



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

July 20, 2023

**MEMORANDUM FOR MS. JENNIFER MILANO, ACTING CHIEF RECOVERY
OFFICER, DEPARTMENT OF THE TREASURY**

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

SUBJECT: Desk Review of City of Dallas, Texas's Use of
Coronavirus Relief Fund Proceeds (OIG-CA-23-028)

Please find the attached desk review memorandum¹ on the City of Dallas, Texas' (Dallas) 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 reviewed documentation for a non-statistical selection of 19 transactions reported in the quarterly Financial Progress Reports (FPR) and found that Dallas personnel could not provide the necessary documentation to support 1 of 19 transactions resulting in total unsupported expenditures of \$2,211,593.67 (see attached schedule of monetary benefits).

Specifically, Castro determined that the expenditures related to Aggregate Payments to Individuals² obligation type did not comply with the CARES Act and Department of the Treasury (Treasury) Guidance and that the risk of unallowable use of funds was moderate. As such, Castro is recommending Treasury Office of Inspector General (OIG) pursue obtaining documentation from Dallas management and ensure that expenditures reported are properly supported. Further, based on Dallas' responsiveness to Treasury OIG's requests and its ability

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 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.

to provide documentation, we recommend Treasury OIG determine if a focused audit on Aggregate Payments to Individuals is feasible. Castro and Treasury OIG met with Dallas management to discuss the questioned costs and reporting issues. Dallas management stated that they would provide Treasury OIG documentation to support the use of the \$2,211,593.67 in questioned costs.

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 Dallas' 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 *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.

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 Sun, Director of Data and Reporting, Office of Recovery Programs, Department of the Treasury
Jack Ireland, Chief Financial Officer, City of Dallas, Texas
Wayne Ference, Partner, Castro & Company, LLC

Attachment

Schedule of Monetary Benefits

According to the Code of Federal Regulations,³ a questioned cost is a cost that is questioned due to a finding:

- (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).⁴ 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 Section 405(b) of the Inspector General Act of 1978.

<u>Recommendation</u>	<u>Questioned Costs</u>
Recommendation No. 1	\$2,211,593.67

The questioned cost represents amounts provided by Treasury under the Coronavirus Relief Fund. As discussed in the attached desk review, \$2,211,593.67 is Dallas' expenditures reported in the grant-reporting portal that lacked supporting documentation.

³ 2 CFR § 200.84 – Questioned Cost

⁴ JAMES is Treasury's audit recommendation tracking system.

Desk Review of the City of Dallas, Texas

July 20, 2023

OIG-CA-23-028

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

FROM: Wayne Ference
Partner, Castro & Company, LLC

SUBJECT: Desk Review of the City of Dallas, Texas

On June 13, 2022, we initiated a desk review of the City of Dallas' (Dallas) 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 Dallas' 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 Dallas' 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 City of Dallas, Texas

- 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 Dallas' 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 Dallas' 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 Dallas' uses of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying Dallas' 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, Direct Payments, Aggregate Reporting,⁹ and Aggregate Payments to Individuals¹⁰ data identified through GrantSolutions reporting; and
- 9) evaluated documentation and records used to support Dallas' quarterly FPRs.

Based on the results of our desk review, we determined that the expenditures related to Aggregate Payments to Individuals did not comply with the CARES Act and Treasury's Guidance, which resulted in total questioned costs of

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 personnel 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.

\$2,211,593.67. Additionally, we determined that Dallas’ risk of unallowable use of funds to be moderate. As such, Castro recommends Treasury OIG pursue obtaining documentation from Dallas management and ensure expenditures reported are properly supported. Further, based on Dallas’ responsiveness to Treasury OIG’s requests and its ability to provide documentation, we recommend Treasury OIG determine if a focused audit on Aggregate Payments to Individuals is feasible.

Non-Statistical Transaction Selection Methodology

Treasury issued a CRF payment to Dallas of \$234,443,127.60. As of March 31, 2022 (Cycle 8), Dallas’ cumulative obligations and expenditures were \$234,443,127.60. Dallas’ cumulative obligations and expenditures by payment type, as reported in GrantSolutions through Cycle 8, are summarized below:

Payment Type	Cumulative Obligated Amount	Cumulative Expenditure Amount
Contracts >= \$50,000	\$ 100,795,501.92	\$ 100,795,501.92
Grants >= \$50,000	\$ 8,566,596.26	\$ 8,566,596.26
Loans >= \$50,000	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -
Direct Payments >= \$50,000	\$ 14,741,667.06	\$ 14,741,667.06
Aggregate Reporting < \$50,000	\$ 9,280,022.57	\$ 9,280,022.57
Aggregate Payments to Individuals (in any amount)	\$ 101,059,339.79	\$ 101,059,339.79
Totals	\$ 234,443,127.60	\$ 234,443,127.60

Castro made a non-statistical selection of 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. Selections were made using auditor judgment based on information and risks identified in reviewing audit reports, the GrantSolutions portal reporting anomalies¹¹ identified by the Treasury OIG CRF monitoring team, and review of Dallas’ FPR submissions. Castro noted Dallas did not obligate or expend CRF proceeds to Loans greater than or equal to \$50,000, or Transfers¹² greater than or equal to \$50,000, therefore, we did not make a selection of transactions from these categories.

¹¹ 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 Dallas.

¹² 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 the City of Dallas, Texas

The number of transactions (19) we selected to test were based on Dallas' total CRF award amount and our overall risk assessment of Dallas. To allocate the number of transactions (19) by obligation type (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 8.¹³ Additionally, Treasury OIG identified one potential duplicate payment and two outliers.¹⁴ We included the potential duplicate payment from the Contracts greater than or equal to \$50,000 payment type in Castro's selection. The two outlier payments were related to the Contracts greater than or equal to \$50,000 obligation type, and did not result in any additional selections.

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 Dallas for \$234,443,127.60. 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, 2021.¹⁵

¹³ Calendar quarter ending March 31, 2022.

¹⁴ The two outliers for the Contracts greater than or equal to \$50,000 payment type related to funds used for public health expenses and costs associated with improving telework capabilities for public employees during the Pandemic. These were identified by the Treasury OIG CRF monitoring team as outliers because the transactions were 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.

¹⁵ 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 City of Dallas, Texas

Section 15011 of the CARES Act, requires each covered recipient¹⁶ 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^{17,18} 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 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 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

Dallas' quarterly FPR submissions through March 31, 2022 were timely submitted to Treasury. Other than Aggregate Payments to Individuals, transactions selected for detailed review were supported by documentation and were allowable expenditures in accordance with the CARES Act and Treasury's guidance. We also found that 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, and Aggregate Reporting less than \$50,000 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 and the expenditure amount tested. This table also includes a summary of Castro's testing results over 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 exceptions identified as questioned costs. These exceptions do not comply with

¹⁶ 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.

¹⁷ 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.

¹⁸ Section 15011 of P.L. 116-136 defines large covered funds as covered funds that amount to more than \$150,000.

Desk Review of the City of Dallas, Texas

the CARES Act and Treasury’s Guidance. Additionally, in the far-right column, we have identified the expenditures that Castro tested without exception. See the Desk Review Results section below this table for a detailed discussion of questioned costs and other issues identified.

Summary of Expenditure Testing and Recommended Results – As of Cycle 8¹⁹

Payment Type	Cumulative Expenditure Population Amount	Cumulative Expenditure Tested Amount	Unsupported Exception	Ineligible Exception	Amount Reviewed Without Exception
Contracts >= \$50,000	\$ 100,795,501.92	\$ 39,168,441.95	\$ -	\$ -	\$ 39,168,441.95
Grants >= \$50,000	\$ 8,566,596.26	\$ 4,468,459.97	\$ -	\$ -	\$ 4,468,459.97
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers to Other Government Agencies >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Payments >= \$50,000	\$ 14,741,667.06	\$ 6,629,702.40	\$ -	\$ -	\$ 6,629,702.40
Aggregate Reporting < \$50,000	\$ 9,280,022.57	\$ 33,148.00	\$ -	\$ -	\$ 33,148.00
Aggregate Payments to Individuals (in any amount)	\$ 101,059,339.79	\$ 74,894,522.11	\$2,211,593.67	\$ -	\$ 72,682,928.44
Totals	\$ 234,443,127.60	\$125,194,274.43	\$2,211,593.67	\$ -	\$ 122,982,680.76

Aggregate Payments to Individuals (API)

We determined Dallas’ API did not comply with the CARES Act and Treasury’s Guidance. Of the 10 API transactions tested, we identified exceptions in one transaction resulting in unsupported costs of \$2,211,593.67. The transaction was for costs not related to a public health and safety unit. The transaction was the highest aggregate dollar expenditure amount reported by Dallas management as allocation code (2) - Payroll Costs for Non-Public Health and Safety Employees. Specifically, Dallas management submitted a request to their Information Technology (IT) department to pull the data from their legacy timekeeping system, which took four weeks to obtain and review before Dallas was able to provide

¹⁹ Calendar quarter ending March 31, 2022.

Desk Review of the City of Dallas, Texas

Castro documentation for a small subset (four) of the transactions selected within the Non-Public Health and Safety Employees allocation code. After multiple requests, Dallas management was unable to provide adequate and/or sufficient supporting documentation of payroll reimbursement amounts using CRF proceeds during our fieldwork procedures. Specifically, Dallas management was unable to provide general and subsidiary ledgers used to account for the receipt of CRF payments and subsequent disbursements to reconcile to our transaction selection in relation to payroll expenses for employees whose work duties were not substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

In June of 2020, Dallas completed their implementation of a new payroll system. Dallas management told us that due to this change in payroll systems, it was unable to provide the requested API supporting documentation during our fieldwork. Overall, based on Dallas management's utilization of the old payroll system during the CRF program, our additional requests were significantly delayed. We asked Dallas management to provide the procedures used to calculate and report the amounts reimbursed to the non-public health and safety unit. Dallas provided their documented procedures; however, we were unable to re-perform those procedures to calculate the amounts reported in GrantSolutions.

Dallas management stated the reimbursement payroll costs assigned to their COVID-19 Fund would not reconcile to the transaction selected for testing due to the underlying financial data being allocated across multiple pay periods. In conclusion, Dallas management did not comply with the reporting and record retention requirements criteria of the CRF program, including Treasury OIG Guidance OIG-CA-20-021,²⁰ *Coronavirus Relief Fund Reporting and Record Retention Requirements*.

Conclusion

We determined that certain expenditures related to Aggregate Payments to Individuals did not comply with the CARES Act and Treasury's Guidance. As such, we question \$2,211,593.67 of expenditures due to a lack of supporting documentation. We found that uses of CRF proceeds for 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, and Aggregate Reporting less than \$50,000 complied with the CARES Act and Treasury's Guidance.

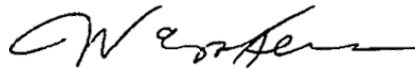
²⁰ <https://oig.treasury.gov/sites/oig/files/2021-01/OIG-CA-20-021.pdf>

Desk Review of the City of Dallas, Texas

Based on the totality of the work performed and due to the exceptions identified above, we determined Dallas' risk of unallowable use of funds to be moderate. Castro recommends that Treasury OIG pursue obtaining documentation from Dallas management related to the Aggregate Payments to Individuals and ensure that expenditures reported are properly supported. Further, based on Dallas' responsiveness to Treasury OIG's requests and its ability to provide documentation, we recommend Treasury OIG determine if a focused audit on Aggregate Payments to Individuals is feasible.

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.²¹ We appreciate the courtesies and cooperation provided to our staff during the desk review.

Sincerely,



Wayne Ference
Partner, Castro & Company, LLC

²¹ <https://www.ignet.gov/sites/default/files/files/Silver%20Book%20Revision%20-%208-20-12r.pdf>