assessments be performed at least once every three years to determine whether a program is or is not susceptible to significant improper payments.³ However, the COVID-19 pandemic significantly expanded the risks of improper payment and fraud across multiple programs due to factors such as the creation of new programs, expanded program authorities, and additional flexibilities provided to recipients of financial assistance. Circular A-123 requires that when a program that is on a three year risk assessment cycle experiences a significant change in legislation and/or a significant increase in funding level, agencies may need to reassess the program's risk susceptibility during the next annual cycle, even if it is less than three years from the last risk assessment. This memorandum directs all agencies to apply the Circular A-123, Appendix C requirements to any relevant change in legislation, new program created or significant new funding provided by COVID legislation.

Programs already reporting an annual improper payment estimate do not need to perform an additional improper payment risk assessment as the quantitative method used for annual reporting fulfills the risk assessment requirement, unless Agency management deems otherwise. Programs receiving COVID related funding that are already reporting an annual improper payment estimate may incorporate the new funding into their normal sampling process. To implement improper payment measurements most cost-effectively, agencies have several options when conducting their improper payments testing for programs receiving COVID related

³ Per the Payment Integrity Information Act section 3352(a)(3) "Significant improper payments" are defined as gross annual improper payments in the program exceeding (1) both 1.5 percent of program outlays and \$10,000,000 of all program or activity payments made during the fiscal year reported or (2) \$100,000,000 (regardless of the improper payment percentage of total program outlays).

funding. An agency may group COVID related programs and activities in a reasonable and appropriate manner to decrease the number of required improper payment measurements. Whenever possible, agencies should leverage resources already devoted to improper payment related activities and should focus their effort on the prevention, detection, and recovery of improper payments.

While Agency management has the overall responsibility for managing risks associated with improper payments, the IG community has a unique expertise and perspective to support the design and implementation of mitigation strategies for preventing and recovering improper payments during this government-wide response to the pandemic. This is especially true for the new programs created by the COVID legislation and where funding has already been disbursed. As such, Congress provided substantial additional resources to IG offices to help them identify and eliminate waste, fraud and abuse related to COVID funds. Adopting a strategic, proactive, risk-informed approach to oversight and working collaboratively with the IG offices to ensure funding goes to intended recipients and for the recovery of improper payments should be the highest priority of the IG audits and investigations. In the coming months, OMB will be working with Agencies to better understand and assess how and where the COVID-19 response significantly increased the risk of improper payments and fraud most and to determine if any additional guidance is needed because of that assessment.

OMB will continue to provide updates and additional information as the situation evolves. OMB will work with agencies to establish new or updated timeframes for OMB-established milestones through the normal CFO Council governance process of the relevant Executive Steering Committees. In addition, OMB may make additional adjustments to certain other audit and reporting deadlines as the situation warrants.

Questions regarding the above guidance should be directed to coronaresponse@omb.eop.gov.

APPENDIX

At this time OMB has identified the following auditing and reporting requirements as essential to critical reporting needs of the Government. The following is a limited, illustrative list of reporting and audit activities that should continue at this time, subject to change as the COVID-19 situation and related risks evolve. Therefore, these reporting requirements are still mandated:

- Central Accounting Reporting System (CARS) Reporting by the 3rd workday each month
- CASH TRACK daily cash reporting for the Daily Treasury Statement along with Large Dollar Notification reporting. Large Dollar Notification reporting requires a two day notice for amounts between \$50 million and \$500 million, and a five day notice on any amounts over \$500 million
- Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) Reporting by April 16 (March Reporting), May 18 (April Reporting), June 18 (May Reporting)
- M-20-21, Implementation Guidance for Supplemental Funding Provided in Response to the Coronavirus Disease 2019 (COVID-19)
- Digital Accountability and Transparency Act (DATA Act) Reporting⁴

⁴ Includes reporting pursuant to the Federal Financial Accountability and Transparency Act (FFATA). See 31 U.S.C. 6101, note