



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 12, 2024

**MEMORANDUM FOR JESSICA MILANO, CHIEF PROGRAM OFFICER, OFFICE
OF CAPITAL ACCESS, DEPARTMENT OF THE TREASURY**

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

SUBJECT: Desk Review of the City of Fresno, California's Use of
Coronavirus Relief Fund Proceeds (OIG-CA-25-013)

Please find the attached desk review memorandum¹ on City of Fresno, California's (Fresno) 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 24 transactions reported in the quarterly Financial Progress Reports (FPR) and identified unsupported questioned costs of \$272,083 (see attached schedule of monetary benefits).

Castro determined the expenditures related to the Contracts greater than or equal to \$50,000 and Aggregate Payments to Individuals² payment types did not comply with the CARES Act and Treasury's Guidance. Castro also found that the Direct Payments greater than or equal to \$50,000 and Aggregate Reporting less than \$50,000³ payment types 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 grant-reporting portal on a quarterly basis.

² Obligations and expenditures for payments made to individuals, regardless of amount, are required to be reported in the aggregate in the grant-reporting portal to prevent inappropriate disclosure of personally identifiable information.

³ Recipients are required to report CRF transactions greater than or equal to \$50,000 in detail in the grant-reporting 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).

Further, Castro identified reporting misclassification issues related to Contracts greater than or equal to \$50,000, which Castro considered to be non-compliant with Treasury's Guidance. Additionally, Fresno's risk of unallowable use of funds is moderate.

Castro recommends that the Department of the Treasury (Treasury) Office of Inspector General (OIG) follow-up with Fresno's management to confirm the transactions noted as unsupported expenditures within the Contracts greater than or equal to \$50,000 and Aggregate Payments to Individuals payment types are recouped or replaced by other eligible expenditures, not previously charged to CRF, that were incurred during the period of performance. Based on Fresno's responsiveness to Treasury OIG's requests and management's ability to provide sufficient documentation, Castro recommends Treasury OIG determine the feasibility of conducting an audit for the Contracts greater than or equal to \$50,000 and Aggregate Payments to Individuals payment types.

At the time of desk review fieldwork, Castro noted that Fresno had findings in their Single Audit Act Reports for fiscal years 2020 and 2021. Castro recommends that Treasury OIG follow-up with Treasury's Office of Capital Access to ensure that management decision letters are issued on the CRF specific findings identified by the auditor in these Single Audit Act reports as summarized below:

- Fresno's fiscal year 2020 Single Audit Act report was published on September 21, 2021, and the auditor determined unsupported questioned costs specific to the CRF in the amount of \$625,188.
- Fresno's fiscal year 2021 Single Audit Act report was published on September 28, 2022, and the auditor determined unsupported questioned costs specific to the CRF in the amount of \$5,048,975.
- Fresno's fiscal year 2022 Single Audit Act report was published on March 15, 2023, and the auditor did not include any CRF related questioned costs.

Castro recommends Treasury OIG follow-up on any CRF specific questioned costs reported in the fiscal year 2020 and 2021 Single Audit Act reports. Castro also recommends that Treasury OIG follow-up with Treasury's Office of Capital Access to ensure that management decision letters are issued on the CRF specific findings identified by the auditor in these Single Audit Act reports.

Castro also identified matters throughout the course of the desk review, which warrant recommendations to Treasury OIG for additional action. Castro made recommendations related to the following issues:

1) Castro noted that Fresno awarded a total of \$2,000,000 in CRF proceeds to the Fresno Area Hispanic Foundation related to the Save Our Small Business Grant

Program, including questioned costs of \$40,000 in the Contracts greater than or equal to 50,000 payment type. Since Castro identified unsupported questioned costs within the Save Our Small Business Grant Program payments tested, Castro recommends Treasury OIG determine the feasibility of performing additional follow-up with Fresno to determine if there were other instances of unsupported balances within the Save Our Small Business Grant Program; and

2) Castro noted that Fresno awarded a total of \$1,792,356 in CRF proceeds for the Central Valley Children Services Network Grant Program, including unsupported questioned costs of \$78,541 in the Contracts greater than or equal to \$50,000 payment type. Since Castro identified unsupported questioned costs within Central Valley Children Services Network Grant Program payments tested, Castro recommends Treasury OIG determine the feasibility of performing additional follow-up with Fresno to determine if there were other instances of unsupported balances with the Central Valley Children Services Network Grant Program.

Treasury OIG and Castro met with Fresno's management to discuss the report. Fresno management stated that they would provide additional documentation to Treasury OIG to support the questioned costs or replace them with other eligible expenditures.

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 Fresno'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 *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, Audit Director, at (202) 487-8371.

cc:

Michelle. A. Dickerman, Deputy Assistant General Counsel, Department of the Treasury

Danielle Christensen, Deputy Chief Program Officer, Office of Capital Access, Department of the Treasury

Wayne Ference, Partner, Castro & Company, LLC

Courtney Espinoza, Business Manager, City of Fresno, California

Attachment

Schedule of Monetary Benefits

According to the Code of Federal Regulations,⁴ 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).⁵ 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 405.

Recommendation

Recommendation No. 1

Questioned Costs

\$272,083

The questioned cost represents amounts provided by Treasury under the Coronavirus Relief Fund. As discussed in the attached desk review, \$272,083 is Fresno's total expenditures reported in the grant-reporting portal that lacked supporting documentation.

⁴ 2 CFR § 200.84 – Questioned Cost

⁵ JAMES is Treasury's audit recommendation tracking system.

Desk Review of the City of Fresno, California

December 12, 2024

OIG-CA-25-013

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

FROM: Wayne Ference
Partner, Castro & Company, LLC

SUBJECT: Desk Review of the City of Fresno, California

On April 11, 2024, we initiated a desk review of the City of Fresno, California's (Fresno) 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 Fresno's documentation supporting its uses of CRF proceeds as reported in the GrantSolutions² portal and to assess the risk of unallowable use of funds. The scope of our desk review was limited to obligation and expenditure data for the period of March 1, 2020 through September 30, 2022,³ as reported in the GrantSolutions portal.

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

- 1) reviewed Fresno's quarterly Financial Progress Reports (FPRs) submitted in the GrantSolutions portal through September 30, 2022;
- 2) reviewed the *Department of the Treasury's (Treasury) Coronavirus Relief Fund Guidance* as published in the Federal Register on January 15, 2021;⁴

¹ P.L. 116-136 (March 27, 2020).

² GrantSolutions, a grant and program management Federal shared service provider under the United States (U.S.) Department of Health and Human Services, developed a customized and user-friendly reporting solution to capture the use of CRF payments from prime recipients.

³ Fresno fully expended their total CRF proceeds as of September 30, 2022. Castro set the scope end date to September 30, 2022, which was the date of Fresno's last reporting submission within the GrantSolutions portal.

⁴ Coronavirus Relief Fund Guidance as published in the Federal Register (January 15, 2021) https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf

Desk Review of the City of Fresno, California

- 3) reviewed Treasury's Office of Inspector General (OIG) *Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping*;⁵
- 4) reviewed Treasury OIG's monitoring checklists⁶ of Fresno's quarterly FPR submissions for reporting deficiencies;
- 5) reviewed other audit reports issued, such as Single Audit Act reports,⁷ 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 Fresno's uses of CRF proceeds;
- 6) reviewed Treasury OIG Office of Investigations, the Council of the Inspectors General on Integrity and Efficiency Pandemic Response Accountability Committee,⁸ and Treasury OIG Office of Counsel input on issues that may pose risk or impact Fresno's uses of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying Fresno'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, Direct Payments, Aggregate Reporting,⁹ and Aggregate Payments to Individuals¹⁰ data identified through GrantSolutions reporting; and

⁵ 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.

⁶ The checklists were used by Treasury OIG personnel to monitor the progress of prime recipient reporting in the GrantSolutions portal. GrantSolutions quarterly submission reviews were designed to identify material omissions and significant errors, and where necessary, included procedures for notifying prime recipients of misreported data for timely correction. Treasury OIG followed the *CRF Prime Recipient Quarterly GrantSolutions Submissions Monitoring and Review Procedures Guide*, OIG-CA-20-029R to monitor the prime recipients on a quarterly basis.

⁷ P. L. 104-156 (July 5, 1996) The Single Audit Act of 1984, as amended in 1996, requires entities who receive federal funds in excess of \$750,000 to undergo an annual audit of those Federal funds. The act was enacted for the purpose of promoting sound financial management, including effective internal controls, with respect to Federal awards administered by non-Federal entities and to establish uniform requirements for audits. This prime recipient was subject to those audit requirements, and Castro reviewed applicable prior year single audit reports as part of our desk review risk assessment procedures.

⁸ Section 15010 of P.L. 116-136, the CARES Act, 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 15 for a definition of covered funds) and the coronavirus response to (1) prevent and detect fraud, waste, abuse, and mismanagement; and (2) mitigate major risks that cut across program and agency boundaries.

⁹ Prime recipients were required to report CRF transactions greater than or equal to \$50,000 in detail in the GrantSolutions portal. Transactions less than \$50,000 could be reported as an aggregate lump-sum amount by type (contracts, grants, loans, direct payments, and transfers to other government entities).

¹⁰ Obligations and expenditures for payments made to individuals, regardless of amount, were required to be reported in the aggregate in the GrantSolutions portal to prevent inappropriate disclosure of personally identifiable information.

Desk Review of the City of Fresno, California

- 9) evaluated documentation and records used to support Fresno's quarterly FPRs.

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

We identified unsupported questioned costs of \$122,632 that resulted from our testing of selected transactions. Also, as part of our desk review procedures related to the Contracts greater than or equal to \$50,000 payment type, Castro identified additional unsupported questioned costs of \$149,451 related to reconciliation issues between Fresno's general ledger and the GrantSolutions portal, thus increasing our total questioned costs to \$272,083. We also determined Fresno's risk of unallowable use of funds is moderate.

Castro recommends that Treasury OIG confirm the transactions noted as unsupported expenditures within the Contracts greater than or equal to \$50,000 and Aggregate Payments to Individuals payment types are recouped or replaced by other eligible expenditures, not previously charged to CRF, that were incurred during the period of performance. Based on Fresno management's responsiveness to Treasury OIG's requests and their ability to provide sufficient documentation, we recommend Treasury OIG determine the feasibility of conducting an audit for Contracts greater than or equal to \$50,000 and Aggregate Payments to Individuals payment types.

At the time of our desk review fieldwork, Castro noted that Fresno had findings in their Single Audit Reports for fiscal years 2020 and 2021. Castro recommends that Treasury OIG follow-up with Treasury's Office of Capital Access to ensure that management decision letters are issued on the CRF specific findings identified by the auditor in these Single Audit reports, which we have summarized below:

- Fresno's fiscal year 2020 Single Audit report was published on September 21, 2021, and the auditor determined unsupported questioned costs specific to the CRF in the amount of \$625,188.
- Fresno's fiscal year 2021 Single Audit report was published on September 28, 2022, and the auditor determined unsupported questioned costs specific to the CRF in the amount of \$5,048,975.

Desk Review of the City of Fresno, California

- Fresno’s fiscal year 2022 Single Audit report was published on March 15, 2023, and the auditor did not include any CRF related questioned costs.

We recommend Treasury OIG follow-up on any CRF specific questioned costs reported in the fiscal year 2020 and 2021 Single Audit reports. We also recommend that Treasury OIG follow-up with Treasury’s Office of Capital Access to ensure that management decision letters are issued on the CRF specific findings identified by the auditor in these Single Audit reports.

Non-Statistical Transaction Selection Methodology

Treasury issued a \$92,755,913 CRF payment to Fresno. As of September 30, 2022, Fresno had expended all of its CRF proceeds. Fresno’s cumulative obligations and expenditures by payment type are summarized below.

Payment Type	Cumulative Obligations	Cumulative Expenditures
Contracts >= \$50,000	\$ 26,665,516	\$ 26,665,516
Grants >= \$50,000	\$ -	\$ -
Loans >= \$50,000	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -
Direct Payments >= \$50,000	\$ 174,404	\$ 174,404
Aggregate Reporting < \$50,000	\$ 6,561,763	\$ 6,561,763
Aggregate Payments to Individuals (in any amount)	\$ 59,354,230	\$ 59,354,230
Totals	\$ 92,755,913	\$ 92,755,913

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

¹¹ Treasury OIG had a pre-defined list of risk indicators that were triggered based on data submitted by prime recipients in the FPR submissions that met certain criteria. Castro reviewed these results provided by Treasury OIG for the prime recipient.

¹² A transfer to another government entity is a disbursement or payment to a government entity that is legally distinct from the prime recipient.

Desk Review of the City of Fresno, California

The number of transactions (24) we selected to test was based on Fresno's total CRF award amount and our overall risk assessment of Fresno. To allocate the number of transactions (24) by payment type (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), we compared the payment type dollar amounts as a percentage of cumulative expenditures as of September 30, 2022. The transactions selected for testing were not selected statistically, and therefore results could not be extrapolated to the total universe of transactions.

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 U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands; and Tribal governments (collectively referred to as "prime recipients"). Treasury issued a \$92,755,913 CRF payment to Fresno. The CARES Act stipulates that a prime recipient may only use the funds to cover costs that—

- (1) were 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 during the covered period between March 1, 2020 and December 31, 2021.¹³

¹³ P.L. 116-260 (December 27, 2020). The covered period end date of the CRF was extended through December 31, 2021 by the Consolidated Appropriations Act, 2021. The covered period end date for tribal entities was further extended to December 31, 2022 by the State, Local, Tribal, and Territorial Fiscal Recovery, Infrastructure, and Disaster Relief Flexibility Act, Division LL of the Consolidated Appropriations Act, 2023, P.L. 117-328, December 29, 2022, 136 Stat. 4459.

Desk Review of the City of Fresno, California

Section 15011 of the CARES Act required each covered recipient¹⁴ to submit to Treasury and the Pandemic Response Accountability Committee, no later than 10 days after the end of each calendar quarter, a report that contained (1) the total amount of large covered funds^{15,16} 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 the 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 Fresno's quarterly FPRs through September 30, 2022, and found that Fresno timely filed quarterly FPRs in the GrantSolutions portal in compliance with Treasury OIG's reporting requirements for the periods ending June 30, 2020 through September 30, 2022.

Summary of Testing Results

We found that the Direct Payments greater than or equal to \$50,000 and Aggregate Reporting less than \$50,000 payment types complied with the CARES Act and Treasury's Guidance. We also found that the Contracts greater than or equal to \$50,000 and Aggregate Payments to Individuals payment types did not comply with the CARES Act and Treasury's Guidance. The transactions selected for testing were not selected statistically, and therefore results could not be extrapolated to the total universe of transactions.

¹⁴ Section 15011 of P.L. 116-136, the CARES Act, defined a covered recipient as any entity that received large, covered funds and included any State, the District of Columbia, and any territory or possession of the United States.

¹⁵ Section 15010 of P.L. 116-136, the CARES Act, defined covered funds as any funds, including loans, that were 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 made appropriations for Coronavirus response and related activities.

¹⁶ Section 15011 of P.L. 116-136 defined large, covered funds as covered funds that amounted to more than \$150,000.

Desk Review of the City of Fresno, California

Within Table 1 below, we have included a summary of unsupported tested expenditures identified as questioned costs, which did not comply with the CARES Act and Treasury’s Guidance. 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.

**Table 1 - Summary of Expenditures Testing and Recommended Results
As of September 30, 2022**

Payment Type	Cumulative Expenditure Population Amount	Cumulative Expenditure Tested Amount	Unsupported Tested Questioned Costs	Ineligible Tested Questioned Costs	Total Tested Questioned Costs
Contracts >= \$50,000	\$ 26,665,516	\$ 7,128,614	\$ 119,691	\$ -	\$ 119,691
Grants >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Payments >= \$50,000	\$ 174,404	\$ 94,500	\$ -	\$ -	\$ -
Aggregate Reporting < \$50,000	\$ 6,561,763	\$ 22,430	\$ -	\$ -	\$ -
Aggregate Payments to Individuals (in any amount)	\$ 59,354,230	\$ 17,730,644	\$ 2,941	\$ -	\$ 2,941
Totals	\$ 92,755,913	\$ 24,976,188	\$ 122,632	\$ -	\$ 122,632

Desk Review of the City of Fresno, California

Castro also identified other matters throughout the course of our desk review, which we considered to be questioned costs, but which were not part of our judgmental transaction selections. Table 2 below combines the tested questioned costs identified in the table above with these other matters identified through our desk review. We have included a “Total Unsupported Questioned Costs (Tested & Other Matters)” column that summarizes the total amount of questioned costs identified throughout the course of our desk review.

**Table 2 - Summary of Tested and Other Matters Identified Questioned Costs
As of September 30, 2022**

Payment Type	(A) Unsupported Questioned Costs (Tested)	(B) Unsupported Questioned Costs (Other Matters)	(C=A+B) Total Unsupported Questioned Costs (Tested & Other Matters)
Contracts >= \$50,000	\$ 119,691	\$ 149,451	\$ 269,142
Grants >= \$50,000	\$ -	\$ -	\$ -
Loans >= \$50,000	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -	\$ -
Direct Payments >= \$50,000	\$ -	\$ -	\$ -
Aggregate Reporting < \$50,000	\$ -	\$ -	\$ -
Aggregate Payments to Individuals (in any amount)	\$ 2,941	\$ -	\$ 2,941
Totals	\$ 122,632	\$ 149,451	\$ 272,083

Contracts Greater Than or Equal to \$50,000

We determined Fresno's Contracts greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested nine transactions totaling \$7,128,614. During our general ledger to GrantSolutions portal reconciliation process, we identified that of the \$26,665,516 reported by Fresno in the GrantSolutions portal for Contracts greater than or equal to \$50,000, \$13,760,785 were for grants. We determined this reporting misclassification did not comply with Treasury's Guidance. Of the \$7,128,614 selected for testing, \$6,050,370 were related to contracts and \$1,078,244 were related to grants.

The transactions tested included expenditures for the purchase of laptops and to improve telework capabilities for remote workers during the pandemic; purchase of property for vulnerable citizens moved into transitional housing; distribution of grant assistance relief for small businesses due to service reduction and closures; implementation of mobile clinics to provide COVID-19 testing in underserved areas; installation of touchless restroom fixtures, physical changes to accommodate social distancing, barriers for public counters, and signage; vouchers issued to childcare centers for necessary COVID-19 related supplies; and payroll costs of employees that worked to provide distribution to Fresno's underserved residents in need of food, supplies, and referrals during the COVID-19 public health emergency. We identified exceptions related to three transactions, which resulted in unsupported tested questioned costs totaling \$119,691, as detailed below.

Additionally, we identified an Other Matter for Treasury OIG consideration as detailed below, that resulted in untested, unsupported questioned costs of \$149,451 for a grand total of unsupported questioned costs for Contracts greater than or equal to \$50,000 of \$269,142.

Contract Exception #1 – Save Our Small Business Grant Program

Fresno awarded a \$2,000,000 grant to the Fresno Area Hispanic Foundation, under the Save Our Small Business Grant Program created to disburse funds to small businesses that were adversely affected by business closures and service reductions due to the pandemic. Of the \$2,000,000 award amount, we tested seven invoices totaling \$91,883. We determined this transaction was a reporting misclassification that did not comply with Treasury's Guidance, as this program was reported by Fresno as a Contract greater than or equal to \$50,000, but should have been reported as a Grant greater than or equal to \$50,000 in the GrantSolutions portal.

Desk Review of the City of Fresno, California

For five invoices totaling \$40,000 out of \$91,883 tested, Fresno was unable to provide adequate supporting documentation to evidence the small business grants were eligible and allowable under the CARES Act and Treasury's Guidance. Fresno indicated that small business grant applicants attested to the figures included in the application by signing the application and declaring that the information provided was true and correct. We noted that the applicant guidelines stated that businesses had to provide proof of at least a 10 percent loss of revenue due to COVID-19; however, there was no indication that Fresno or the Fresno Area Hispanic Foundation performed additional procedures to confirm the eligibility of each applicant. Without adequate underlying documents, Castro was unable to confirm the eligibility of the small business applicants awarded, resulting in unsupported questioned costs of \$40,000.

Castro noted that Fresno awarded the Fresno Area Hispanic Foundation a total of \$2,000,000 in CRF proceeds within the Save Our Small Business Grant Program, including our reported Contracts greater than or equal to \$50,000 unsupported questioned costs of \$40,000. Since Castro identified unsupported questioned costs within the Save Our Small Business Grant Program payments tested, we recommend Treasury OIG determine the feasibility of performing additional follow-up with Fresno to determine if there were other instances of unsupported balances within the Save Our Small Business Grant Program.

Contract Exception #2 - Central Valley Children Services Network Grant Program

Fresno awarded \$1,792,356 to the Central Valley Children Services Network under a grant program created to disburse economic support in the form of childcare vouchers for essential workers and vulnerable populations in need of childcare during the pandemic, as well as childcare centers to assist with purchasing necessary COVID-19 supplies. We determined this was a reporting misclassification that did not comply with Treasury's Guidance, as this program was reported by Fresno as a Contract greater than or equal to \$50,000 but should have been reported as a Grant greater than or equal to \$50,000 in the GrantSolutions portal.

Of the \$1,792,356 award amount, we tested two transactions totaling \$89,829. Based on our review of the program criteria and required documents submitted with the grant agreement, we requested that Fresno management provide supporting documentation to substantiate that the expenditures incurred were eligible expenditures. We noted that one of the childcare providers that received grant funding as part of this program utilized \$78,541 in CRF proceeds to purchase personal protective equipment for the daycare center. Castro requested supporting documentation such as purchase orders, invoices, receipt of goods, and payment vouchers to justify the eligibility of the expenditures; however,

Desk Review of the City of Fresno, California

Fresno was unable to provide any support. As a result, we determined Fresno did not maintain adequate supporting documentation, resulting in unsupported questioned costs of \$78,541.

Castro noted that Fresno awarded a total of \$1,792,356 in CRF proceeds related to the Central Valley Children Services Network Grant Program, including our reported Contracts greater than or equal to \$50,000 unsupported questioned costs of \$78,541. Since Castro identified unsupported questioned costs within Central Valley Children Services Network Grant Program payments tested, we recommend Treasury OIG determine the feasibility of performing additional follow-up with Fresno to determine if there were other instances of unsupported balances with the Central Valley Children Services Network Grant Program.

During Castro's review of the population provided for transaction selection related to the Central Valley Children Services Network Grant Program, Castro noted that the amount of grantee general ledger detail did not reconcile to the overall amount of the grant award of \$1,792,356, creating a variance of \$432,248. In its response to Castro's request for the missing expenditure detail, Fresno provided additional support totaling \$282,798, but was unable to provide support for \$149,451. As a result, Castro determined that the variance amount of \$149,451 was unsupported questioned costs.

Contract Exception #3 – Grant Program Related to a Food Distribution Program

Fresno awarded \$125,000 to Reading and Beyond, a community-based organization, under a grant to assist with food purchases and delivery to vulnerable populations who could not shop or obtain food because of the risks surrounding COVID-19. Reading and Beyond utilized the funds to provide food assistance to the local community during the pandemic. We determined this was a reporting misclassification that did not comply with Treasury's Guidance, as this program was reported by Fresno as a Contract greater than or equal to \$50,000 but should have been reported as a Grant greater than or equal to \$50,000 in the GrantSolutions portal.

We tested \$36,400 out of the \$125,000 awarded to Reading and Beyond towards the food assistance program. For one transaction valued at \$16,400 related to payroll costs for the food assistance program efforts of four employees, we obtained and inspected paystubs, timesheets, payroll distribution reports, project budgets, justifications, and payroll registers to reperform the payroll calculations for the pay periods of October 1, 2020 through December 15, 2020. Castro noted multiple time codes were used in the timesheets, including a direct COVID-19 time code. Using the timesheets, we reperformed the calculation of the direct hours charged to the COVID-19 time code and compared this to the total hours reported,

Desk Review of the City of Fresno, California

which generated variances between the claimed payroll costs for three of the four employees. Based on our recalculation, we determined \$15,250 of the \$16,400 tested was adequately supported based on the hours charged to the direct COVID-19 time code. As a result, we identified unsupported questioned costs for the remaining \$1,150 without adequate support.

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

We determined Fresno's Direct Payments greater than or equal to \$50,000 complied with the CARES Act and Treasury's Guidance. We tested one direct payment totaling \$94,500 and identified no exceptions. The direct payment tested included expenditures for the purchase of 30,000 masks for preventing the spread of COVID-19 among city employees and the public.

Aggregate Reporting Less Than \$50,000

We determined Fresno's Aggregate Reporting less than \$50,000 complied with the CARES Act and Treasury's Guidance. We tested one transaction totaling \$22,430 and identified no exceptions. The transaction tested included translation services for several languages such as Spanish, Punjabi and Hmong due to the COVID-19 public health emergency. Specifically, the services were needed to target underserved communities to disseminate City of Fresno COVID-19 related prevention and mitigation information.

Aggregate Payments to Individuals

CRF payments made to individuals, regardless of amount, were required to be reported in the aggregate in the GrantSolutions portal to prevent inappropriate disclosure of personally identifiable information. Castro notes that Aggregate Payments to Individuals consisted of the following broad types of potential costs which we have defined from Treasury's guidance as published in the Federal Register,¹⁷ where applicable. Prime recipients may or may not have claimed all of these types of expenditures.

¹⁷ CRF Guidance as published in the Federal Register (January 15, 2021)
https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf

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- **Public Safety/Health Payroll**¹⁸ – consisted of payroll costs for public health and safety department personnel.
- **Substantially Dedicated Payroll**¹⁹ – consisted of payroll costs for non-public health and safety personnel who were substantially dedicated to mitigating or responding to the COVID-19 public health emergency.
- **Non-Substantially Dedicated Payroll**²⁰ – consisted of payroll costs for personnel who performed COVID-19 related tasks on a part-time basis.
- **Non-Payroll Expenditures** – consisted of financial assistance payments to citizens due to hardship or loss of income, unemployment claims, and other non-payroll related expenditures made to individuals.

¹⁸ Treasury’s Federal Register guidance provided the following examples of public health and safety employees: “police officers (including state police officers), sheriffs and deputy sheriffs, firefighters, emergency medical responders, correctional and detention officers, and those who directly support such employees such as dispatchers and supervisory personnel... employees involved in providing medical and other health services to patients and supervisory personnel, including medical staff assigned to schools, prisons, and other such institutions, and other support services essential for patient care (e.g., laboratory technicians) as well as employees of public health departments directly engaged in matters related to public health and related supervisory personnel.”

¹⁹ Substantially dedicated payroll costs means that personnel must have dedicated over 50 percent of their time to responding to or mitigating COVID-19. Treasury’s Federal Register guidance indicates that: “The full amount of payroll and benefits expenses of substantially dedicated employees may be covered using payments from the Fund. Treasury has not developed a precise definition of what “substantially dedicated” means given that there is not a precise way to define this term across different employment types. The relevant unit of government should maintain documentation of the “substantially dedicated” conclusion with respect to its employees.”

²⁰ Payroll costs that are not substantially dedicated means payroll costs that are not public health and safety, and which are not substantially dedicated to performing COVID-19 related tasks. Treasury’s Federal Register guidance defines more stringent tracking requirements for these types of payroll costs. Specifically, the Federal Register states that agencies must: “track time spent by employees related to COVID-19 and apply Fund payments on that basis but would need to do so consistently within the relevant agency or department. This means, for example, that a government could cover payroll expenses allocated on an hourly basis to employees’ time dedicated to mitigating or responding to the COVID-19 public health emergency.”

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Fresno's Aggregate Payments to Individuals balance consisted of payroll transactions from the following categories of claimed costs.

Aggregate Payments to Individuals Category Types ²¹	Total Expenses Claimed
Public Health and Safety Payroll	\$ 54,207,224
Substantially Dedicated Payroll	\$ 3,213,064
Non-Substantially Dedicated Payroll	\$ 1,933,942
Totals	\$ 59,354,230

Castro noted that public health and safety payroll transactions were subject to Treasury's administrative accommodation,²² and therefore, were subject to less detailed documentation requirements. Castro tested public health and safety payroll transactions by reviewing itemized payroll distribution reports to support these balances. Substantially dedicated and non-substantially dedicated payroll balances were not subject to this administrative accommodation, and therefore, Castro tested these transactions by reviewing the prime recipient's "substantially dedicated" conclusion with respect to its employees and payroll distribution files, and also by performing tests over specific employee timesheet submissions.

We determined Fresno's Aggregate Payments to Individuals did not comply with the CARES Act and Treasury's Guidance. We tested 13 transactions totaling \$17,730,644. Of this amount, we tested \$17,645,746 for public health and safety payroll, \$73,481 for substantially dedicated payroll, and \$11,417 for non-substantially dedicated payroll. We identified non-substantially dedicated payroll related unsupported questioned costs from our testing totaling \$2,941, as detailed below.

²¹ Fresno did not report any non-payroll expenditures within its Aggregate Payments to Individuals balance.

²² Treasury's Federal Register guidance indicates that administrative accommodation means that "In recognition of the particular importance of public health and public safety workers to State, local, and tribal government responses to the public health emergency, Treasury has provided, as an administrative accommodation, that a State, local, or tribal government may presume that public health and public safety employees meet the substantially dedicated test...This means that, if this presumption applies, work performed by such employees is considered to be a substantially different use than accounted for in the most recently approved budget as of March 27, 2020. All costs of such employees may be covered using payments from the Fund for services provided during the period that begins on March 1, 2020, and ends on December 31, 2021."

Aggregate Payments to Individuals Exception – Non-Substantially Dedicated Payroll

We tested one transaction totaling \$4,706 claimed for non-substantially dedicated payroll costs incurred by Fresno’s Emergency Operations Center (EOC) Director in connection with the city planning and response to the COVID-19 pandemic. Fresno management attested that the individual was crucial for the overall leadership and coordination of the City’s COVID-19 response efforts and that the EOC team was heavily involved in coordinating a response to the crisis.

Fresno utilized a specific time code to differentiate COVID-19 related time from regular time. Fresno explained that the EOC Director’s payroll was reimbursed at 40 percent, which Fresno indicated was the average percent of the time the EOC Director dedicated to COVID-19, but did not have formal documentation of this determination. Fresno further elaborated that their reimbursement was based on their calculation, which divided the average amount of total hours worked per pay period by the average number of hours charged to the COVID-19 specific time code per period. CRF eligibility criteria outlined in CRF Federal Register Vol. 86, No. 10 Frequently Asked Questions (FAQ) A.47, states, "a State, local, or tribal government may also track time spent by employees related to COVID-19 and apply Fund payments on that basis but would need to do so consistently within the relevant agency or department. This means, for example, that a government could cover payroll expenses allocated on an hourly basis to employees' time dedicated to mitigating or responding to the COVID-19 public health emergency." Castro requested Fresno provide evidence that validated that the EOC Director dedicated 40 percent of their time to COVID-19 specific tasks; however, Fresno was unable to provide documentation that supported their reimbursement basis of 40 percent as established during the covered period. As a result, we determined that of the \$4,706 amount tested, only \$1,765 was properly supported based on the hours charged to the COVID-19 specific time code. Fresno was unable to provide sufficient documentation to support the full amount of payroll items claimed within the GrantSolutions portal, resulting in unsupported questioned costs of \$2,941.

Conclusion

We determined the expenditures related to the Contracts greater than or equal to \$50,000 and Aggregate Payments to Individuals payment types did not comply with the CARES Act and Treasury's Guidance. We also found that the Direct Payments greater than or equal to \$50,000 and Aggregate Reporting less than \$50,000 payment types complied with the CARES Act and Treasury's Guidance.

We identified unsupported questioned costs of \$122,632 that resulted from our testing of selected transactions. Also, as part of our desk review procedures related to the Contracts greater than or equal to \$50,000 payment type, Castro identified additional unsupported questioned costs of \$149,451 related to reconciliation issues between Fresno's general ledger and the GrantSolutions portal, thus increasing our total questioned costs to \$272,083.

Further, we identified GrantSolutions portal misclassification reporting issues related to Contracts greater than or equal to \$50,000, which we considered to be non-compliant with Treasury's Guidance.

Additionally, Fresno's risk of unallowable use of funds is **moderate**. As a result of this desk review, we recommend Treasury OIG:

- Confirm the transactions noted as unsupported expenditures within the Contracts greater than or equal to \$50,000 and Aggregate Payments to Individuals payment types are recouped or replaced by other eligible expenditures, not previously charged to CRF, that were incurred during the period of performance. Based on Fresno management's responsiveness to Treasury OIG requests and their ability to provide sufficient documentation, we recommend Treasury OIG determine the feasibility of conducting an audit for the Contracts greater than or equal to \$50,000 and Aggregate Payments to Individuals payment types.
- At the time of desk review fieldwork, Castro noted that Fresno had findings in their Single Audit Reports for fiscal years 2020 and 2021. Castro recommends that Treasury OIG follow-up with Treasury's Office of Capital Access to ensure that management decision letters are issued on the CRF specific findings identified by the auditor in these Single Audit reports, which we have summarized below:

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- Fresno's fiscal year 2020 Single Audit report was published on September 21, 2021, and the auditor determined unsupported questioned costs specific to the CRF in the amount of \$625,188.
- Fresno's fiscal year 2021 Single Audit report was published on September 28, 2022, and the auditor determined unsupported questioned costs specific to the CRF in the amount of \$5,048,975.
- Fresno's fiscal year 2022 Single Audit report was published on March 15, 2023, and the auditor did not include any CRF related questioned costs.

We recommend Treasury OIG follow-up on any CRF specific questioned costs reported in the fiscal year 2020 and 2021 Single Audit reports. We also recommend that Treasury OIG follow-up with Treasury's Office of Capital Access to ensure that management decision letters are issued on the CRF specific findings identified by the auditor in these Single Audit reports.

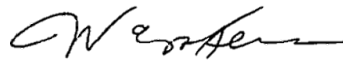
Castro also identified other matters throughout the course of our desk review, which warrant recommendations to Treasury OIG for additional action. Castro made recommendations related to the following issues:

- Castro noted that Fresno awarded a total of \$2,000,000 in CRF proceeds to the Fresno Area Hispanic Foundation related to the Save Our Small Business Grant Program, including unsupported questioned costs of \$40,000 in the Contracts greater than 50,000 payment type. Since Castro identified unsupported questioned costs within the Save Our Small Business Grant Program payments tested, we recommend Treasury OIG determine the feasibility of performing additional follow-up with Fresno to determine if there were other instances of unsupported balances within the Save Our Small Business Grant Program.
- Castro noted that Fresno awarded a total of \$1,792,356 in CRF proceeds for the Central Valley Children Services Network Grant Program, including unsupported questioned costs of \$78,541 in the Contracts greater than \$50,000 payment type. Since Castro identified unsupported questioned costs within Central Valley Children Services Network Grant Program payments tested, we recommend Treasury OIG determine the feasibility of performing additional follow-up with Fresno to determine if there were other instances of unsupported balances with the Central Valley Children Services Network Grant Program.

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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.²³ We appreciate the courtesies and cooperation provided to our staff during the desk review.

Sincerely,



Wayne Ference
Partner, Castro & Company, LLC

²³ <https://www.ignet.gov/sites/default/files/files/Silver%20Book%20Revision%20-%208-20-12r.pdf>