



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 27, 2023

**MEMORANDUM FOR JESSICA MILANO, ACTING CHIEF RECOVERY OFFICER,
DEPARTMENT OF THE TREASURY**

FROM: Deborah L. Harker /s/
Assistant Inspector General for Audit

SUBJECT: Desk Review of The Cherokee Nation, Oklahoma's Use of
Coronavirus Relief Fund Proceeds
(OIG-CA-23-020)

Please find the attached desk review memorandum¹ on The Cherokee Nation, Oklahoma's (Cherokee Nation) use of Coronavirus Relief Fund (CRF) proceeds. The CRF is 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). Under a contract monitored by our office, Castro & Company, LLC (Castro), a certified independent public accounting firm, performed the desk review. Castro performed the desk review in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Federal Offices of Inspector General* standards of independence, due professional care, and quality assurance.

In its desk review, Castro found that Cherokee Nation personnel did not complete the required quarterly Financial Progress Reports (FPR) for Cycles 1² and 2.³ However, Castro noted Cherokee Nation requested a 30-day extension to submit the Cycle 1 and 2 reports by October 21, 2020. Treasury OIG granted one-month extensions for both Cycle 1 and 2 reporting submissions. Due to a misunderstanding between Cherokee Nation and Treasury OIG, Treasury OIG ultimately granted Cherokee Nation an extension to submit the Cycle 1 and 2 submission data with Cycle 3.⁴ As a result, Cherokee Nation is compliant with the reporting timelines as required under Treasury's guidance. In addition, Castro personnel reviewed documentation for a sample of 42 transactions, which amounted to \$255,828,638 of the \$409,737,639 in cumulative expenditures

¹ The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) assigned the Department of the Treasury Office of Inspector General with responsibility for compliance monitoring and oversight of the receipt, disbursement, and use of Coronavirus Relief Fund (CRF) payments. The purpose of the desk review is to perform monitoring procedures of the prime recipient's receipt, disbursement, and use of CRF proceeds as reported in the grants portal on a quarterly basis.

² Calendar quarter ending June 30, 2020

³ Calendar quarter ending September 30, 2020

⁴ Calendar quarter ending December 31, 2020

reported as of the Cycle 8⁵ quarterly submission period. Castro personnel found that all transactions selected for testing were supported by documentation and were necessary expenditures due to the COVID-19 public health emergency, were not accounted for in the budget most recently approved as of March 27, 2020, and were incurred during the covered period.

Based on the results of its desk review, Castro determined that the expenditures related to all obligation types reviewed comply with the CARES Act and Treasury Guidance. Additionally, Castro determined that the risk of unallowable use of funds was low. As such, Castro is not recommending Treasury Office of Inspector General perform an audit of the Cherokee Nation.

Treasury OIG received a complaint associated with the Cherokee Nation regarding the acquisition of a property for \$4,392,815.30. Castro also selected this transaction for testing during its desk review and concluded that this was an eligible use of CRF proceeds based on the supporting documentation. Treasury OIG notified the Department of the Treasury Office of Recovery Programs (ORP) of its concerns surrounding the reasonableness of the transaction. Specifically, we were concerned (1) whether the purchase was truly necessary in response to the COVID-19 public health emergency and (2) whether the valuation of the property was reasonable due to the fact that the Cherokee Nation did not obtain an independent appraisal prior to the purchase.

Treasury ORP responded that this acquisition of real property with CRF award funds seems reasonable because it meets all the requirements of section 601(d) of the Social Security Act as added by the CARES Act in that: (1) the purchase of the real property was a necessary expenditure incurred due to the COVID-19 pandemic to decrease food insecurity among the Tribal members, allow for self-isolation of Tribal members that tested positive for COVID-19, and provide a respite for Tribal members to improve their mental health, which declined due to the effects of the COVID-19 pandemic; (2) it appears that the costs for the acquisition of the real property was not accounted for in the Tribe's approved budget as of March 27, 2020; and (3) the property was acquired on December 23, 2020 prior to the end of the period for which recipients could incur allowable costs under their CRF awards. Treasury ORP also opined that although obtaining an appraisal is a best practice, it is not required under Treasury's CRF guidance. Therefore it would be unreasonable for Treasury to find the Tribe's property acquisition questionable due to the lack of an appraisal. Based on Castro's review of the documentation for the purchase and our follow-up with Treasury management we are not questioning this purchase of land.

⁵ Calendar quarter ending March 31, 2022

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In connection with the contract, we reviewed Castro's desk review memorandum and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with generally accepted government auditing standards, was not intended to enable us to express an opinion on Cherokee Nation's use of the CRF proceeds. Castro is responsible for the attached desk review memorandum and the conclusions expressed therein. Our review found no instances in which Castro did not comply in all material respects, with the *Quality Standards for Federal Offices of Inspector General*.

We appreciate the courtesies and cooperation provided to Castro and our staff during the desk review. If you have any questions or require further information, please contact me at (202) 486-1420, or a member of your staff may contact Lisa DeAngelis, Deputy Assistant Inspector General for Audit, at (202) 487-8371.

Attachment

cc: Michelle. A. Dickerman, Deputy Assistant General Counsel, Department of the Treasury
Victoria Collin, Chief Compliance & Finance Officer, Office of Recovery Programs, Department of the Treasury
Janees Taylor, Treasurer, The Cherokee Nation
Wayne Ference, Partner, Castro & Company, LLC

Desk Review of the Cherokee Nation

June 27, 2023

OIG-CA-23-020

MEMORANDUM FOR DEBORAH L. HARKER,
ASSISTANT INSPECTOR GENERAL FOR AUDIT

FROM: Wayne Ference
Partner, Castro & Company, LLC

SUBJECT: Desk Review of the Cherokee Nation, Oklahoma

On June 13, 2022, we initiated a desk review of the Cherokee Nation's use of the Coronavirus Relief Fund (CRF) 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 desk review was to evaluate the Cherokee Nation's documentation supporting its uses of CRF proceeds as reported in the GrantSolutions² portal and to assess the risk of unallowable use of funds. The scope of our desk review was limited to obligation and expenditure data for the period of March 1, 2020 through March 31, 2022 as reported in Cycles 1³ through 8⁴ in the GrantSolutions portal.

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

- 1) reviewed the Cherokee Nation's quarterly Financial Progress Reports (FPRs) submitted in the GrantSolutions portal through March 31, 2022;
- 2) reviewed the *Department of the Treasury's (Treasury) Coronavirus Relief Fund Guidance* as published in the Federal Register on January 15, 2021;⁵

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, developed a customized and user-friendly reporting solution to capture the use of CRF payments from recipients.

³ Calendar quarter ending June 30, 2020.

⁴ Calendar quarter ending March 31, 2022.

⁵ 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

Desk Review of the Cherokee Nation

- 3) reviewed Treasury's Office of Inspector General (OIG) *Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping*;⁶
- 4) reviewed Treasury OIG's monitoring checklists⁷ of the Cherokee Nation's quarterly FPR submissions for reporting deficiencies;
- 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 the Cherokee Nation's uses of CRF proceeds;
- 6) reviewed Treasury OIG Office of Investigations (OI), the Council of the Inspectors General on Integrity and Efficiency Pandemic Response Accountability Committee (PRAC),⁸ and Treasury OIG Office of Counsel input on issues that may pose risk or impact the Cherokee Nation's uses of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying the Cherokee Nation's GrantSolutions portal quarterly FPR submissions, as well as officials responsible for obligating and expending CRF proceeds;
- 8) made a non-statistical selection of Contracts, Grants, Transfers,⁹ Direct Payments, Aggregate Reporting,¹⁰ and Aggregate Payments to Individuals¹¹ data identified through GrantSolutions reporting; and
- 9) evaluated documentation and records used to support the Cherokee Nation's quarterly FPRs.

⁶ 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.

⁷ The checklists are used by Treasury OIG to monitor the progress of prime recipient reporting in the GrantSolutions portal. GrantSolutions quarterly submission reviews are designed to identify material omissions and significant errors, and where necessary, include procedures for notifying prime recipients of misreported data for timely correction. Treasury OIG follows the *CRF Prime Recipient Quarterly GrantSolutions Submissions Monitoring and Review Procedures Guide*, OIG-CA-20-029R to monitor the prime recipients quarterly.

⁸ Section 15010 of P.L. 116-136 established the Pandemic Response Accountability Committee within the Council of the Inspectors General on Integrity and Efficiency to promote transparency and conduct and support oversight of covered funds (see Footnote 18 for a definition 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.

⁹ A transfer to another government entity is a disbursement or payment to a government entity that is legally distinct from the prime recipient.

¹⁰ Recipients are required to report CRF transactions greater than or equal to \$50,000 in detail in the GrantSolutions portal. Transactions less than \$50,000 can be reported as an aggregate lump-sum amount by type (contracts, grants, loans, direct payments, and transfers to other government entities).

¹¹ 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.

Desk Review of the Cherokee Nation

Based on the results of our desk review, the Cherokee Nation's documentation supporting the uses of CRF proceeds comply with the CARES Act and Treasury's Guidance. Additionally, we determined the Cherokee Nation's risk of unallowable use of funds to be low. As such, Castro is not recommending Treasury OIG perform an audit of the Cherokee Nation.

Non-Statistical Transaction Selection Methodology

Treasury issued a CRF Payment to the Cherokee Nation of \$410,906,000.99. As of Cycle 8,¹² the Cherokee Nation's cumulative obligations and expenditures were \$410,906,000.99 and \$409,737,639.02, respectively. The Cherokee Nation's cumulative obligations and expenditures by obligation type as reported in GrantSolutions through Cycle 8¹² are summarized below:

Payment Type	Cumulative	Cumulative
	Obligations	Expenditures
Contracts >= \$50,000	\$ 95,790,724.51	\$ 94,987,249.10
Grants >= \$50,000	\$ 140,242,200.34	\$ 140,242,200.34
Loans >= \$50,000	\$ -	\$ -
Transfers >= \$50,000	\$ 4,053,107.62	\$ 4,053,107.62
Direct Payments >= \$50,000	\$ 21,199,679.01	\$ 21,054,945.64
Aggregate Reporting < \$50,000	\$ 19,049,792.69	\$ 18,829,639.50
Aggregate Payments to Individuals (in any amount)	\$ 130,570,496.82	\$ 130,570,496.82
Totals	\$ 410,906,000.99	\$ 409,737,639.02

Castro made a non-statistical selection of Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals. Selections were made using auditor judgment based on information and risks identified in reviewing audit reports, the GrantSolutions portal reporting anomalies¹³ identified by the Treasury OIG CRF monitoring team, and review of the Cherokee Nation's FPR submissions. Castro noted the Cherokee Nation did not obligate or expend CRF proceeds for Loans greater than or equal to \$50,000, therefore, we did not make a selection of transactions from this category.

The number of transactions (35) we selected to test were based on the Cherokee Nation's total CRF award amount and our overall risk assessment of the Cherokee Nation. To allocate the number of transactions (35) by obligation type

¹² Calendar quarter ending March 31, 2022.

¹³ Treasury OIG has a pre-defined list of risk indicators that are triggered based on data submitted by recipients in the FPR submissions that meet certain criteria. Castro reviewed these results provided by Treasury OIG for the Cherokee Nation.

Desk Review of the Cherokee Nation

(Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals), we compared the obligation type dollar amounts as a percentage of cumulative obligations for Cycle 8.¹⁴ Additionally, Treasury OIG identified seven anomaly transactions, for a total of 42 transactions tested. Six of the anomalies were potential duplicate payments and one of the anomalies was an outlier.¹⁵ We included four potential duplicate payments from the Contracts greater than or equal to \$50,000 obligation type, two potential duplicate payments from the Direct Payments greater than or equal to \$50,000 obligation type, and the one outlier payment from the Grants greater than or equal to \$50,000 obligation type.

Background

The CARES Act appropriated \$150 billion to establish the CRF. Under the CRF, Treasury made payments for specified uses to States and certain local governments; the District of Columbia and U.S. Territories, including the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands; and Tribal governments. Treasury issued a CRF payment to the Cherokee Nation for \$410,906,000.99. The CARES Act stipulates that a recipient may only use the funds to cover costs that—

- (1) are necessary expenditures incurred due to the public health emergency with respect to the coronavirus disease 2019 (COVID-19);
- (2) were not accounted for in the budget most recently approved as of March 27, 2020; and
- (3) were incurred between March 1, 2020 and December 31, 2022.¹⁶

¹⁴ Calendar quarter ending March 31, 2022.

¹⁵ The anomaly for the Grants greater than or equal to \$50,000 obligation type related to funds used as economic support to Cherokee Nation's tribally-owned business entities with economic losses caused by required business closures due to the COVID-19 public health emergency, including necessary expenditures made in response to or mitigation of COVID-19. This was identified by the Treasury OIG CRF monitoring team as an outlier because the transaction was identified as having a high dollar amount relative to transactions at similar points in time, with similar award descriptions, and that were disbursed by the same prime recipient.

¹⁶ 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. The period of performance end date for tribal entities was further extended to December 31, 2022 by the State, Local, Tribal, and Territorial Fiscal Recovery, Infrastructure, and Disaster Relief Flexibility Act, Division LL of the Consolidated Appropriations Act, 2023, P.L. 117-328, December 29, 2022, 136 Stat. 4459.

Desk Review of the Cherokee Nation

Section 15011 of the CARES Act, requires each covered recipient¹⁷ to submit to Treasury and the PRAC, no later than 10 days after the end of each calendar quarter, a report that contains (1) the total amount of large covered funds^{18,19} 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-contractees or sub-grantees.

The CARES Act assigned Treasury OIG the responsibility for compliance monitoring and oversight of the receipt, disbursement, and use of CRF proceeds. Treasury OIG also has authority to recoup funds in the event that it is determined a recipient failed to comply with requirements of subsection 601(d) of the Social Security Act, as amended, (42 U.S.C. 801(d)).

Desk Review Results

Financial Progress Reports

Our review of the Cherokee Nation's quarterly FPR submissions through March 31, 2022 identified reporting issues as detailed below.

According to the CARES Act, quarterly FPRs are to be submitted by the 10th day of the month following quarter end unless it falls on a holiday. Based on our initial review of the quarterly FPRs, the Cherokee Nation was not compliant with the reporting timeline as required under Department of the Treasury's Guidance OIG-CA-20-021 (issued July 2, 2020), *Coronavirus Relief Fund Reporting and Record Retention Requirements*²⁰ for two of the eight quarterly reporting cycles tested. We determined that the Cherokee Nation did not submit their FPRs for Cycles 1²¹ and 2²² and began reporting in Cycle 3²³ based on discussions with Treasury OIG. Castro followed-up with the Cherokee Nation for an explanation of the Cycles 1²¹

¹⁷ 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.

¹⁸ 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.

¹⁹ Section 15011 of P.L. 116-136 defines large covered funds as covered funds that amount to more than \$150,000.

²⁰ Department of the Treasury Office of Inspector General *Coronavirus Relief Fund Reporting and Record Retention Requirements* OIG-CA-20-021; July 2, 2020.

²¹ Calendar quarter ending June 30, 2020.

²² Calendar quarter ending September 30, 2020.

²³ Calendar quarter ending December 31, 2020.

Desk Review of the Cherokee Nation

and 2²² non-submission and found that the Cherokee Nation’s management requested a 30-day extension for submission of Cycles 1²¹ and 2²² reports on September 17, 2020 with the intention to submit both reports by October 21, 2020. Treasury OIG granted one-month extensions for both Cycle 1 and 2 reporting submissions. Due to a misunderstanding between the Cherokee Nation and Treasury OIG, Treasury OIG ultimately granted the Cherokee Nation an extension to submit the Cycles 1²⁴ and 2²⁵ data with Cycle 3²⁶ reporting. As a result of Treasury OIG’s approved extension, the Cherokee Nation was compliant with the reporting timelines as required under Treasury’s Guidance.

Summary of Testing Results

Castro found that all of the 42 transactions selected for testing were supported by documentation and were necessary expenditures due to the COVID-19 public health emergency, were not accounted for in the budget most recently approved as of March 27, 2020, and were incurred during the covered period. The transactions selected for testing were not selected statistically, and therefore results cannot be extrapolated to the total universe of transactions.

The following table includes the total cumulative expenditure population amount and the cumulative expenditure amount tested. Additionally, this table includes a summary of Castro’s testing results over cumulative expenditure transaction balances. Within the “Exception Noted: IPA [Independent Public Accountant] Recommended for Treasury OIG Follow-up” section of this table, we have included a summary of unsupported and ineligible exception balances identified as questioned costs as a result of our desk review. The Cherokee Nation did not have any questioned costs. Additionally, in the far-right column, we have identified the cumulative expenditures that Castro tested without exceptions noted.

²⁴ Calendar quarter ending June 30, 2020.

²⁵ Calendar quarter ending September 30, 2020.

²⁶ Calendar quarter ending December 31, 2020.

Desk Review of the Cherokee Nation

Summary of Expenditures Testing and Recommended Results As of Cycle 8 ²⁷					
Payment Type	Cumulative Expenditure Population Amount	Cumulative Expenditure Tested Amount	Exception Noted: IPA Recommended for Treasury OIG Follow up		Castro Reviewed Value Without Exception (per Support)
			Unsupported	Ineligible	
Contracts >= \$50,000	\$ 94,987,249.10	\$ 29,060,999.98	\$ -	\$ -	\$ 29,060,999.98
Grants >= \$50,000	\$ 140,242,200.34	\$ 137,620,082.05	\$ -	\$ -	\$ 137,620,082.05
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers to Other Government Agencies >= \$50,000	\$ 4,053,107.62	\$ 180,000.00	\$ -	\$ -	\$ 180,000.00
Direct Payments >= \$50,000	\$ 21,054,945.64	\$ 4,556,815.30	\$ -	\$ -	\$ 4,556,815.30
Aggregate Reporting < \$50,000	\$ 18,829,639.50	\$ 41,125.00	\$ -	\$ -	\$ 41,125.00
Aggregate Payments to Individuals (in any amount)	\$ 130,570,496.82	\$ 84,369,615.61	\$ -	\$ -	\$ 84,369,615.61
Totals	\$ 409,737,639.02	\$ 255,828,637.94	\$ -	\$ -	\$ 255,828,637.94

Conclusion

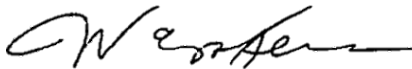
Based on our review of the Cherokee Nation's documentation supporting the uses of CRF proceeds as reported in the GrantSolutions portal, we determined that the expenditures comply with the CARES Act and Treasury's Guidance. Additionally, we determined the Cherokee Nation's risk of unallowable use of funds to be low. As such, Castro is not recommending Treasury OIG perform an audit of the Cherokee Nation.

²⁷ Calendar quarter ending March 31, 2022.

Desk Review of the Cherokee Nation

All work completed with this letter complies with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Federal Offices of Inspectors General*, which requires that the work adheres to the professional standards of independence, due professional care, and quality assurance to ensure the accuracy of the information presented.²⁸ We appreciate the courtesies and cooperation provided to our staff during the desk review.

Sincerely,

A handwritten signature in black ink, appearing to read "Wayne Ference".

Wayne Ference
Partner, Castro & Company, LLC

²⁸ <https://www.ignet.gov/sites/default/files/files/Silver%20Book%20Revision%20-%208-20-12r.pdf>