



OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

July 20, 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 San Bernardino County, California's Use  
of Coronavirus Relief Fund Proceeds (OIG-CA-23-030)

Please find the attached desk review memorandum<sup>1</sup> on San Bernardino County, California's (San Bernardino) 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 San Bernardino complied with the quarterly Financial Progress Reports (FPR) reporting timeline as required under the Department of the Treasury's (Treasury) guidance for Cycles 1<sup>2</sup> through 8<sup>3</sup>. In addition, Castro personnel reviewed documentation for a selection of 33 transactions reported in the quarterly reports through cycle 8<sup>4</sup>. Castro personnel found that San Bernardino's CRF expenditures for Contracts greater than or equal to \$50,000, Transfers greater than or equal to \$50,000,<sup>5</sup> Aggregate

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<sup>1</sup> 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.

<sup>2</sup> Calendar quarter ending June 30, 2020.

<sup>3</sup> Calendar quarter ending March 31, 2022.

<sup>4</sup> Calendar quarter ending March 31, 2022.

<sup>5</sup> A transfer to another government entity is a disbursement or payment to a government entity that is legally distinct from the prime recipient.

Reporting for transactions less than \$50,000,<sup>6</sup> and Aggregate Payments to Individuals<sup>7</sup> complied with the CARES Act and Treasury's Guidance.

Castro determined that San Bernardino's expenditures related to Grants greater than or equal to \$50,000 and Direct Payments greater than or equal to \$50,000 did not comply with the CARES Act and Treasury guidance. Castro questioned ineligible expenditures of \$64,487.53 and unsupported expenditures of \$280,185.94 related to Grants greater than or equal to \$50,000, and ineligible expenditures of \$3,806,938.49 related to Direct Payments greater than or equal to \$50,000. In total, Castro identified questioned costs of \$4,151,611.96 and determined San Bernardino's risk of unallowable use of funds is moderate.

Castro recommends that Treasury Office of Inspector General (OIG) obtain missing documentation from San Bernardino management and request that reporting corrections be made. Further, based on San Bernardino's responsiveness to Treasury OIG's requests and its ability to provide sufficient documentation, Castro recommends Treasury OIG determine the feasibility of performing a focused audit for Grants greater than or equal to \$50,000 and Direct Payments greater than or equal to \$50,000.

Castro and Treasury OIG met with San Bernardino personnel to discuss the questioned costs. San Bernardino provided Treasury OIG with their planned corrective actions in response to the findings in this desk review.

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 San Bernardino'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 Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Federal Offices of Inspectors General*.

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

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<sup>6</sup> 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).

<sup>7</sup> 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.

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, Department of the  
Treasury  
Leonard Hernandez, Chief Executive Officer, San Bernardino,  
California  
Joon Cho, Administrative Analyst, San Bernardino County  
Administrative Office  
Wayne Ference, Partner, Castro & Company, LLC

Attachment

Schedule of Monetary Benefits

According to the Code of Federal Regulations,<sup>8</sup> 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).<sup>9</sup> 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>Recommendations</u>	<u>Questioned</u>
<u>Costs</u>	
Recommendation No. 1	\$64,487.53
Recommendation No. 2	\$280,185.94
Recommendation No. 3	\$3,806,938.49

The questioned cost represents amounts provided by Treasury under the Coronavirus Relief Fund. As discussed in the attached desk review, \$4,151,611.96 are San Bernardino's expenditures reported in the grant-reporting portal that are deemed ineligible and that lacked supporting documentation.

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<sup>8</sup> 2 CFR § 200.84 – Questioned Cost.

<sup>9</sup> JAMES is Treasury's audit recommendation tracking system.

Desk Review of San Bernardino County

July 20, 2023

OIG-CA-23-030

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

FROM: Wayne Ference  
Partner, Castro & Company, LLC

SUBJECT: Desk Review of San Bernardino County, California

On June 14, 2022, we initiated a desk review of San Bernardino County's (herein referred to as "San Bernardino") 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).<sup>1</sup> The objective of our desk review was to evaluate San Bernardino's documentation supporting its uses of CRF proceeds as reported in the GrantSolutions<sup>2</sup> 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 1<sup>3</sup> through 8<sup>4</sup> in the GrantSolutions portal.

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

- 1) Reviewed San Bernardino's quarterly Financial Progress Reports (FPRs) submitted in the GrantSolutions portal through March 31, 2022;
- 2) reviewed the *U.S. Department of the Treasury's (Treasury) Coronavirus Relief Fund Guidance* as published in the Federal Register on January 15, 2021;<sup>5</sup>

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<sup>1</sup> P.L. 116-136 (March 27, 2020).

<sup>2</sup> 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.

<sup>3</sup> Calendar quarter ending June 30, 2020.

<sup>4</sup> Calendar quarter ending March 31, 2022.

<sup>5</sup> 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](https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf)

## Desk Review of San Bernardino County

- 3) reviewed Treasury Office of Inspector General (OIG)'s *Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping*;<sup>6</sup>
- 4) reviewed Treasury OIG's monitoring checklists<sup>7</sup> of San Bernardino'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 San Bernardino'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),<sup>8</sup> and Treasury OIG Office of Counsel input on issues that may pose risk or impact San Bernardino's uses of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying San Bernardino'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,<sup>9</sup> Direct Payments, Aggregate Reporting,<sup>10</sup> and Aggregate Payments to Individuals<sup>11</sup> data identified through GrantSolutions reporting; and
- 9) evaluated documentation and records used to support San Bernardino's quarterly FPRs.

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<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> 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.

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

<sup>10</sup> 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).

<sup>11</sup> 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 San Bernardino County

We reviewed San Bernardino’s quarterly FPR submissions through March 31, 2022, and determined that San Bernardino submitted all its reports on a timely basis.

Based on our review of San Bernardino’s documentation supporting the uses of its CRF proceeds as reported in the GrantSolutions portal, we found that uses of CRF proceeds for Contracts greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals complied with the CARES Act and Treasury’s Guidance. However, we determined that the expenditures related to Grants greater than or equal to \$50,000 and Direct Payments greater than or equal to \$50,000 did not comply with the CARES Act and Treasury’s Guidance.

We identified questioned costs of \$4,151,611.96 and determined San Bernardino’s risk of unallowable use of funds is moderate. Castro recommends that Treasury OIG obtain missing documentation from San Bernardino management and request that reporting corrections be made. Further, based on San Bernardino’s responsiveness to Treasury OIG’s requests and its ability to provide sufficient documentation, we recommend Treasury OIG determine the feasibility of performing a focused audit for Grants greater than or equal to \$50,000 and Direct Payments greater than or equal to \$50,000.

### **Non-Statistical Transaction Selection Methodology**

Treasury issued a CRF payment to San Bernardino of \$380,408,020.90. As of Cycle 8,<sup>12</sup> San Bernardino’s cumulative obligations and expenditures were \$380,408,020.90 and \$370,096,733.73, respectively. San Bernardino’s cumulative obligations and expenditures by payment type, as reported in GrantSolutions through Cycle 8,<sup>1312</sup> are summarized below:

Payment Type	Cumulative Obligations	Cumulative Expenditures
Contracts >= \$50,000	\$ 68,062,690.13	\$ 66,833,016.15
Grants >= \$50,000	\$ 32,614,647.59	\$ 26,458,950.05
Loans >= \$50,000	\$	\$
Transfers >= \$50,000	\$ 40,707,711.42	\$ 38,167,190.37
Direct Payments >= \$50,000	\$ 13,947,981.29	\$ 13,947,981.29
Aggregate Reporting < \$50,000	\$ 77,538,740.75	\$ 77,153,346.15
Aggregate Payments to Individuals (in any amount)	\$ 147,536,249.72	\$ 147,536,249.72
<b>Totals</b>	<b>\$ 380,408,020.90</b>	<b>\$ 370,096,733.73</b>

<sup>12</sup> Calendar quarter ending March 31, 2022.

<sup>13</sup> Calendar quarter ending March 31, 2022.

## Desk Review of San Bernardino County

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 anomalies<sup>14</sup> identified by the Treasury OIG CRF monitoring team, and review of San Bernardino's FPR submissions. Castro noted San Bernardino did not obligate or expend CRF proceeds to Loans greater than or equal to \$50,000; therefore, we did not make a selection of transactions from that category.

The number of transactions (29) we selected to test were based on San Bernardino's total CRF award amount and our overall risk assessment of San Bernardino. To allocate the number of transactions (29) by payment type (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), we compared the payment type dollar amounts as a percentage of total cumulative obligations for Cycle 8.<sup>15</sup> Additionally, Treasury OIG identified four anomaly transactions in the form of potential duplicate payments which had not already been included within our transaction selection. As a result, our transaction selection was increased to 33 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 San Bernardino for \$380,408,020.90.

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

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<sup>14</sup> 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 San Bernardino.

<sup>15</sup> Calendar quarter ending March 31, 2022.



## Desk Review of San Bernardino County

(3) were incurred between March 1, 2020 and December 31, 2021.<sup>16</sup>

Section 15011 of the CARES Act, requires each covered recipient<sup>17</sup> 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<sup>18,19</sup> 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**

#### **Financial Progress Reports**

We reviewed San Bernardino's quarterly FPR submissions through March 31, 2022, and determined that San Bernardino submitted all its reports on a timely basis. As such, we determined San Bernardino to be compliant with the Reporting Timeline as required under Treasury OIG Guidance OIG CA-20-021, *Coronavirus Relief Fund Reporting and Record Retention Requirements*.

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<sup>16</sup> 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.

<sup>17</sup> 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.

<sup>18</sup> 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.

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

## Desk Review of San Bernardino County

### Summary of Testing Results

Other than Grants greater than or equal to \$50,000 and Direct Payments greater than or equal to \$50,000, 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, Transfers greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals 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 expenditure transaction balances. Within the table below, we have included a summary of unsupported and ineligible expenditures identified as questioned costs. These expenditures do not comply with the CARES Act and Treasury's Guidance. Additionally, in the far-right column, we have identified the expenditures that Castro tested without exceptions noted. See Desk Review Results section below this table for a detailed discussion of questioned costs and other issues identified throughout the course of our desk review.

**Summary of Expenditure Testing and Recommended Results – As of Cycle 8<sup>20</sup>**

Payment Type	Cumulative Expenditure Population Amount	Cumulative Expenditure Tested Amount	Unsupported Exception	Ineligible Exception	Castro Reviewed Value Without Exception (per Support)
Contracts >= \$50,000	\$ 66,833,016.15	\$ 11,794,423.43	\$ -	\$ -	\$ 11,794,423.43
Grants >= \$50,000	\$ 26,458,950.05	\$ 4,249,019.14	\$ 280,185.94	\$ 64,487.53	\$ 3,904,345.67
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ 38,167,190.37	\$ 7,619,918.79	\$ -	\$ -	\$ 7,619,918.79
Direct Payments >= \$50,000	\$ 13,947,981.29	\$ 5,880,034.08	\$ -	\$ 3,806,938.49	\$ 2,073,095.59
Aggregate Reporting < \$50,000	\$ 77,153,346.15	\$ 105,787.86	\$ -	\$ -	\$ 105,787.86
Aggregate Payments to Individuals (in any amount)	\$ 147,536,249.72	\$ 71,944,822.22	\$ -	\$ -	\$ 71,944,822.22
<b>Totals</b>	<b>\$ 370,096,733.73</b>	<b>\$ 101,594,005.52</b>	<b>\$ 280,185.94</b>	<b>\$3,871,426.02</b>	<b>\$ 97,442,393.56</b>

Grants Greater Than or Equal to \$50,000

We determined that San Bernardino’s Grants greater than or equal to \$50,000 do not comply with the CARES Act and Treasury’s Guidance. We questioned expenditures of \$64,487.53 for Grants greater than or equal to \$50,000 because the related expenditures were ineligible. Additionally, we questioned expenditures of \$280,185.94 for Grants greater than or equal to \$50,000 due to the lack of supporting documentation. As part of our procedures, we selected five transactions to test. From these selected transactions, we made 20 sub-selections<sup>21</sup> to obtain coverage at the detailed transaction level. During our review, we identified the following exceptions.

Unsupported Cumulative Grant Expenditures

Castro made five sub-selections related to COVID-19 medical care. For four of the five sub-selections reviewed, Castro was unable to obtain sufficient supporting documentation to support \$280,185.94 of the \$461,694.73 in reported expenditures and therefore considered these amounts unsupported.

San Bernardino management concurred with this finding, indicating that they followed up with the hospital sub-recipient and confirmed that there were several

<sup>20</sup> Calendar quarter ending March 31, 2022.

<sup>21</sup> Due to the voluminous nature of transactions at the original transaction selection level, we obtained and utilized a general ledger detail listing to obtain a sub-selection of transactions needed to test obligations and expenditures at the detailed transaction level.

## Desk Review of San Bernardino County

unsupported worker's compensation cases at the time that the hospital submitted their request for CRF reimbursement. As part of its corrective action plan, San Bernardino County management noted that it had received and would review the hospital's list of total COVID-19 worker's compensation closed cases during the CRF covered period. San Bernardino management claimed that the amount related to closed cases was higher than the amount claimed against the CRF. Management told us that they would also perform additional review procedures, such as an on-site visit, to ensure that the hospital's expenditure amounts claimed were accurate.

### Eligibility of Cumulative Expenditures

Castro made five sub-selections related to network project expenditures. For three of the five sub-selections reviewed, Castro noted that San Bernardino claimed sub-recipient incurred expenditures that were prepaid for a 3- and 4-year timeframe that extended beyond the covered period of eligible CRF use of September 30, 2022. For one out of the three sub-selections reviewed, line items with the description "24/7 System Support Bundle" covered a 4-year period and the line items relating to the remaining two sub-selections covered a 3-year period. Castro performed calculations to determine the portion of these prepaid expenditures that were eligible due to falling within the eligible time period and the portion that was ineligible due to falling outside of the covered period. Castro determined that \$64,487.53 of the \$579,545.95 in reported expenditures was ineligible.

San Bernardino concurred with this finding. San Bernardino management attributed this error to the San Bernardino City Unified School District's practice of purchasing multi-year prepaid coverage to have information technology security solutions in place. San Bernardino management attempted to locate the District's written policy regarding this type of prepaid purchase, but was unsuccessful in obtaining the relevant policy. San Bernardino management noted that through its ongoing monitoring activities, the County would perform additional review procedures, such as an on-site visit, to verify whether any written policy or other equivalent documentation existed to support this type of purchase practice as part of the entity's ordinary course of business. San Bernardino management told us that any prepaid item that could not be supported with its appropriate written policy or procedures would be identified and replaced by other CRF eligible costs that were incurred and expended by the sub-recipient or County during the CRF covered period.

Castro noted that the period of performance date was extended to September 30, 2022 by the issuance of the publication "Coronavirus Relief Fund Revision to

## Desk Review of San Bernardino County

Guidance Regarding When a Cost is Considered Incurred," dated December 14, 2021,<sup>22</sup> which states:

"...Treasury is now revising the guidance to provide that a cost associated with a necessary expenditure incurred due to the public health emergency shall be considered to have been incurred by December 31, 2021, if the recipient has incurred an obligation with respect to such cost by December 31, 2021...Treasury's reporting framework currently permits recipients to record their expenditures through September 30, 2022."

San Bernardino did not comply with Treasury OIG Guidance OIG-CA-20-021<sup>23</sup> because the official authorized to certify that the data was true, accurate, and complete did not ensure that its submission met all the Treasury OIG Guidance requirements; and San Bernardino management was unable to support transactions reported within the GrantSolutions portal. Additionally, we determined San Bernardino did not comply with these requirements because its prepaid expenses extended beyond the allowable covered period.

Additionally, we determined San Bernardino did not comply with Subsection 601 (d) of the Social Security Act, as amended, (42 U.S.C. 801 (d)), and Federal Register Notice Volume 86, Number 10,<sup>24</sup> *Coronavirus Relief Fund for States, Tribal Governments, and Certain Eligible Local Governments*, Treasury's Guidance, FAQ #31, because San Bernardino management did not have evidence to support that these prepayments were made as part of its sub-recipient's normal process and because its prepaid expenses extended beyond the allowable covered period.

### Direct Payments Greater Than or Equal to \$50,000

We determined that San Bernardino's Direct Payments greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. We questioned expenditures of \$3,806,938.49 for Direct Payments greater than or equal to \$50,000 because the expenditures were ineligible. We identified misclassification exceptions related to Direct Payments greater than or equal to \$50,000 that should have been reported as Contracts greater than or equal to \$50,000 for \$13,947,981.29 for both cumulative expenditures and obligations. We selected one original transaction for testing. From this transaction, we made five

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<sup>22</sup> [https://home.treasury.gov/system/files/136/CRF-Guidance\\_Revision-Regarding-Cost-Incurred.pdf](https://home.treasury.gov/system/files/136/CRF-Guidance_Revision-Regarding-Cost-Incurred.pdf)

<sup>23</sup> <https://home.treasury.gov/system/files/136/IG-Coronavirus-Relief-Fund-Recipient-Reporting-Record-Keeping-Requirements.pdf>

<sup>24</sup> [https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register\\_2021-00827.pdf](https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf)

## Desk Review of San Bernardino County

sub-selections to obtain coverage at the transaction level. We identified the following exceptions.

For the original transaction selected, we noted that the GrantSolutions balance was supported by general ledger detail of 348 individual transactions made to San Bernardino County Fire Protection District (County Fire) as the sub-recipient. Upon review of the underlying detail for our sub-selections, we noted that each of these transactions had different transaction descriptions, budget units, funded programs, and transaction dates. Upon inquiry, we determined that County Fire was part of San Bernardino County's government for CRF reporting purposes. As such, this transaction represented a payment from San Bernardino to itself. It was misclassified as a Direct Payment greater than or equal to \$50,000. It should have been reported as Contracts greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, or County Fire payroll in Aggregate Payments to Individuals. As a result, Direct Payments greater than or equal to \$50,000 was overstated by \$13,947,981.29. Although we do not consider misclassifications to be questioned costs, we do not consider these misclassified transaction balances to comply with Treasury's Guidance as they should have been reported under a different payment type.

Due to the high volume of expenditures contained within the original selection, Castro was not able to quantify the corrections required to be made by San Bernardino. However, Castro made a sub-selection of five transactions to obtain coverage over the original cumulative expenditure transaction selection amounts and determined required corrections over those balances. See results below.

### Eligibility of Cumulative Expenditures

For two out of the five sub-selections reviewed, we take exception with cumulative obligation and expenditure amounts of \$3,806,938.49 claimed for Direct Payments greater than or equal to \$50,000 because the related expenditures were ineligible. San Bernardino claimed depreciation expenses of vehicles utilized to respond to the COVID-19 pandemic. Although we reviewed vehicle activity logs and determined these vehicles were used for eligible purposes that related to the COVID-19 pandemic, Castro determined that these expenditures were not eligible due to an excessive valuation that overstated CRF costs claimed.

County Fire personnel included vehicle fuel and maintenance costs and annual straight-line depreciation of the historical vehicle purchase price over the period of its estimated useful life (e.g., 12, 15, and 20 years). County Fire personnel identified various vehicles in its possession, and then calculated an hourly fee rate per vehicle type by dividing the sum of the average total maintenance, fuel costs,

## Desk Review of San Bernardino County

and annual depreciation costs by the average of hours used for that vehicle type. An estimate of hours needed to complete the COVID-19 related tasks was used. However, San Bernardino personnel significantly inflated its calculated hourly usage rate for claimed depreciation expenses by excessively underestimating the denominator used to calculate the hourly rate. As an example of the effect of the valuation error over a single vehicle, County Fire claimed total depreciation costs of \$1,432,287.36 for five months of activity for one vehicle originally procured at a historical cost of \$727,856.67 in 2006. The total claimed for this five-month period was almost double the amount of the historical cost of the vehicle and exceeded the annual depreciation cost of the vehicle of \$48,523.78 by a factor of 29.5 times.

San Bernardino personnel told us that they viewed these depreciation costs as eligible because it represented activity incurred for the vehicle to represent an "expense" that was used for a substantially different use than originally planned. Additionally, San Bernardino personnel told us that the equipment asset allocation/depreciation expense claimed was for the activity of the vehicle, and that this depreciation expense was not previously budgeted for in the County's budget. San Bernardino personnel told us that these equipment fee amounts were calculated for the purposes of cost recovery, which were based on an accounting depreciation of the average purchase cost over the vehicle lifecycle and average equipment/vehicle maintenance and fuel costs. Further, San Bernardino management told us that it was unable to procure new vehicles or rentals due to the vehicle rental shortage that occurred during the pandemic.

San Bernardino staff were in the process of recalculating the fees and anticipated that the claim amount would decrease when this recalculation process was completed. In the event that the equipment amount claimed decreased, County Fire personnel identified that there were other eligible expenditures such as payroll costs for public health and safety employees whose services were substantially dedicated to respond to the COVID-19 pandemic to replace the unallowable portion of this expenditure. San Bernardino staff were in the process of gathering this data for potential correction within a future reporting cycle.

### Misclassification of Cumulative Expenditures

For three out of the five sub-selections reviewed, San Bernardino personnel misclassified County Fire payroll expenditures as Direct Payments greater than or equal to \$50,000 instead of Aggregate Payments to Individuals. San Bernardino personnel concurred that the payroll costs incurred by County Fire had been misclassified due to an oversight, and told us that the corrective action plan was to re-categorize the payroll costs as Aggregate Payments to Individuals in future

## Desk Review of San Bernardino County

GrantSolutions portal cycle submissions. Castro was unable to corroborate San Bernardino's statement during our desk review through Cycle 8.<sup>25</sup>

### **Conclusion**

We reviewed San Bernardino's quarterly FPR submissions through March 31, 2022, and determined that San Bernardino submitted all its reports on a timely basis. We found that uses of CRF proceeds for Contracts greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals complied with the CARES Act and Treasury's Guidance.


However, we determined that the expenditures related to Grants greater than or equal to \$50,000 and Direct Payments greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance.

We identified questioned costs of \$4,151,611.96 and determined San Bernardino's risk of unallowable use of funds is moderate. Castro recommends that Treasury OIG obtain missing documentation from San Bernardino management and request that reporting corrections be made. Further, based on San Bernardino's responsiveness to Treasury OIG's requests and its ability to provide sufficient documentation, we recommend Treasury OIG determine the feasibility of performing a focused audit for Grants greater than or equal to \$50,000 and Direct Payments greater than or equal to \$50,000.

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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.<sup>26</sup> We appreciate the courtesies and cooperation provided to our staff during the desk review.

Sincerely,



Wayne Ference  
Partner, Castro & Company, LLC

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<sup>25</sup> Calendar quarter ending March 31, 2022.

<sup>26</sup> <https://www.ignet.gov/sites/default/files/files/Silver%20Book%20Revision%20-%208-20-12r.pdf>