



OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

August 8, 2023

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

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

**SUBJECT:** Desk Review of the Commonwealth of Puerto Rico's Use  
of Coronavirus Relief Fund Proceeds  
(OIG-CA-23-040)

Please find the attached desk review memorandum<sup>1</sup> on the Commonwealth of Puerto Rico's (Puerto Rico) 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 201 transactions reported in the quarterly Financial Progress Reports (FPR) and questioned costs of \$33,681,692.45 (see attached schedule of monetary benefits).

Castro determined that the expenditures related to Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000,<sup>2</sup> Aggregate Reporting less than \$50,000,<sup>3</sup> and 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> A transfer to another government entity is a disbursement or payment to a government entity that is legally distinct from the prime recipient.

<sup>3</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).

Payments to Individuals<sup>4</sup> did not comply with the CARES Act and Department of the Treasury (Treasury) Guidance. Additionally, Castro determined that the risk of unallowable use of funds is high. As such, Castro recommends that Treasury Office of Inspector General personnel pursue obtaining missing documentation from Puerto Rico's management and follow up on necessary reporting corrections within the grants portal. Based on Puerto Rico's responsiveness to our requests and management's ability to provide documentation, Castro recommends we determine if a full scope audit is feasible.

Castro noted that Puerto Rico management has not filed required Single Audit reports for fiscal years 2019, 2020, and 2021. Additionally, we note that the report for 2022 has not been filed. We will follow up with Puerto Rico management to determine the status of the Single Audit reports.

Treasury OIG and Castro met with Puerto Rico management to discuss the questioned costs. Puerto Rico management expressed that updates have been made to the grants portal in subsequent cycle submissions, which they believe have addressed all the findings contained in this report.

In connection with our contract with Castro, we reviewed Castro's desk review memorandum and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with generally accepted government auditing standards, was not intended to enable us to express an opinion on Puerto Rico's use of 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 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

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<sup>4</sup> 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.

Christopher Sun, Director of Data and Reporting, Office of Recovery  
Programs, Department of the Treasury  
Wayne Ference, Partner, Castro & Company, LLC  
Francisco Parés Alicea, Secretary of Treasury, Commonwealth of Puerto  
Rico Treasury Department

Attachment

Schedule of Monetary Benefits

According to the Code of Federal Regulations,<sup>5</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>6</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>Recommendation</u>	<u>Questioned Costs</u>
Recommendation No. 1	\$33,681,692.45

The questioned cost represents amounts provided by Treasury under the Coronavirus Relief Fund. As discussed in the attached desk review, \$33,681,692.45 is Puerto Rico's expenditures reported in the grant-reporting portal that lacked supporting documentation.

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<sup>5</sup> 2 CFR § 200.84 – Questioned Cost

<sup>6</sup> JAMES is Treasury's audit recommendation tracking system.

Desk Review of the Commonwealth of Puerto Rico

August 8, 2023

OIG-CA-23-040

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

FROM: Wayne Ference  
Partner, Castro & Company, LLC

SUBJECT: Desk Review of the Commonwealth of Puerto Rico

On August 30, 2021, we initiated a desk review of the Commonwealth of Puerto Rico's (Puerto Rico) 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 Puerto Rico'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 June 30, 2021 as reported in Cycles 1<sup>3</sup> through 5<sup>4</sup> in the GrantSolutions portal.

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

- 1) reviewed Puerto Rico's quarterly Financial Progress Reports (FPRs) submitted in the GrantSolutions portal through June 30, 2021;
- 2) reviewed the *Department of the Treasury's (Treasury) Coronavirus Relief Fund Guidance* as published in the Federal Register on January 15, 2021;<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 June 30, 2021.

<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 the Commonwealth of Puerto Rico

- 3) reviewed Treasury Office of Inspector General's (OIG) *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 Puerto Rico'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 Puerto Rico'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 Puerto Rico's uses of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying Puerto Rico'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> 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 Puerto Rico'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 the Commonwealth of Puerto Rico

Based on the results of our desk review, Puerto Rico's use of CRF proceeds did not comply with the CARES Act and Treasury's Guidance, resulting in total questioned costs of \$33,681,692.45. Additionally, we determined that Puerto Rico's risk of unallowable use of funds is high. As such, Castro recommends Treasury OIG pursue obtaining missing documentation from Puerto Rico's management and follows-up on necessary reporting corrections within the GrantSolutions portal. Based on Puerto Rico's responsiveness to Treasury OIG's requests and management's ability to provide documentation, we recommend Treasury OIG determine if a full scope audit is feasible.

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

Treasury issued a CRF payment to Puerto Rico of \$2,240,625,863.80. As of Cycle 5,<sup>12</sup> Puerto Rico's cumulative obligations and expenditures were \$1,931,874,562.99 and \$1,868,840,707.28, respectively. Puerto Rico's cumulative obligations and expenditures by payment type, as reported in GrantSolutions through Cycle 5,<sup>12</sup> are summarized below.

<b>Payment Type</b>	<b>Cumulative Obligations</b>	<b>Cumulative Expenditures</b>
Contracts >= \$50,000	\$ 306,417,383.89	\$ 306,417,383.89
Grants >= \$50,000	\$ 503,450,430.07	\$ 503,450,430.07
Transfers >= \$50,000	\$ 294,600,456.25	\$ 294,600,456.25
Loans >= \$50,000	\$ -	\$ -
Direct Payments >= \$50,000	\$ -	\$ -
Aggregate Reporting < \$50,000	\$ 751,919,338.16	\$ 751,919,338.16
Aggregate Payments to Individuals (any amount)	\$ 75,486,954.62	\$ 75,486,954.62
<b>Totals</b>	<b>\$ 1,931,874,562.99</b>	<b>\$ 1,868,840,707.28</b>

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<sup>12</sup> Calendar quarter ending June 30, 2021.

## Desk Review of the Commonwealth of Puerto Rico

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, 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>13</sup> identified by the Treasury OIG CRF monitoring team, and review of Puerto Rico's FPR submissions. Castro noted Puerto Rico did not obligate or expend CRF proceeds to Loans greater than or equal to \$50,000, or Direct Payments greater than or equal to \$50,000; therefore, we did not make a selection of transactions from these categories.

The number of transactions (54) we selected to test was based on Puerto Rico's total CRF award amount and our overall risk assessment of Puerto Rico. To allocate the number of transactions (54) 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, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals), we compared the payment type dollar amounts as a percentage of cumulative obligations for Cycle 5.<sup>14</sup> Additionally, Treasury OIG identified 147 anomaly transactions, for a total of 201 transactions tested. The 147 anomalies<sup>15</sup> were outliers from the following payment types: Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000 and Transfers greater than or equal to \$50,000, as well as potential duplicate payments from payment type Contracts greater than or equal to \$50,000.

### **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 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 Puerto Rico for \$2,240,625,863.80. The CARES Act stipulates that a recipient may only use the funds to cover costs that—

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<sup>13</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 Puerto Rico.

<sup>14</sup> Calendar quarter ending June 30, 2021.

<sup>15</sup> These anomalies included potential duplicate payments and other anomalies that were identified by the Treasury OIG CRF monitoring team as outliers. These outliers were flagged because the transactions were identified as having high dollar amounts relative to transactions at similar points in time, with similar award descriptions, and that were disbursed by the same prime recipient.



## Desk Review of the Commonwealth of Puerto Rico

- (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.<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**

Our review of Puerto Rico's quarterly FPR submissions through June 30, 2021 did not identify reporting issues.

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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 the Commonwealth of Puerto Rico

### Review of Single Audit Reports

As a result of our review of prior year audit reports, Castro confirmed with Puerto Rico personnel that the Fiscal Year (FY) 2019, 2020, and 2021 Single Audit reports were still in process and not available during our planning procedures. Castro recommends that Treasury OIG follow-up to obtain the status of these Single Audits.

### Summary of Testing Results

Transactions selected for detailed review were not supported by documentation and we were unable to determine if expenditures were allowable in accordance with the CARES Act and Treasury's Guidance. We were unable to determine if the tested Contracts greater than or equal to \$50,000, Grants 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 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.

## Desk Review of the Commonwealth of Puerto Rico

### Summary of Expenditure Testing and Recommended Results – As of Cycle 5<sup>20</sup>

Payment Type <sup>21</sup>	Cumulative Expenditure Population Amount	Cumulative Expenditure Tested Amount	Unsupported Exception <sup>22</sup>	Ineligible Exception	Castro Reviewed Value Without Exception (per Support)
Contracts >= \$50,000	\$ 243,383,528.18	\$ 83,074,616.05	\$ 1,587,873.15	\$ -	\$ 81,486,742.90
Grants >= \$50,000	\$ 503,450,430.07	\$ 133,335,200.13	\$ 20,670,220.00	\$ -	\$ 112,664,980.13
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ 294,600,456.25	\$ 44,387,147.33	\$ 7,602,356.30	\$ -	\$ 36,784,791.03
Direct Payments >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate Reporting < \$50,000	\$ 751,919,338.16	\$ 325,991,052.68	\$ 1,338,582.00	\$ -	\$ 324,652,470.68
Aggregate Payments to Individuals (in any amount)	\$ 75,486,954.62	\$ 22,440,005.31	\$ 2,482,661.00	\$ -	\$ 19,957,344.31
<b>Totals</b>	<b>\$ 1,868,840,707.28</b>	<b>\$ 609,228,021.50</b>	<b>\$ 33,681,692.45</b>	<b>\$ -</b>	<b>\$ 575,546,329.05</b>

#### Contracts Greater Than or Equal to \$50,000

Puerto Rico's Contracts greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. Of the 148 transactions tested, we identified exceptions in three transactions resulting in questioned costs of \$1,587,873.15. For the three transactions consisting of expenses for medical supplies, COVID-19 related communication, and professional consulting services, Puerto Rico did not provide documentation to support expenditures reported.

Castro followed-up with Puerto Rico management regarding the exceptions noted, and they stated the contracts and supporting documentation referenced in Castro's follow-up request were maintained by various agencies of Puerto Rico. These agencies were required to maintain documentation for all expenditures, but those documents were only collected into a centralized location on a rolling basis and upon request. Puerto Rico management told us that the agencies submitted

<sup>20</sup> Calendar quarter ending June 30, 2021.

<sup>21</sup> For CRF Desk Review reporting purposes, we consider the anomalies tested to be part of the Contracts >= \$50,000, Grants >= \$50,000, and Transfers >= \$50,000 obligation and payment types.

<sup>22</sup> In addition to the questioned costs identified in the table above, Castro noted the following misclassified expenditure balance, which should not have been included within the following GrantSolutions payment type: \$329,457,782.00 for Aggregate Reporting less than \$50,000. Although we do not consider misclassifications to be questioned costs, these misclassified transaction balances do not comply with Treasury's Guidance, as they should have been reported under a different payment type. See **Desk Review Results** section for additional discussion.

## Desk Review of the Commonwealth of Puerto Rico

periodic use of funds reports that were used to report quarterly expenditures to Treasury, but those reports did not include the supporting documents requested in this desk review. Puerto Rico management stated that despite its best efforts, it could not collect all requested expenditure documents from the various agencies within the timeframe of our desk review.

### Grants Greater Than or Equal to \$50,000

Puerto Rico's Grants greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. Of the 19 transactions tested, we identified exceptions in four transactions resulting in questioned costs of \$20,670,220.00. Puerto Rico's management did not provide sufficient documentation to support the expenditure amounts related to the private hospital assistance grant program that covered medical and payroll expenses. Puerto Rico's management stated that despite its best efforts, it could not collect the requested expenditure documents within the timeframe of the desk review.

### Transfers Greater Than or Equal to \$50,000

Puerto Rico's Transfers greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. Of the 10 transactions tested, we identified exceptions in two transactions resulting in questioned costs of \$7,602,356.30. Puerto Rico's management did not maintain and make available to Castro upon request, all documents and financial records sufficient to support expenditure amounts related to assistance for local municipalities to cover expenses for loss of income caused by COVID-19, housing support programs, support services for the homeless, and public health and safety payroll expenses. Puerto Rico's management stated that despite its best efforts, it could not collect requested expenditure documents within the timeframe of the desk review.

### Aggregate Reporting Less than \$50,000

Puerto Rico's Aggregate Reporting less than \$50,000 did not comply with the CARES Act or Treasury's Guidance. Of the 19 transactions tested, we identified exceptions in 13 transactions resulting in questioned costs of \$1,338,582.00. Puerto Rico management told us that these were payments made to individuals that need to be corrected in a subsequent cycle submission. Puerto Rico's management did not provide documentation necessary to support expended amounts reported in the GrantSolutions FPRs. The support provided by Puerto Rico management consisted of a spreadsheet with the Recipient Name, CRF Program Name, Transaction ID, Expense Amount, and Payment Date, without proof that the support could be tied to the system of records.

## Desk Review of the Commonwealth of Puerto Rico

Upon further inquiry, Puerto Rico's management stated that at the time of the Cycle 5<sup>23</sup> submission, these expenditures were consolidated into the reported total for Aggregate Reporting less than \$50,000. Management performed a subsequent reconciliation and found that these expenditures should not have been reported as Aggregate Reporting less than \$50,000, but instead should have been reported as either Aggregate Payments to Individuals or not reported at all. Management stated that they were still finalizing their reconciliation efforts and plans to make corrections within a subsequent cycle submission.

Although the Commonwealth of Puerto Rico management stated these 13 transactions mentioned above were reported incorrectly in Aggregate Reporting less than \$50,000, additional documentation to support the expenditure amount was not provided. Therefore, questioned costs of \$1,338,582.00 were considered unsupported.

We performed further analysis on the Aggregate Reporting less than \$50,000 population and noted that there were a significant number of individual transactions that were for amounts greater than \$50,000. In total, we noted 29 transactions totaling \$329,457,782.00 out of \$751,919,338.00 (44%) that appeared to be individual transactions with amounts greater than \$50,000. We obtained the Cycle 11<sup>24</sup> FPR from GrantSolutions and noted a decrease of \$3,395,500.00 when comparing the total Aggregate Reporting less than \$50,000 from Cycle 5<sup>25</sup> to Cycle 11.<sup>26</sup> Although we do not consider these misclassified expenditures as questioned costs, we recommend that Treasury OIG follow-up to see if reporting corrections are necessary.

### Aggregate Payments to Individuals

Puerto Rico's Aggregate Payments to Individuals did not comply with the CARES Act and Treasury's Guidance. Of the five transactions tested, we identified exceptions in two transactions resulting in questioned costs of \$2,482,661.00. Puerto Rico's management did not provide sufficient documentation to support two non-payroll transactions related to the Economic Benefit - Student Technology Program.

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<sup>23</sup> Calendar quarter ending June 30, 2021.

<sup>24</sup> Calendar quarter ending December 31, 2022.

<sup>25</sup> Calendar quarter ending June 30, 2021.

<sup>26</sup> Calendar quarter ending December 31, 2022.

**Conclusion**

Castro confirmed with Puerto Rico personnel that the Fiscal Year (FY) 2019, 2020, and 2021 Single Audit reports were still in process and not available during our planning procedures. Castro recommends that Treasury OIG follow-up to obtain the status of these Single Audits.

Additionally, we determined that certain expenditures related to Contracts greater than or equal to \$50,000, Grants 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 did not comply with the CARES Act and Treasury's Guidance. Our desk review resulted in total questioned costs of \$33,681,692.45. Additionally, we determined that Puerto Rico's risk of unallowable use of funds is high.

As such, Castro recommends Treasury OIG pursue obtaining missing documentation from Puerto Rico's management and follows-up on necessary reporting corrections within the GrantSolutions portal. Based on Puerto Rico's responsiveness to Treasury OIG's requests and management's ability to provide documentation, we recommend Treasury OIG determine if a full scope audit is feasible.

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