DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

November 18, 2026

OIG-27-030

**MEMORANDUM FOR JEFFREY W. STOUT, ACTING CHIEF PROGRAM OFFICER, OFFICE OF CAPITAL ACCESS, DEPARTMENT OF THE TREASURY**

FROM: Pauletta P. Battle /s/
Assistant Inspector General for Audit

SUBJECT: Desk Review of the State of Arkansas' Use of Coronavirus Relief Fund Proceeds

On February 14, 2023, we initiated a desk review of the State of Arkansas' (Arkansas) use of Coronavirus Relief Fund (CRF) proceeds, authorized under Title VI of the Social Security Act, as amended by Title V Division A of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).[1] The objective of our review was to evaluate Arkansas' documentation supporting the uses of its CRF proceeds for aggregate payments to individuals (API) as reported in the GrantSolutions[2] portal and assess the risk of unallowable use of funds. The scope of our review included all obligation and expenditure data reported quarterly in the GrantSolutions portal from March 1, 2020, through December 31, 2022 (cycles 1 through 11).

As part of our desk review, we performed the following:

1) reviewed Arkansas' quarterly Financial Progress Reports (FPR) submitted in the GrantSolutions portal for cycles 1 through 11;
2) reviewed the *Department of the Treasury's (Treasury) Coronavirus Relief Fund* Guidance (Guidance) as published in the Federal Register on January 15, 2021;[3]

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1 P.L. 116-136 (March 27, 2020)

2 GrantSolutions, a grant and program management Federal shared service provider under the U.S. Department of Health and Human Services which developed a customized and user-friendly reporting solution to capture the use of CRF payments from recipients.

3 Coronavirus Relief Fund Guidance as published in the Federal Register (January 15, 2021) https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf

3) reviewed Treasury's Office of Inspector General (OIG) *Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping* (FAQs);[4]
4) reviewed Treasury OIG's monitoring checklists of Arkansas' quarterly FPR submissions for reporting deficiencies;[5]
5) reviewed other audit reports issued, such as Single Audit Reports, and those issued by the Government Accountability Office and other applicable Federal agency OIGs, for internal control or other deficiencies that may pose risk or impact Arkansas' uses of CRF proceeds;
6) reviewed Treasury OIG Office of Investigations, the Council of the Inspectors General on Integrity and Efficiency's Pandemic Response Accountability Committee (PRAC),[6] and Treasury OIG Office of Counsel input on issues that may pose risk to or impact Arkansas' uses of CRF proceeds;
7) interviewed key personnel responsible for preparing and certifying the quarterly FPR submissions in Arkansas' GrantSolutions portal, as well as officials responsible for obligating and expending CRF proceeds;
8) made a non-statistical selection of APIs identified through GrantSolutions reporting;[7] and
9) evaluated documentation and records used to support Arkansas' quarterly FPRs.

Based on our review of Arkansas' documentation supporting the uses of CRF proceeds, we identified questioned costs totaling $13,822,459. Accordingly, we determined that Arkansas' risk of unallowable use of funds is high. Due to resource constraints, we will not conduct an audit but recommend that the Acting Chief Program Officer of the Treasury Office of Capital Access seek recoupment, as appropriate.

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[4] Department of the Treasury Office of Inspector General *Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping* (OIG-20-028R; March 2, 2021)

[5] The checklists are used by Treasury OIG personnel to monitor the progress of prime recipient reporting in the GrantSolutions portal. The term "prime recipient" refers to the entity which received CRF proceeds directly from the Treasury. In this report, Arkansas is the prime recipient. Treasury OIG follows the *CRF Prime Recipient Quarterly GrantSolutions Submissions Monitoring and Review Procedures Guide*, to monitor the prime recipients quarterly (OIG-CA-20-029R; April 19, 2021).

[6] Section 15010 of P.L. 116-136 established the PRAC within the Council of the Inspectors General on Integrity and Efficiency to promote transparency and conduct and support oversight of covered funds and the coronavirus response to (1) prevent and detect fraud, waste, abuse, and mismanagement; and (2) mitigate major risks that cut across program and agency boundaries.

[7] Obligations and expenditures for payments made to individuals, regardless of amount, are required to be reported in the aggregate in the GrantSolutions portal to prevent inappropriate disclosure of personally identifiable information.

**Non-Statistical Transaction Selection Methodology**

Treasury issued a $1,250,000,000 CRF payment to Arkansas. Arkansas, like other CRF recipients, had until September 30, 2022, to expend CRF payments. Any remaining CRF not used for eligible expenses were to be returned to Treasury.[8] As of December 31, 2022, Arkansas' cumulative obligations and expenditures for API payment type as reported in GrantSolutions for cycles 1-11 were $81,745,623.

We made a non-statistical selection of 225 transactions related to individuals Arkansas made payment to with its CRF proceeds. Selections were made using auditor judgement and review for (1) noticeable outliers;[9] (2) duplicate transactions; and (3) transactions with the highest obligations/payment amounts.

These transactions were selected from 11 of the 31 programs for which Arkansas reported API-related expenditures. The CRF expenditure under the 11 programs totaled $74,297,056. The 11 programs are listed below:

- Department of Commerce – Unemployment Payroll
- Department of Transformation & Shared Services –Covid Leave Payroll
- Department of Human Services – Hospital Direct and Non-Direct Workers
- Department for Corrections – Hazzard Pay for Correctional Workers
- Department of Health Services – Ambulance Direct Care Workers
- Department of Health – Laboratory, Testing and Supplies
- Department of Transformation & Shared Services – Vaccine Incentive
- Department of Health – Reopen Arkansas Higher Education Institutions
- Department of Health – COVID-19 Comprehensive Response Plan for Marshallese and LatinX Communities
- Administrative Office of the Courts – Juvenile Officer Payroll
- Department of Agriculture – Meat and Poultry Processing Grant

Because the transactions were non-statistically selected, results cannot be extrapolated to the total universe of transactions.

**Background**

The CARES Act appropriated $150 billion to establish the CRF. Under the CRF, Treasury made payments for specified uses to States; eligible units of certain local governments; the District of Columbia; U.S. Territories, including the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa,

[8] Arkansas reported $1,242,330,965 in total CRF expenditures and returned $7,669,035 of its CRF award to Treasury.

[9] Outliers include transactions (1) that did not align with the CARES Act criteria; (2) with missing/inconsistent information; or (3) with obligations incurred outside of the period that began on March 1, 2020, and ended on December 31, 2021.

and the Commonwealth of the Northern Mariana Islands; and Tribal governments. Treasury issued a CRF payment to Arkansas for $1,250,000,000. The CARES Act stipulates that a recipient may only use the funds to cover costs that were:

1) necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19);
2) not accounted for in the budget most recently approved as of March 27, 2020; and
3) incurred between March 1, 2020, and December 31, 2021.[10]

Section 15011 of the CARES Act requires each covered recipient[11] to submit to Treasury and the PRAC, no later than 10 days after the end of each calendar quarter, a report that contained (1) the total amount of large covered funds[12,13] received from Treasury; (2) the amount of large covered funds received that were expended or obligated for each project or activity; (3) a detailed list of all projects or activities for which large covered funds were expended or obligated; and (4) detailed information on any level of subcontracts or subgrants awarded by the covered recipient or its sub-recipients.

The CARES Act assigned Treasury OIG the responsibility for compliance monitoring and oversight of the receipt, disbursement, and use of CRF proceeds. Treasury OIG was also assigned the authority to recoup funds if it is determined that a recipient failed to comply with the requirements of subsection 601(d) of the Social Security Act, as amended, (42 U.S.C. 801(d)). As part of this authority, if OIG determines that a CRF recipient failed to comply with the use of funds requirements for CRF award funds in 42 U.S.C. 801(d), the amount equal to the amount of funds used in violation shall be booked as a debt of such entity owed to the Federal Government (42 U.S.C. 801(f)(2)).

## Desk Review Results

Our review of Arkansas' quarterly FPR submissions through December 21, 2022, determined that submissions were timely, except for a late submission for Cycle 2.

[10] P.L. 116-260 (December 27, 2020). The period of performance end date of the CRF was extended through December 31, 2021, by the Consolidated Appropriations Act, 2021.

[11] Section 15011 of P.L. 116-136 defines a covered recipient as any entity that receives large, covered funds and includes any State, the District of Columbia, and any territory or possession of the United States.

[12] Section 15010 of P.L. 116-136 defines covered funds as any funds, including loans, that are made available in any form to any non-Federal entity, not including an individual, under Public Laws 116-123, 127, and 136, as well as any other law which primarily makes appropriations for Coronavirus response and related activities.

[13] Section 15011 of P.L. 116-136 defines large-covered funds as covered funds that amount to more than $150,000.

In addition, while 9 of the 11 programs selected for review were supported by adequate documentation, we identified questioned costs totaling $13,822,459 for 2 programs that did not comply with the CARES Act or Treasury's Guidance. Details of these questioned costs are discussed below.

Department of Commerce Unemployment Administration Payroll Program

Arkansas used $16,720,930 in CRF proceeds for the Department of Commerce Unemployment Administration Payroll Program, of which we identified $3,368,987 as questioned costs. We found that Arkansas allocated $3,339,499 in indirect costs[14] to this program using CRF proceeds. Treasury's Guidance[15] states that recipients may not apply indirect costs using CRF proceeds; however, recipients may use CRF payments to cover the portion of payroll and benefits of employees corresponding to time spent on administrative work necessary due to the COVID–19 public health emergency, provided they meet the conditions specified in the Guidance. The $3,339,499 in allocated indirect costs did not meet these conditions and therefore were not allowable under the Guidance.

Additionally, we found that Arkansas paid $29,488 in CRF proceeds to state employees for accrued payroll leave after September 30, 2022. Treasury Guidance requires that CRF recipients fully expend funds by that date. These payments occurred outside the allowable expenditure window.

Department of Agriculture Meat and Poultry Processing Grant Program

Arkansas used $10,453,472 in CRF proceeds for the Department of Agriculture Meat and Poultry Processing Grant Program, all of which we identified as questioned costs. According to Arkansas, the program was created to support Arkansas' meat and poultry processing facilities to address supply chain disruptions and mitigate health and environmental impacts as a result of the COVID-19 public health emergency. Program recipients were eligible to receive up to $500,000.

Arkansas reported $1,473,051 in the GrantSolutions portal as API and $8,980,421 as grants for this program. The CRF proceeds were used to fund major capital expenditures that included the purchase of land, buildings, and construction of a facility to house future operations. The CARES Act and Treasury Guidance states that CRF expenditures must be necessary and must be incurred due to the public health emergency. CRF payments are not to be used for capital improvement projects that broadly provide potential economic development in a community

[14] Examples of indirect costs include rent, supplies, utilities and office equipment rentals.
[15] Coronavirus Relief Fund Guidance as published in the Federal Register (January 15, 2021)

because these are not necessary expenditures due to the COVID-19 public health emergency.[16,17]

**Follow-up Facts and Analysis**

On April 22, 2026, Arkansas' State Controller received the draft memorandum identifying that two of its programs did not comply with the CARES Act and Treasury guidance, resulting in questioned costs totaling $13,822,459.

On April 25, 2026, the State Controller requested consideration for reducing the questioned costs contingent upon Arkansas providing additional information and documentation.

On June 12, 2026, the State Controller provided Treasury OIG with program guidance for the Department of Agriculture Meat and Poultry Processing Grant Program and a supporting memorandum. The Program guidance was the same documentation provided to OIG on March 29, 2023, which included examples of allowable program expenditures that are not eligible under the CARES Act and Treasury Guidance. The memorandum claimed that on December 18, 2023, Arkansas communicated and provided documentation to Treasury OIG identifying $11,166,521 in non-payroll expenditures that could be allocated to the Department of Commerce Unemployment Administration Payroll Program, in lieu of the $3,339,499 in indirect costs previously determined to be ineligible.

On July 7, 2026, Treasury OIG requested supporting documentation for the $11,166,521 in non-payroll expenditures Arkansas asserted could be allocated to the Department of Commerce Unemployment Administration Program. Later that day, the State Controller provided the same materials previously submitted on December 12 and 15, 2023. Treasury OIG had already reviewed that documentation to validate eligible direct labor expenditures for the program and identify $3,339,499 in ineligible indirect charges as questioned costs.

As of this writing, Treasury OIG has not received documentation substantiating Arkansas' claim that $11,166,521 in non-payroll expenditures may be eligible for consideration under the Department of Commerce Unemployment Administration Payroll Program, nor documentation supporting the eligibility of the $10,453,472 in CRF expenditures under the Department of Agriculture Meat and Poultry Processing Grant Program.

[16] Number 28 of Frequently Asked Questions from Coronavirus Relief Fund Guidance (January 15, 2021)

[17] Number 46 of Frequently Asked Questions from Coronavirus Relief Fund Guidance (January 15, 2021)

## Conclusion

Based on our review of Arkansas' documentation supporting the uses of CRF proceeds as reported in the GrantSolutions portal, we determined that the CRF expenditures in two programs—the Department of Commerce Unemployment Administration Payroll Program and the Department of Agriculture Meat and Poultry Processing Grant Program—did not comply with the CARES Act and Treasury's Guidance. As a result, we identified questioned costs totaling $13,822,459. The nature of the findings, which include unallowable indirect costs, payments made outside the period of performance, and capital expenditures not permissible under Treasury's Guidance, indicate significant deficiencies in Arkansas' application of CRF requirements. Additionally, Treasury OIG interprets Arkansas' continued failure to provide adequate supporting documentation for the two programs—the Department of Commerce Unemployment Administration Payroll Program and the Department of Agriculture Meat and Poultry Processing Grant Program—as acknowledgement that it cannot demonstrate that the funds were used for eligible CRF purposes.

Due to the noncompliance identified in these programs, we concluded that the risk of unallowable use of funds across the remaining CRF expenditure categories is high. However, because of resource constraints, we will not be conducting an audit but the $13,822,459 remains unsubstantiated and subject to recoupment.

Resources appropriated to Treasury OIG for the purposes of recoupment for this program are no longer available. The Deputy Inspector General, exercising the delegated authorities of the Inspector General, therefore recommends that the Office of Capital Access, in its role as the program office and on behalf of the Treasury, book the identified amount as a debt of the entity and recoup the amounts as mandated in 42 U.S.C. 801(f)(2).

## State of Arkansas Response

As part of our reporting process, we provided a draft of this desk review memorandum to the State of Arkansas for review and comment. In a September 11, 2026, letter, the State Controller acknowledged receiving the draft memorandum, which identified $13,822,459 in questioned costs. The State Controller asserted that the Department of Agriculture Meat and Poultry Processing Grant Program was created in response to COVID-19-related supply-chain disruptions and was intended to sustain essential operations during the public health emergency. The State Controller requested that Treasury OIG consider this context in its review and incorporate it into the final determination. The State Controller further requested that the Acting Chief Program Officer of the Treasury

Office of Capital Access provide a written final determination identifying any recoupment amount and the legal basis supporting that determination. Finally, the State Controller stated it remains prepared to provide additional documentation and clarification, as needed. See Appendix 1 for the State Controller's complete response.

**OIG Comment**

We considered the State's explanation regarding the purpose of the Department of Agriculture Meat and Poultry Processing Grant Program and its request that this context be considered in the final determination. However, the State's response did not provide additional documentation supporting the eligibility of the questioned expenditures. As discussed in the Follow-up Facts and Analysis Section, Treasury OIG has not received documentation substantiating the eligibility of $11,166,521 in non-payroll expenditures under the Department of Commerce Unemployment Administration Payroll Program or $10,453,472 in CRF expenditures under the Department of Agriculture Meat and Poultry Processing Grant Program. Accordingly, Treasury OIG's findings, questioned costs, and recommendation remain unchanged.

**Recommendation**

We recommend that the Acting Chief Program Officer of the Treasury Office of Capital Access seek recoupment of questioned costs, as appropriate.

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All work completed complies with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Federal Offices of Inspectors General*, which require that the work adheres to the professional standards of independence, due professional care, and quality assurance to ensure the accuracy of the information presented.[18] We appreciate the courtesies and cooperation provided to our staff during the desk review. If you have any questions or require further information, please contact me at (202) 927-5400, or a member of your staff may contact Virginia Shirley, Acting Deputy Assistant Inspector General for Audit, at (202) 246-0362.

[18] https://www.ignet.gov/sites/default/files/files/Silver%20Book%20Revision%20-%208-20-12r.pdf

cc: Michelle A. Dickerman, Deputy Assistant General Counsel, Department of the Treasury
Thao P. Tran, Acting Chief Operating Officer, Office of Capital Access Department of the Treasury
Lilian R. Lowery, Supervisory Grants Management Specialist, Department of Treasury
Andy Babbitt, Deputy Director and State Controller, Department of Finance and Administration, Arkansas

# Appendix 1: State of Arkansas Response

**STATE OF ARKANSAS**
**DEPARTMENT OF FINANCE AND ADMINISTRATION**

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1509 West Seventh Street, 2nd Floor
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September 11, 2026

Pauletta P. Battle
Assistant Inspector General for Audit
Office of Inspector General
Department of the Treasury
Washington, D.C. 20220

**Subject:** Request for Final Determination of Recoupment — OIG-CA-27-XXX

Dear Ms. Battle,

The State of Arkansas acknowledges receipt of the Department of the Treasury Office of Inspector General desk review memorandum OIG-CA-27-XXX, which identifies questioned costs totaling $13,822,459 related to the Department of Commerce Unemployment Administration Payroll Program and the Department of Agriculture Meat and Poultry Processing Grant Program.

We also acknowledge your recommendation that the Office of Capital Access, on behalf of the Department of the Treasury, record the identified amount as a debt and seek recoupment under 42 U.S.C. § 801(f)(2).

Context and policy rationale: During the COVID-19 public health emergency, Arkansas—one of the nation's leading suppliers of meat and poultry—experienced significant supply chain disruptions affecting essential food commodities. These disruptions posed risks to statewide food systems and national supply stability. The Meat and Poultry Processing Grant Program, funded by the Coronavirus Relief Fund, was designed to mitigate these impacts and enable essential industries to continue operating during the emergency. Expenditures were directly tied to addressing pandemic-related supply chain interruptions and sustaining critical industry operations. The Program was created specifically in response to COVID-19 and did not exist in the State's pre-pandemic budget. CARES Act guidance issued by Treasury specifically cited measures that increased meat processing capacity as eligible expenses.[1]

Request for determination: Prior to finalizing the memorandum to the Office of Capital Access, we further request that the Office of Inspector General evaluate the Meat and Poultry Processing Grant Program in light of the context and policy rationale above, allow the State additional review of changes before submission to the Treasury Office of Capital Access, and incorporate the context and policy rational with conclusions into the final determination.

Absent further changes to the draft Formal Memo, the State respectfully requests that the Acting Chief Program Officer of the Treasury Office of Capital Access review your findings and provide a written final determination regarding the requested recoupment.

Please include the total amount to be recouped and the specific legal basis and program elements supporting each component of that amount, as reflected in OIG-CA-27-XXX.

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[1] Coronavirus Relief Fund for States, Tribal Governments, and Certain Eligible Local Governments, 86 Fed. Reg. 4,182, 4,191 (Jan. 15, 2021) (2021) https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf

# Appendix 1: State of Arkansas Response

**STATE OF ARKANSAS**
**DEPARTMENT OF FINANCE AND ADMINISTRATION**

**OFFICE OF STATE CONTROLLER**
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As noted in prior correspondence, the State has endeavored to provide additional documentation relevant to the Unemployment Administration Payroll Program and the Meat and Poultry Processing Grant Program and remains prepared to submit any further materials your office deems necessary for its final review.

Please direct any questions to my office. We are available to meet at your convenience to ensure clarity.

Thank you for your consideration.

Respectfully,

Andy Babbitt, CPA, CFE
State Controller

## Appendix 2: Schedule of Monetary Benefits

According to the Code of Federal Regulations, a questioned cost is a cost that is questioned by the auditor because of a finding:[19]

(a) which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds;

(b) where the costs, at the time of the review, are not supported by adequate documentation; or

(c) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

Questioned costs are to be recorded in the Department of the Treasury's (Treasury) Joint Audit Management Enterprise System (JAMES).[20] The amount will also be included in the Office of Inspector General (OIG) Semiannual Report to Congress. It is Treasury management's responsibility to report to Congress on the status of the agreed to recommendations with monetary benefits in accordance with 5 USC 405(c) of the Inspector General Act of 1978 as amended.

| Recommendation | Questioned Costs |
|---|---|
| Recommendation No.1 | $13,822,459 |

The questioned costs represent amounts provided by Treasury under the Coronavirus Relief Fund. As discussed in the attached desk review, $13,822,459 are Arkansas' expenditures reported in the grant-reporting portal that were ineligible.

[19] 19 2 CFR § 200.84 – Questioned Cost

[20] JAMES is Treasury's audit recommendation tracking system.