



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

July 21, 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 Phoenix, Arizona's Use of Coronavirus
Relief Fund Proceeds (OIG-CA-23-032)

Please find the attached desk review memorandum¹ on Phoenix, Arizona's (Phoenix) 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 Phoenix was compliant with the required quarterly Financial Progress Reports (FPR) submission timeline as required under Department of the Treasury's (Treasury) guidance for cycles 1² through 8.³ In addition, Castro personnel reviewed documentation for a selection of 29 transactions reported in the quarterly reports through cycle 5⁴. Castro's review of Phoenix's documentation supporting its uses of CRF proceeds found that the expenditures for the Contracts 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 complied with the CARES Act and Treasury's Guidance.

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 The scope of the desk review included the period March 1, 2020 to March 31, 2022 (Cycles 1 to 8); however, Phoenix submitted its final GrantSolutions closeout submission in Cycle 5 (Calendar quarter ending June 30, 2021).

⁴ Calendar quarter ending June 30, 2021.

Castro found that CRF proceeds for the Grants greater than or equal to \$50,000 payment type did not comply with the CARES Act and Treasury's Guidance.

Based on the totality of the work performed, Castro identified total questioned costs of \$147,379.46 and determined Phoenix's risk of unallowable use of funds to be moderate. Based on Castro's desk review, Treasury Office of Inspector General (OIG) is questioning unsupported expenditures of \$147,379.46. See the attachment to this transmittal for the definition of a questioned cost.

Castro recommends that Treasury OIG pursue obtaining the missing documentation from Phoenix personnel. Further, based on Phoenix's responsiveness to Treasury OIG's requests and its ability to provide documentation, Castro recommends Treasury OIG determine if a focused audit is feasible for Grants greater than or equal to \$50,000. Treasury OIG and Castro met with Phoenix management to discuss the questioned costs. Phoenix management stated they would provide additional documentation to Treasury OIG to support the 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 Phoenix'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 Inspectors 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
Christopher Sun, Director of Data and Reporting, Department of the Treasury
Kathleen Gitkin, Chief Financial Officer, Phoenix, Arizona
Wayne Ference, Partner, Castro & Company, LLC

Attachment

Schedule of Monetary Benefits

According to the Code of Federal Regulations,⁵ 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).⁶ 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	\$147,379.46

The questioned cost represents amounts provided by Treasury under the Coronavirus Relief Fund. As discussed in the attached desk review, \$147,379.46 is Phoenix's total expenditures reported in the grants reporting portal that lacked supporting documentation.

⁵ 2 CFR § 200.84 – Questioned Cost

⁶ JAMES is Treasury's audit recommendation tracking system.

Desk Review of Phoenix, Arizona

July 21, 2023

OIG-CA-23-032

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

FROM: Wayne Ference
Partner, Castro & Company, LLC

SUBJECT: Desk Review of Phoenix, Arizona

On June 14, 2022, we initiated a desk review of Phoenix, Arizona's (herein referred to as "Phoenix") 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 Phoenix'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 Phoenix's quarterly Financial Progress Reports (FPRs) submitted in the GrantSolutions portal through June 30, 2021;⁵
- 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;⁶

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 The scope of our desk review included the period March 1, 2020 to March 31, 2022 (Cycles 1 to 8); however, Phoenix submitted its final GrantSolutions closeout submission in Cycle 5 (Calendar quarter ending June 30, 2021).

⁶ 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 Phoenix, Arizona

- 3) reviewed Treasury Office of Inspector General's (OIG) *Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping*;⁷
- 4) reviewed Treasury OIG's monitoring checklists⁸ of Phoenix'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 Phoenix'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),⁹ and Treasury OIG Office of Counsel input on issues that may pose risk or impact Phoenix's uses of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying Phoenix'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, Direct Payments, Aggregate Reporting,¹⁰ and Aggregate Payments to Individuals¹¹ data identified through GrantSolutions reporting; and
- 9) evaluated documentation and records used to support Phoenix's quarterly FPRs.

⁷ 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.

⁸ 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.

⁹ 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.

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 Phoenix, Arizona

Based on the results of our desk review, we determined that documentation supporting the uses of Phoenix's CRF proceeds related to Grants greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. Our desk review resulted in total identified questioned costs of \$147,379.46.

Based on the totality of work performed, we determined that Phoenix's risk of unallowable use of funds is moderate. As such, Castro recommends Treasury OIG pursue obtaining documentation from Phoenix management and follow-up on necessary reporting corrections. Further, based on Phoenix's responsiveness to Treasury OIG's requests and its ability to provide sufficient documentation, we recommend Treasury OIG determine if a focused audit is feasible for Grants greater than or equal to \$50,000.

Non-Statistical Transaction Selection Methodology

Treasury issued a CRF payment to Phoenix of \$293,320,141.10. As of Cycle 5,¹² Phoenix's cumulative obligations and expenditures were \$293,320,141.10. Phoenix's cumulative obligations and expenditures by payment type, as reported in GrantSolutions through Cycle 5, are summarized below.

Payment Type	Cumulative Obligations	Cumulative Expenditures
Contracts >= \$50,000	\$ 38,550,333.26	\$ 38,550,333.26
Grants >= \$50,000	\$ 52,051,662.83	\$ 52,051,662.83
Loans >= \$50,000	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -
Direct Payments >= \$50,000	\$ 1,871,788.00	\$ 1,871,788.00
Aggregate Reporting < \$50,000	\$ 16,683,308.99	\$ 16,683,308.99
Aggregate Payments to Individuals (in any amount)	\$ 184,163,048.02	\$ 184,163,048.02
Totals	\$ 293,320,141.10	\$ 293,320,141.10

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 transactions. Selections were made using auditor judgment based on information and risks identified while reviewing audit reports, the GrantSolutions portal reporting anomalies¹³ identified by the Treasury OIG CRF monitoring team, and review of Phoenix's quarterly FPR submissions. Castro noted Phoenix did not obligate or expend CRF proceeds for Loans greater than or

¹² Calendar quarter ending June 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 Phoenix.

Desk Review of Phoenix, Arizona

equal to \$50,000, or Transfers¹⁴ greater than or equal to \$50,000; therefore, we did not make a selection of transactions from these payment categories.

The number of transactions (28) we selected to test were based on Phoenix's total CRF award amount and our overall risk assessment of Phoenix. To allocate the number of transactions (28) by payment 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 5.¹⁵ Additionally, Treasury OIG identified an additional anomaly in the form of a potential duplicate payment, which had not already been included within our transaction selection. As a result, our transaction selection was increased from 28 to 29 transaction 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 Phoenix for \$293,320,141.10.

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

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

¹⁵ Calendar quarter ending June 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.

Desk Review of Phoenix, Arizona

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 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

Our review of Phoenix's quarterly FPR submissions through June 30, 2021 found that Phoenix complied with the Reporting Timeline as required under Treasury OIG Guidance OIG CA-20-021, *Coronavirus Relief Fund Reporting and Record Retention Requirements*.

Summary of Testing Results

We determined that Grants greater than or equal to \$50,000 did not comply with the CARES Act or Treasury's Guidance. We also found that Contracts 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 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.

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 Phoenix, Arizona

The following table includes the total cumulative expenditure population amount and the expenditure amount tested. Within the table below, we have included a summary of unsupported and ineligible expenditures identified as questioned costs. Additionally, in the far-right column, we have identified the expenditures that Castro tested without exceptions noted. See the 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 5²⁰

Payment Type	Cumulative Expenditure Population Amount	Cumulative Expenditure Tested Amount	Unsupported Reconciling Items ²¹	Unsupported Exception	Ineligible Exception	Castro Reviewed Value Without Exception (per Support)
Contracts >= \$50,000	\$ 38,550,333.26	\$ 5,022,366.29	\$ -	\$ -	\$ -	\$ 5,022,366.29
Grants >= \$50,000	\$ 52,051,662.83	\$ 5,299,292.33	\$ 11,065.46	\$ 136,314.00	\$ -	\$ 5,162,978.33
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Payments >= \$50,000	\$ 1,871,788.00	\$ 257,927.63	\$ -	\$ -	\$ -	\$ 257,927.63
Aggregate Reporting < \$50,000	\$ 16,683,308.99	\$ 47,566.73	\$ -	\$ -	\$ -	\$ 47,566.73
Aggregate Payments to Individuals (in any amount)	\$ 184,163,048.02	\$ 127,456,016.91	\$ -	\$ -	\$ -	\$ 127,456,016.91
Totals	\$ 293,320,141.10	\$ 138,083,169.89	\$ 11,065.46	\$ 136,314.00	\$ -	\$ 137,946,855.89

²⁰ The scope of our desk review included the period March 1, 2020 to March 31, 2022 (Cycles 1 to 8); however, Phoenix submitted its final GrantSolutions closeout submission in Cycle 5 (Calendar quarter ending June 30, 2021). Therefore, for testing purposes we utilized data from Phoenix's GrantSolutions submission for the calendar quarter ending June 30, 2021.

²¹ As a result of our reconciliation procedures, we determined that expenditures recorded in GrantSolutions for one sub-recipient transaction selected (prior to sub-selections) were \$8,341,750.00 while the expenditures per the general ledger detail were \$8,330,684.54, resulting in a variance of \$11,065.46. However, we did not test detailed support for these amounts. As such, we excluded this balance from the "Cumulative Expenditure Tested Amount" column.

Grants Greater Than or Equal to \$50,000

We selected seven transactions to test. From those seven selections, we made 35 sub-selections²² to obtain coverage at the detailed transaction level. From those transactions, we determined that Phoenix's Grants greater than or equal to \$50,000 payment type did not comply with the CARES Act and Treasury's Guidance.

In total, we question \$147,379.46 in expenditures. We question \$136,314 in unsupported expenditures related to administrative costs for running the grant program. We also identified \$540.36 in understated expenditures incurred, but not reported, related to administrative costs; however, we are not questioning these costs because the amount represents understated expenditures. We are also questioning \$11,065.46 because sub-recipient general ledger (GL) detail support provided was less than total costs that had been entered into the GrantSolutions portal.

Castro was told by Phoenix Neighborhood Services Department (NSD) personnel that NSD would not complete the CRF funds post-grant monitoring risk assessment for sub-recipients until on or after June 30, 2023. As Phoenix did not complete these efforts prior to submitting and certifying its GrantSolutions submission as accurate, Castro deemed delayed sub-recipient monitoring efforts to be a major contributing root cause of these errors.

Castro performed a reconciliation from our initial cumulative expenditure transaction selection amounts to the cumulative expenditure amounts supported by Phoenix's sub-recipient GL detail. During our reconciliation, for one out of seven initial selections, we noted discrepancies between the total amount of cumulative expenditures reported by Phoenix within its Cycle 5²³ GrantSolutions submission and the total amount of cumulative expenditures in its sub-recipient's GL detail to support CRF amounts claimed. Specifically, sub-recipient GL detail support provided for cumulative expenditures of \$8,330,684.54 was less than total costs of \$8,341,750.00 entered into the GrantSolutions portal. Therefore, we question cumulative expenditure amounts of \$11,065.46 for Grants greater than or equal to \$50,000.

Upon further inquiry, Phoenix confirmed the \$11,065.46 as an exception within its Cycle 5²⁴ submission. Phoenix personnel confirmed that they planned to correct this error in future GrantSolutions submissions by decreasing cumulative

²² Due to the number of transactions at the original selection level, we utilized the general ledger detail listing to obtain a sub-selection of obligations and expenditures to test at the detailed transaction level.

²³ Calendar quarter ending June 30, 2021.

²⁴ Calendar quarter ending June 30, 2021.

Desk Review of Phoenix, Arizona

expenditures claimed by the total amount of administrative costs of \$11,065.46 from grant award number 152087, and by increasing expenditure amounts claimed in grant award number 152106 by the same amount.

For one of 35 sub-selections, Phoenix did not provide any invoice or expenditure support, resulting in unsupported expenditures totaling \$136,314 in administrative costs incurred by its sub-recipients for running the grant program.

Phoenix management did not agree with this finding. NSD is the department responsible for sub-recipient monitoring. The NSD personnel told us that for grant agreement number 152383, they included terms in the grant agreement that would support the advance payment of the administrative and direct service portions of this agreement for the total award of \$29 million. NSD management told us that this grant agreement was prioritized in an effort to respond to the COVID-19 pandemic, and that Phoenix would have traditionally entered into a reimbursement contract; however, the level of accounting necessary to support a reimbursement contract would have been a barrier to the expedited delivery of services needed. This barrier was removed by executing an advance payment grant that tied the administrative payments from NSD to the sub-recipient for the level of direct service dollars expended; NSD management told us that this was also deemed necessary to address agency capacity for the immediate response needed to provide these emergency services. This payment structure accounted for administrative dollars proportionate to the amount of direct service dollars awarded. Thus, it provided the sub-recipient with the flexibility to provide emergency services without the level of accounting, dollar for dollar, for the expenditure of the administrative costs associated with this contract.

NSD management told us that the sub-recipient had appropriate accounting controls in place; however, the grant agreement terms did not require the level of accounting that would require Phoenix's administrative payments to tie to specific sub-recipient administrative expenditures.

Castro noted that the Federal Register Notice Volume 86, Number 10,²⁵ *Coronavirus Relief Fund for States, Tribal Governments, and Certain Eligible Local Governments, Supplemental Guidance on Use of Funds To Cover Administrative Costs, General*, indicates the following:

"Payments from the Fund are not administered as part of a traditional grant program and the provisions of the Uniform Guidance, 2 CFR part 200, that are applicable to indirect costs do not apply. Recipients may not apply their indirect costs rates to payments received from the Fund. Recipients may, if

²⁵ 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 Phoenix, Arizona

they meet the conditions specified in the guidance for tracking time consistently across a department, use payments from the Fund to cover the portion of payroll and benefits of employees corresponding to time spent on administrative work necessary due to the COVID-19 public health emergency. (In other words, such costs would be eligible direct costs of the recipient).”

Castro noted that the CRF program requirements for prime recipients also applies to their sub-recipients (as described in 2 CFR 200.101(b)(2)). Therefore, we determined the CRF guidance doesn't permit CRF recipients to charge indirect costs to their CRF award or for sub-recipients to charge indirect costs to their CRF sub-awards (either with a Negotiated Indirect Cost Rate Agreement or using the de minimis indirect cost rate per 2 CFR 200.414(f)). Since these costs were charged as direct administrative costs to the CRF sub-award, the sub-recipient must provide supporting documentation for it to be considered allowable (as required by 2 CFR 200.413 – Direct Costs). Therefore, Castro determined that these administrative expenses were unsupported and questioned \$136,314 in administrative costs claimed.

For one of 35 sub-selections, we identified expenditures related to administrative costs for running the grant program that were incurred but were not reported as expenditures for this grant within GrantSolutions. Phoenix personnel reported cumulative expenditures totaling \$495,989.27 while we received a reconciliation prepared by Phoenix personnel that showed \$496,529.63 in expenditures should have been reported within GrantSolutions, resulting in a \$540.36 understatement of expenditures. We are not questioning these costs because the amount represents understated expenditures.

Phoenix management told us that the department was not able to provide the support for these administrative costs before the deadline, and that this error occurred due to two grant sub-recipients moving funds between two programs with Phoenix’s programmatic personnel approval. However, they did not notify the Phoenix finance department of this change. As such, this movement of costs between grant programs was not properly recorded in Phoenix’s accounting system and in the Cycle 5²⁶ GrantSolutions submission. Phoenix personnel told us that if required, they would make an adjustment in a future GrantSolutions cycle for the project “Business and Employee Assistance”, ID number 350011, by decreasing the grant award number 152106, and increasing the grant award number 152087 by \$540.36.

²⁶ Calendar quarter ending June 30, 2021.

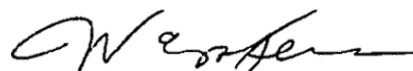
Conclusion

We found that Phoenix personnel timely filed quarterly FPR reports in the GrantSolutions portal. We also found that the expenditures related to the Grants greater than or equal to \$50,000 payment type did not comply with the CARES Act and Treasury’s Guidance. As a result, we identified \$147,379.46 in questioned costs. The Contracts 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 payment types were supported by documentation and are allowable CRF expenditures. Based on the work performed, we determined Phoenix’s risk of unallowable use of funds is moderate.

Castro recommends Treasury OIG follow-up with Phoenix management on the finalization of its reconciliation and reporting corrections. Based on Phoenix management’s responsiveness to Treasury OIG’s requests, and its ability to provide sufficient documentation, we recommend that Treasury OIG determine if a focused audit is feasible for Grants greater than or equal to \$50,000.

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.²⁷ We appreciate the courtesies and cooperation provided to our staff during the desk review.

Sincerely,



Wayne Ference
Partner, Castro & Company, LLC

²⁷ <https://www.ignet.gov/sites/default/files/files/Silver%20Book%20Revision%20-%208-20-12r.pdf>