



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 New York City's Use of Coronavirus
Relief Fund Proceeds (OIG-CA-23-021)

Please find the attached desk review memorandum¹ on New York City's 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 personnel found that New York City was not compliant with the quarterly Financial Progress Reports (FPR) reporting timeline as required under Department of the Treasury's (Treasury) guidance for cycles 1², 3³, and 4⁴. In addition, Castro personnel reviewed documentation for a selection of 25 transactions reported in the quarterly reports through cycle 6⁵. Other than timely reporting and errors reported in the Loans greater than or equal to \$50,000 and Aggregate Reporting less than \$50,000 expenditure categories, Castro's review of New York City's quarterly FPR submissions did not identify reporting issues. The errors in the Loans greater than or equal to \$50,000 and Aggregate Reporting less than \$50,000 expenditure categories were corrected in Cycle 8⁶ by New York City personnel.

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 December 31, 2020.

⁴ Calendar quarter ending March 31, 2021.

⁵ Calendar quarter ending September 30, 2021.

⁶ Calendar quarter ending March 31, 2022.

Once the corrections were made in Cycle 8 by New York City personnel, Castro was able to determine that the uses of CRF proceeds for Contracts greater than or equal to \$50,000, Loans greater than or equal to \$50,000, Aggregate Reporting for transactions less than \$50,000,⁷ and Aggregate Payments to Individuals⁸ complied with the CARES Act and Treasury's Guidance. Additionally, Castro determined that New York City's risk of unallowable use of funds is low. As such, Castro is not recommending that Treasury Office of Inspector General (OIG) perform an audit of New York City's use of CRF proceeds.

As part of the desk review, Castro tested a \$45,000,000 contract, which included a sub-contract to issue loans and cover related fees for a federal CRF contribution amount of \$6,000,000. The loans tested had maturity dates in 2025 and 2026, which are beyond the CRF period of performance end date of December 31, 2021. Therefore, Castro notified OIG about New York City's potential future loan repayments so that OIG can coordinate with Treasury management for the monitoring and return of funds.

In connection with our contract with Castro, 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 New York City'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.

⁷ Recipients are required to report CRF transactions greater than or equal to \$50,000 in detail in the grants 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).

⁸ Obligations and expenditures for payments made to individuals, regardless of amount, are required to be reported in the aggregate in the grants portal to prevent inappropriate disclosure of personally identifiable information.

Page 3

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
Christopher Blanco, Senior Assistant Director, Mayor's Office, New York City
Wayne Ference, Partner, Castro & Company, LLC

Desk Review of New York City

June 27, 2023

OIG-CA-23-021

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

FROM: Wayne Ference
Partner, Castro & Company, LLC

SUBJECT: Desk Review of New York City

On August 10, 2021, we initiated a desk review of New York City'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 New York City'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 September 30, 2021 as reported in Cycles 1³ through 6⁴ in the GrantSolutions portal.

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

- 1) reviewed New York City's quarterly Financial Progress Reports (FPRs) submitted in the GrantSolutions portal through September 30, 2021;
- 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 September 30, 2021.

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 New York City

- 3) reviewed Treasury 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 New York City'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 New York City's uses of CRF proceeds;
- 6) reviewed Treasury OIG Office of Investigations, 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 New York City's uses of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying New York City'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, loans, aggregate reporting data,⁹ and aggregate payments to individuals¹⁰ identified through GrantSolutions reporting; and
- 9) evaluated documentation and records used to support New York City's quarterly FPRs.

Based on our review of New York City's documentation supporting the uses of CRF proceeds as reported in the GrantSolutions portal, we found that the transactions were adequately supported and the use of CRF proceeds complied

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 the 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 17 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 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).

¹⁰ 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 New York City

with the CARES Act and Treasury's Guidance. New York City's risk of unallowable use of funds is low. Castro is not recommending Treasury OIG perform an audit of New York City. However, we notified Treasury OIG about New York City's loan repayments so that Treasury OIG can coordinate with Treasury for the monitoring and return of funds.

Non-Statistical Transaction Selection Methodology

Treasury issued a CRF payment to New York City of \$1,454,710,277.70. As of Cycle 6,¹¹ New York City's cumulative obligations and expenditures were \$942,704,677.88 and \$921,904,677.88, respectively. New York City's cumulative obligations and expenditures by payment type as reported in GrantSolutions through Cycle 6¹² are summarized below:

Payment Type	Cumulative	Cumulative
	Obligations	Expenditures
Contracts >= \$50,000	\$ 56,965,538.59	\$ 56,965,538.59
Grants >= \$50,000	\$ -	\$ -
Loans >= \$50,000	\$ 21,941,500.00	\$ 1,141,500.00
Transfers >= \$50,000	\$ -	\$ -
Direct Payments >= \$50,000	\$ -	\$ -
Aggregate Reporting < \$50,000	\$ 30,548,827.29	\$ 30,548,827.29
Aggregate Payments to Individuals (In Any Amount)	\$ 833,248,812.00	\$ 833,248,812.00
Totals	\$ 942,704,677.88	\$ 921,904,677.88

Castro made a non-statistical selection of Contracts greater than or equal to \$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 New York City's FPR submissions. Castro noted that New York City did not obligate or expend CRF proceeds for Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000,¹⁴ and Direct Payments greater than or equal to \$50,000, and made reclassification correcting entries in a subsequent cycle for Loans greater than or equal to \$50,000 and Aggregate Reporting less than \$50,000. Therefore, we did not make a selection from these categories.

¹¹ Calendar quarter ending September 30, 2021.

¹² Calendar quarter ending September 30, 2021.

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 New York City.

¹⁴ A transfer to another government entity is a disbursement or payment to a government entity that is legally distinct from the prime recipient.

Desk Review of New York City

The number of transactions (25) we selected to test were based on New York City's total CRF award amount and our overall risk assessment of New York City. To allocate the number of transactions (25) by obligation type (Contracts greater than or equal to \$50,000 and Aggregate Payments to Individuals), we compared the obligation type dollar amounts as a percentage of cumulative obligations for Cycle 6.¹⁵

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 United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands; and Tribal governments. Treasury issued a CRF payment to New York City for \$1,454,710,277.70. 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, 2021.¹⁶

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)

¹⁵ Calendar quarter ending September 30, 2021.

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.

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.

Desk Review of New York City

detailed information on any level of sub-contracts or sub-grants 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 also has authority to recoup funds in the event 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)).

Desk Review Results

Based on Castro's review of the FPR Checklists above, we determined New York City did not comply with the reporting timeline as required under the Department of the Treasury OIG's Guidance OIG-CA-20-021, *Coronavirus Relief Fund Reporting and Record Retention Requirements*. New York City completed an FPR for Cycles 2,²⁰ 5,²¹ and 6;²² however, they did not complete FPRs for Cycles 1,²³ 3,²⁴ and 4.²⁵

Summary of Testing Results

Transactions selected for detailed review were supported by documentation and were allowable expenditures in accordance with the CARES Act and Treasury's guidance. We noted that the Contracts greater than or equal to \$50,000 and Aggregate Payments to Individuals tested 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 for Cycle 6²⁶, Cycle 6 reclassifications made by New York City in Cycle 8²⁷, the revised Cycle 6 cumulative expenditure amount after reclassifications made in Cycle 8, and the cumulative expenditure amount tested. Additionally, this table includes a summary of Castro's testing results over cumulative expenditure transaction balances. In the far-right column, we have identified the expenditures that Castro tested without exceptions noted. We did not identify any questioned

²⁰ Calendar quarter ending September 30, 2020.

²¹ Calendar quarter ending June 30, 2021.

²² Calendar quarter ending September 30, 2021.

²³ Calendar quarter ending June 30, 2020.

²⁴ Calendar quarter ending December 31, 2020.

²⁵ Calendar quarter ending March 31, 2021.

²⁶ Calendar quarter ending September 30, 2021.

²⁷ Calendar quarter ending March 31, 2022.

Desk Review of New York City

costs as the result of our desk review. See Desk Review Results section below this table for a detailed discussion of results.

Summary of Expenditure Testing and Recommended Results As of Cycle 6 ²⁸							
Payment Type	Cumulative Expenditures as of Cycle 6 (Population Amount)	Cycle 6 Reclassified Amount (Made in Cycle 8) ²⁹	Revised Cycle 6 Cumulative Expenditures After Reclassification (Made in Cycle 8)	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	\$ 56,965,538.59	\$ -	\$ 56,965,538.59	\$ 45,000,000.00	\$ -	\$ -	\$ 45,000,000.00
Grants >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loans >= \$50,000	\$ 1,141,500.00	\$ (1,141,500.00)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Payments >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate Reporting < \$50,000	\$ 30,548,827.29	\$ (29,622,632.42)	\$ 926,194.87	\$ -	\$ -	\$ -	\$ -
Aggregate Payments to Individuals (in any amount)	\$833,248,812.00	\$ -	\$ 833,248,812.00	\$669,299,674.72	\$ -	\$ -	\$669,299,674.72
Totals³⁰	\$921,904,677.88	\$(30,764,132.42)	\$ 891,140,545.46	\$714,299,674.72	\$ -	\$ -	\$714,299,674.72

Castro determined that New York City complied with the CARES Act and Treasury's Guidance for all payment types. However, Castro tested a \$45,000,000 contract, and noted that part of the contract was a sub-contract to issue loans and cover related fees for a federal CRF contribution amount of \$6,000,000. The loans tested had maturity dates in 2025 and 2026; therefore, we notified Treasury OIG about New York City's potential for future loan repayments so that Treasury OIG can coordinate with Treasury management for the monitoring and return of funds.

²⁸ Calendar quarter ending September 30, 2021.

²⁹ New York City removed previously duplicate obligations and expenditures from Loans greater than or equal to \$50,000 in the amount of \$1,141,500 and Aggregate Reporting less than \$50,000 (Loans and Grants) in the amount of \$29,622,632.42 in Cycle 8 as these were correctly included within Contracts greater than or equal to \$50,000.

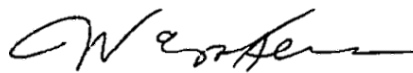
³⁰ The amounts within this table are the cumulative expenditures amounts reported within GrantSolutions. Additionally, the obligation amounts for Loans greater than or equal to \$50,000, Loans less than \$50,000 (reported within Aggregate Reporting less than \$50,000), and Grants less than or equal to \$50,000 (reported within Aggregate Reporting less than \$50,000) were also reclassified.

Conclusion

Based on our review of New York City's documentation supporting the uses of CRF proceeds as reported in the GrantSolutions portal, we determined the transactions were adequately supported and the use of CRF proceeds complied with the CARES Act and Treasury's Guidance. Additionally, New York City's risk of unallowable use of funds is low. Castro is not recommending Treasury OIG perform an audit of New York City. However, we notified Treasury OIG about New York City's potential for future loan repayments so that Treasury OIG can coordinate with Treasury management for the monitoring and return of funds.

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 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.³¹ We appreciate the courtesies and cooperation provided to our staff during the desk review.

Sincerely,



Wayne Ference
Partner, Castro & Company, LLC

³¹ <https://www.ignet.gov/sites/default/files/files/Silver%20Book%20Revision%20-%208-20-12r.pdf>