



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 19, 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 Commonwealth of Massachusetts'
(Massachusetts) Use of Coronavirus Relief Fund
Proceeds (OIG-CA-25-019)

Please find the attached desk review memorandum¹ on the Commonwealth of Massachusetts' (Massachusetts) 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 25 transactions reported in the quarterly Financial Progress Reports (FPR) and identified a combination of unsupported and ineligible questioned costs of \$129,166 and \$163,971,859, respectively, with total questioned costs across all payment types of \$164,101,025 (see attached schedule of monetary benefits).

Additionally, Castro identified reporting misclassification issues within the Contracts greater than or equal to \$50,000 and Direct Payments greater than or equal to \$50,000 payment types that did not comply with Department of the Treasury's (Treasury) 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.

Castro determined that the expenditures related to the Grants greater than or equal to \$50,000 and Aggregate Reporting less than \$50,000² payment types complied with the CARES Act and Treasury's Guidance. Castro also determined that the expenditures related to Contracts greater than or equal to \$50,000, Transfers greater than or equal to \$50,000,³ Direct Payments greater than or equal to \$50,000, and Aggregate Payments to Individuals⁴ payment types did not comply with the CARES Act and Treasury's Guidance. Castro determined that Massachusetts' risk of unallowable use of funds is high.

Castro recommends that Treasury Office of Inspector General (OIG) follow-up with Massachusetts management to confirm if the \$129,166 noted as unsupported costs within the Contracts greater than or equal to \$50,000 and Transfers greater than or equal to \$50,000 payment types can be supported. If support is not provided, Treasury OIG should recoup the funds or request Massachusetts management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance.

In addition, Castro recommends that Treasury OIG request Massachusetts management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance for the \$163,971,859 of ineligible costs charged to the Contracts greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, and Aggregate Payments to Individuals payment types. If support is not provided, Treasury OIG should recoup the funds.

Further, based on Massachusetts management's responsiveness to Treasury OIG's requests and management's ability to provide sufficient documentation and/or replace unsupported and ineligible transactions charged to CRF with valid expenditures, Castro recommends Treasury OIG determine the feasibility of conducting an audit for the Contracts greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, and Aggregate Payments to Individuals payment types.

² 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).

³ A transfer to another government entity is a disbursement or payment to a government entity that is legally distinct from the prime recipient.

⁴ 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.

Castro also identified other matters throughout the course of the desk review, which warrant recommendations to Treasury OIG for additional action. Castro recommends Treasury OIG follow-up on these issues:

1. Follow-up with Massachusetts management to determine if Massachusetts and the City of Springfield implemented corrective actions related to Treasury OIG's findings previously reported under the report titled *City of Springfield, Massachusetts - Use of Coronavirus Relief Fund Proceeds (OIG-CA-24-003)*.
2. Within the desk review testing procedures performed, Castro identified instances of Massachusetts allowing sub-recipients to apply indirect cost rates to recover administrative costs. Castro noted that this issue was the same as the Treasury OIG's finding that Massachusetts applied an indirect cost rate to recover other administrative costs charged by the City of Springfield. This suggests that this may be a systematic issue and there may be other costs charged to the CRF that were similarly ineligible that had not yet been identified by Massachusetts. Based on the sub-recipient's standard methodology of applying indirect cost rates, Castro recommends Treasury OIG request that Massachusetts management perform an assessment over whether there were any additional indirect costs or negotiated rates claimed within its Grants greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, and Aggregate Payments to Individuals payment types reported in the grant-reporting portal, and identify those for repayment to Treasury, as applicable.
3. Request that Massachusetts management perform an assessment to determine if there were any additional advertising and marketing costs charged to the CRF within its Contracts greater than or equal to \$50,000 payment type, other than those identified by Castro, and identify any additional costs for repayment to Treasury, as applicable.
4. Request that Massachusetts management perform an assessment to determine if there were any one-time bonus payments, not related to hazardous duty, included within its Aggregate Payments to Individuals claims and identify those for repayment to Treasury, as applicable.

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

Page 4

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 Massachusetts' 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 *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
Andra Deaconn, Assistant Budget Director, Federal Funds, Massachusetts
Executive Office for Administration and Finance
Dana Sullivan, Chief of Strategy and Operations, Massachusetts Executive
Office for Administration and Finance

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.

<u>Recommendation</u>	<u>Questioned Costs</u>
Recommendation No. 1	\$164,101,025

The questioned costs represent amounts provided by Treasury under the Coronavirus Relief Fund. As discussed in the attached desk review, \$164,101,025 is Massachusetts' expenditures reported in the grant-reporting portal that were ineligible or lacked supporting documentation.

⁵ 2 CFR § 200.84 – Questioned Cost

⁶ JAMES is Treasury's audit recommendation tracking system.

Desk Review of the Commonwealth of Massachusetts

December 19, 2024

OIG-CA-25-019

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

FROM: Wayne Ference
Partner, Castro & Company, LLC

SUBJECT: Desk Review of the Commonwealth of Massachusetts

On January 22, 2024, we initiated a desk review of the Commonwealth of Massachusetts' (Massachusetts) 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 Massachusetts' 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 June 30, 2023,³ as reported in the GrantSolutions portal.

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

- 1) reviewed Massachusetts' quarterly Financial Progress Reports (FPRs) submitted in the GrantSolutions portal through June 30, 2023;
- 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 Massachusetts fully expended their total CRF proceeds as of June 30, 2023. Castro set the scope end date to June 30, 2023, which was the date of Massachusetts' 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 Commonwealth of Massachusetts

- 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 Massachusetts' 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 Massachusetts' 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 Massachusetts' uses of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying Massachusetts' GrantSolutions portal quarterly FPR submissions, as well as officials responsible for obligating and expending CRF proceeds;

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.

Desk Review of the Commonwealth of Massachusetts

- 8) made a non-statistical selection of Contracts, Grants, Transfers,⁹ Direct Payments, Aggregate Reporting,¹⁰ and Aggregate Payments to Individuals¹¹ data identified through GrantSolutions reporting; and
- 9) evaluated documentation and records used to support Massachusetts' quarterly FPRs.

Based on our review of Massachusetts' documentation supporting the uses of its CRF proceeds as reported in the GrantSolutions portal, we determined that the expenditures related to the Grants 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. Also, we determined that expenditures related to the Contracts greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments 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 and ineligible questioned costs of \$129,166 and \$163,971,859, respectively, resulting in total questioned costs of \$164,101,025. We also determined Massachusetts' risk of unallowable use of funds is high.

Castro recommends that Treasury OIG follow-up with Massachusetts' management to confirm if the \$129,166 noted as unsupported expenditures within the Contracts greater than or equal to \$50,000 and Transfers greater than or equal to \$50,000 payment types can be supported. If support is not provided, Treasury OIG should recoup the funds or request Massachusetts management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance.

In addition, Castro recommends that Treasury OIG request Massachusetts management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance for the \$163,971,859 of ineligible costs charged to the Contracts greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, and Aggregate Payments to Individuals payment types. If support is not provided, Treasury OIG should recoup the funds.

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

¹⁰ 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).

¹¹ 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.

Non-Statistical Transaction Selection Methodology

Treasury issued a \$2,460,842,294 CRF payment to Massachusetts. As of June 30, 2023, Massachusetts expended all of its CRF funds. Massachusetts’ cumulative obligations and expenditures by payment type are summarized below.

Payment Type	Cumulative Obligations	Cumulative Expenditures
Contracts >= \$50,000	\$ 783,961,699	\$ 783,961,699
Grants >= \$50,000	\$ 36,628,960	\$ 36,628,960
Loans >= \$50,000	\$ -	\$ -
Transfers >= \$50,000	\$ 747,104,580	\$ 747,104,580
Direct Payments >= \$50,000	\$ 115,877,682	\$ 115,877,682
Aggregate Reporting < \$50,000	\$ 20,328,766	\$ 20,328,766
Aggregate Payments to Individuals (in any amount)	\$ 756,940,607	\$ 756,940,607
Totals	\$ 2,460,842,294	\$ 2,460,842,294

Castro made a non-statistical selection of the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payment to Individuals payment types. Selections were made using auditor judgment based on information and risks identified in reviewing audit reports, the GrantSolutions portal reporting anomalies¹² identified by the Treasury OIG CRF monitoring team, and review of Massachusetts’ FPR submissions. Massachusetts did not obligate or expend CRF proceeds to the Loans greater than or equal to \$50,000 payment type; therefore, we did not make a selection of transactions from this payment type.

The number of transactions (25) we selected to test was based on Massachusetts’ total CRF award amount and our overall risk assessment of Massachusetts. To allocate the number of transactions (25) by payment type (Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals), we compared the payment type dollar amounts as a percentage of cumulative expenditures as of June 30, 2023. The transactions selected for testing were not selected statistically, and therefore results could not be extrapolated to the total universe of transactions.

¹² 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.

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 \$2,460,842,294 CRF payment to Massachusetts. 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

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.

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.

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 Commonwealth of Massachusetts

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 Massachusetts' quarterly FPRs through June 30, 2023, and found that Massachusetts timely filed quarterly FPRs in the GrantSolutions portal in compliance with Treasury OIG's reporting requirements for the periods ending June 30, 2020 through June 30, 2023.

Summary of Testing Results

We found that the Grants 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. Additionally, we found that the Contracts greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, and Aggregate Payment to Individuals payment types did not comply with the CARES Act and Treasury's Guidance because we were unable to determine if all tested expenditures were necessary 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 could not be extrapolated to the total universe of transactions.

Within Table 1 below, we have included a summary of \$72,429,391 in unsupported and ineligible expenditures identified as questioned costs through our testing of detailed transactions, which did not comply with the CARES Act and Treasury's Guidance. Castro also identified other matters throughout the course of our desk review procedures which we considered to be questioned costs that were not part of our testing of detailed transactions. Table 2 below combines the questioned costs identified in Table 1 with the other questioned costs of \$91,671,634 identified separately from our detailed transaction testing to account for total questioned costs of \$164,101,025. See the Desk Review Results section below Table 2 for a detailed discussion of questioned costs and other issues identified throughout the course of our desk review.

Desk Review of the Commonwealth of Massachusetts

**Table 1 - Summary of Expenditures Testing and Recommended Results
As of June 30, 2023**

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	\$ 783,961,699	\$ 5,561,347	\$ 21,342	\$ 1,500,000	\$ 1,521,342
Grants >= \$50,000	\$ 36,628,960	\$ 363,099	\$ -	\$ -	\$ -
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ 747,104,580	\$ 20,581,014	\$ 107,824	\$ 59,225	\$ 167,049
Direct Payments >= \$50,000	\$ 115,877,682	\$ 114,940	\$ -	\$ 114,940	\$ 114,940
Aggregate Reporting < \$50,000	\$ 20,328,766	\$ 42,000	\$ -	\$ -	\$ -
Aggregate Payments to Individuals (in any amount)	\$ 756,940,607	\$ 518,974,087	\$ -	\$ 70,626,060	\$ 70,626,060
Totals	\$ 2,460,842,294	\$ 545,636,487	\$ 129,166	\$ 72,300,225	\$ 72,429,391

**Table 2 - Summary of Tested and Other Matters Identified Questioned Costs
As of June 30, 2023**

Payment Type	Unsupported Questioned Costs (Tested)	Ineligible Questioned Costs (Tested)	Ineligible Reconciliation Errors Questioned Costs (Other Matter)	Fringe Benefits and Bonus Payments Ineligible Questioned Costs (Other Matter)	Total Ineligible Questioned Costs	Total Questioned Costs (Tested & Other Matters)
Contracts >= \$50,000	\$ 21,342	\$ 1,500,000	\$ 25,527	\$ -	\$ 1,525,527	\$ 1,546,869
Grants >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ 107,824	\$ 59,225	\$ -	\$ -	\$ 59,225	\$ 167,049
Direct Payments => \$50,000	\$ -	\$ 114,940	\$ -	\$ -	\$ 114,940	\$ 114,940
Aggregate Reporting < \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate Payments to Individuals (in any amount)	\$ -	\$ 70,626,060	\$ -	\$ 91,646,107	\$ 162,272,167	\$ 162,272,167
Totals	\$ 129,166	\$ 72,300,225	\$ 25,527	\$ 91,646,107	\$ 163,971,859	\$ 164,101,025

Desk Review of the Commonwealth of Massachusetts

Contracts Greater Than or Equal to \$50,000

We determined Massachusetts' Contracts greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested a total of \$5,561,347 of transaction expenditures for eight contracts. The contracts tested included expenditures related to small business assistance; housing support; interest payments on funds borrowed for unemployment insurance benefits for interest that accrued within the covered period; advertising expenses; and COVID-19 administrative support assistance with processing COVID-19 related applications. For the housing support payments, Castro confirmed Massachusetts did not claim the expenses under Treasury's Emergency Rental Assistance Program, and confirmed there were no duplication of benefits.

We identified three exceptions, resulting in unsupported and ineligible questioned costs of \$21,342 and \$1,500,000, respectively, for total questioned costs of \$1,521,342, as detailed below. Castro also identified as other matters a total of \$25,527 in ineligible questioned costs related to payments incurred prior to the CRF covered period (e.g., September and October 2019, and January 2020), as detailed below.

Additionally, we determined Massachusetts did not comply with Treasury's Guidance because Massachusetts misclassified certain expenditures as Contracts greater than or equal to \$50,000 that should have been classified as Grants greater than or equal to \$50,000.

Contracts Exception #1 - Residential Assistance for Families in Transition Program

Massachusetts claimed \$4,409,599 in expenditures related to a grant for the Massachusetts Residential Assistance for Families in Transition (RAFT) program. Castro identified reporting misclassification errors where the contract reported within the GrantSolutions portal should have been classified as Grants greater than or equal to \$50,000. RAFT was a key program within the Massachusetts Department of Housing and Community Development and provided rental assistance for families in Massachusetts that were in arrears on their rent payments during the pandemic. Castro selected two grantee transactions totaling \$14,000 for testing.

For one selection totaling \$4,000 that Massachusetts claimed under the \$14,000 tested, Castro reviewed various supporting documentation, however, we could not agree the rent in arrears amount from the documentation of \$3,300 to the claimed expenditures of \$4,000. Castro noted that Massachusetts provided all requested documents, but Massachusetts redacted all unique identifying details

Desk Review of the Commonwealth of Massachusetts

pertaining to the selection amount. As a result, Castro was unable to determine if the documentation provided related to our selection. Castro noted that Massachusetts did not provide a sufficient response to enable us to verify these expenses occurred due to the pandemic and that the rent in arrears was incurred within the CRF covered period. Castro questions \$4,000 as unsupported.

Contracts Exception #2 - Residential Assistance for Families in Transition Program

In addition to the amounts discussed in exception #1, Massachusetts claimed \$4,060,850 in expenditures related to the Massachusetts RAFT grant program. Castro identified reporting misclassification errors where the contract reported within the GrantSolutions portal should have been classified as Grants greater than or equal to \$50,000. Castro selected two grantee awards totaling \$17,342 for testing.

For the first grant award tested totaling \$8,942, Castro reviewed various supporting documentation, however, we could not agree the rent in arrears amount from the documentation of \$4,240 to the claimed expenditures of \$8,942. Castro noted that Massachusetts provided all requested documents, but Massachusetts had redacted all unique identifying details pertaining to the selection amount. As a result, Castro was unable to determine if the documentation provided related to our selection. Castro noted that Massachusetts did not provide a sufficient response to enable us to verify these expenses occurred due to the pandemic and that the rent in arrears was incurred within the CRF covered period. Castro questions \$8,942 as unsupported.

For the second grant award tested totaling \$8,400, Castro only received a canceled check and the sub-recipient RAFT review form. The check and the RAFT review form were missing the applicant's and landlord's names, signatures, tenant identification, and the check numbers were redacted so we could not verify that this was related to our transaction selection. Additionally, we were unable to agree the check amount of \$8,800 to the tested amount of \$8,400. Castro did not receive any other supporting documentation that we had requested, which we needed to verify these expenses occurred due to the pandemic and that the rent in arrears was incurred within the CRF covered period. Castro did not consider the information provided sufficient to satisfy this request and questions these costs of \$8,400 as unsupported.

Contracts Exception #3 - Advertising Expenses for the “My Local MA” Media Campaign

Massachusetts claimed and Castro tested \$1,500,000 in contract expenditures related to the “My Local MA” media campaign, which was administered by the Massachusetts Office of Travel and Tourism. Massachusetts indicated that the fiscal year 2020 General Appropriations Act, a Massachusetts Act that went into effect in March 2020, did not include funding for local small business marketing in any Massachusetts Office of Travel and Tourism accounts. This expense funded a marketing campaign publicizing Massachusetts’ effort at reopening local economies during the pandemic. The goal of the marketing plan was to blanket the state of Massachusetts with messaging focused on driving economic activity in Massachusetts. Residents were encouraged to purchase, travel, and stay locally in Massachusetts.

Castro reviewed the eligibility justification, invoices, budget modifications, and advertising and marketing campaign materials and was able to agree the amounts from invoices to the transactions without exception. However, when reviewing the advertising and marketing campaign materials, Castro determined the advertisements were not related to COVID-19 and the promotion of safety. Castro determined the expenditure amounts incurred were ineligible because they did not relate to returning safely due to COVID-19 and the steps taken to promote a safe experience needed due to the public health emergency, as required by Treasury’s Guidance.¹⁷ We question \$1,500,000 as ineligible.

Based on the above finding regarding funding for a marketing campaign publicizing Massachusetts, Castro recommends Treasury OIG request Massachusetts perform an assessment to determine whether there was any additional advertising and marketing costs charged to the CRF within its Contracts greater than or equal to \$50,000 payment type and identify those for reversal and repayment to Treasury, as applicable.

¹⁷ 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 Treasury Frequently Asked Question (FAQ) #A.45 stated “May recipients use Fund payments to remarket the recipient's convention facilities and tourism industry? Yes, if the costs of such remarketing satisfy the requirements of the CARES Act. Expenses incurred to publicize the resumption of activities and steps taken to ensure a safe experience may be needed due to the public health emergency.”

Desk Review of the Commonwealth of Massachusetts

Additionally, while performing our contracts reconciliation procedures, Castro noted multiple transactions were recorded with payment dates preceding March 2020, which was the start of the pandemic and of the covered period of March 1, 2020 through December 31, 2021. Castro followed up with Massachusetts management to request a response for why these dates were before March 2020. Massachusetts personnel did not fully and completely answer our questions. Castro also asked for eligibility, expense, and disbursement support to evidence that these expenses were related to past due rent assistance for rent in arrears that occurred after the start of the pandemic, but Massachusetts did not provide Castro with the requested support prior to the end of our fieldwork. Castro considered these payments ineligible because they were incurred prior to the covered period and questioned \$25,527 in other matter costs.

Grants Greater Than or Equal to \$50,000

We determined Massachusetts' Grants greater than or equal to \$50,000 complied with the CARES Act and Treasury's Guidance. We selected one grant totaling \$363,099 and had no exceptions. The grant was awarded to the Massachusetts Department of Elementary and Secondary Education to reimburse a non-profit organization for the costs of running sports tournaments. Massachusetts recognized the important role high school sports played in the educational development of public-school students, and as such, provided a grant award to this non-profit to continue operations, as it suffered negative economic impacts due to fewer paying in-person attendees resulting from the pandemic.

Transfers Greater Than or Equal to \$50,000

We determined Massachusetts' Transfers greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested \$20,581,014 of transaction expenditures for seven transfers and identified two exceptions. The transfers tested related to funds transferred by Massachusetts to cities and towns for COVID-19 testing and contact tracing; computer purchases to facilitate distance learning; software licensing needed to support remote work during the pandemic; cleaning supplies needed to prevent the spread of COVID-19; sub-recipient incurred unemployment insurance (UI) benefit premium costs that increased due to the pandemic; school improvements related to social distancing efforts needed due to the pandemic; and government payments to construction contractors for business interruption delays due to the pandemic. We identified total questioned costs of \$167,049, which consisted of unsupported questioned costs of \$107,824 and ineligible questioned costs of \$59,225, respectively.

Transfers Exception #1 - City of Everett Bond Issuance for Short-Term Borrowing

Massachusetts made up to \$502 million in CRF proceeds available to municipalities to respond to the COVID-19 public health emergency through the Massachusetts CRF Municipal Program. Massachusetts claimed expenses for a transfer to the City of Everett in the amount of \$5,013,579 related to its CRF Municipal Program for financial advisor fees related to bond issuances for short-term borrowing that Massachusetts indicated wouldn't have been needed if it were not for the COVID-19 pandemic, and for reimbursements for unemployment compensation insurance premium payments (UI premiums). The City of Everett claimed these UI premiums due to increases in costs caused by the pandemic. Castro selected two invoice level transactions for testing totaling \$633,464, which consisted of one transaction for \$23,992 and a second transaction for \$609,472. Castro tested the first transaction of \$23,992 without exception; however, we identified ineligible questioned costs of \$59,225 within the second transaction.

For the second transaction tested totaling \$609,472, Castro reviewed the City of Everett's UI premium analysis and noted a significant increase in UI premiums due to COVID-19; however, Castro determined that \$59,225 out of the \$609,472 CRF claim was in excess of this increase. As a result, Castro questioned the \$59,225 excess as ineligible questioned costs, which we have summarized in the tables below.

City of Everett, Massachusetts UI Premium Analysis Increase in UI Premiums due to COVID-19	
Post-COVID Actual UI Premiums (July 2020 – March 2021)	\$ 751,572
Less 9-month pre-COVID-19 Baseline (2020 and 2019 UI premiums)	\$ 201,325
Increase in UI premiums due to COVID-19	\$ 550,247

City of Everett, Massachusetts UI Premium Analysis CRF Claim in Excess of Increase in UI Premiums due to COVID-19 (Questioned Costs)	
City of Everett's UI premium CRF claims	\$ 609,472
Less Increase in UI premiums due to COVID-19	\$ 550,247
Ineligible Questioned Costs: CRF Claim in excess of increase in UI premiums due to COVID-19	\$ 59,225

The City of Everett claimed \$609,472 in UI premiums as CRF expenditures. Castro requested that Massachusetts and the City of Everett management perform an assessment of pre-and-post-COVID-19 levels of actual UI premiums paid to determine how much they increased as compared to pre-pandemic levels. Since Massachusetts claimed nine months of UI premium expenditures for the City of Everett, Massachusetts and the City of Everett management calculated the pre-COVID-19 nine-month baseline of UI premiums as \$201,325, but the actual UI premiums expenses claimed for the nine-month period after the start of the

Desk Review of the Commonwealth of Massachusetts

COVID-19 pandemic were \$751,572, resulting in an increase in UI premium costs after the start of the COVID-19 pandemic of \$550,247. Massachusetts claimed a total of \$609,472 in the City of Everett's unemployment premiums CRF claims, which was \$59,225 more than the actual increase in UI premiums from the nine-month baseline of pre-COVID-19 2020 and 2019 UI premiums. Castro determined that claiming CRF expenditures up to the increase in the UI premiums due to COVID-19 in the amount of \$550,247 was reasonable, but that claiming UI premiums in excess of the amount was not necessary due to COVID-19, as the City of Everett would have had to pay a base amount of UI premiums regardless of the pandemic. Castro questions \$59,225 as ineligible.

Transfers Exception #2 - City of Lowell CRF Municipal Program

Massachusetts claimed expenses for a transfer to the City of Lowell in the amount of \$9,845,688 related to the Massachusetts CRF Municipal Program. Castro tested two invoices totaling \$243,451 that were drawn down against the total amount provided to the City of Lowell.

For one of the invoices tested totaling \$107,824, Castro obtained and reviewed purchase orders and invoices totaling \$197,809 and an invoice corresponding to a payment of \$89,985, but those amounts did not agree to our transaction amount of \$107,824. Castro followed up with Massachusetts management and requested all the invoices that supported the claimed amounts or an explanation of how to arrive at this amount via the invoices provided. Massachusetts management provided a response stating that Massachusetts recently learned that there was a reporting error by the City of Lowell and that the payments corresponding to the selection amount of \$107,824 were not paid out to the vendor because the multi-year contract was canceled. As this transaction was a known reporting error with no invoice or payment support, we consider the transaction unsupported. Castro questions these costs of \$107,824 as unsupported.

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

We determined Massachusetts' Direct Payments greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested one direct payment totaling \$114,940, which we identified as an exception. The direct payment tested included grant expenditures related to a residential care center. Massachusetts stated these grant expenditures were to assist the residential care center with the costs of providing medically necessary nursing-facility services to its members. We identified total ineligible questioned costs for the entire amount of the transaction tested of \$114,940, as detailed below.

Desk Review of the Commonwealth of Massachusetts

Additionally, we identified a misclassification reporting error and determined the Direct Payment greater than or equal to \$50,000 expenditure tested should have been classified as a Grant greater than or equal to \$50,000. Therefore, we determined that Massachusetts did not comply with Treasury's Guidance.

Direct Payments Exception - Nursing Facility Services for Residential Care Center

The Massachusetts Executive Office of Health and Human Services Division of Medical Assistance claimed, and Castro tested, \$114,940 in grant expenditures to assist a residential care center (rest home) with the costs of providing medically necessary nursing-facility services to its members. Castro reviewed various supporting documents and noted the transactions were for a grant payment to the residential care center, and considered Massachusetts to have misclassified this transaction as a direct payment when it should have been reported as a grant. Castro followed up with Massachusetts to obtain additional supporting documents (such as grant applications or other evidence of eligibility) to show that the recipient needed these funds due to the pandemic, but Massachusetts did not provide this requested support. Additionally, Massachusetts responded that the Massachusetts Executive Office of Health and Human Services calculated the payment amounts using a standard indirect cost rate application methodology applied to all rest homes.

Massachusetts calculated these indirect payment amounts by utilizing a standard indirect cost rate application methodology of applying rates of 10 percent, 15 percent and 25 percent to an estimated post-COVID-19 dollar amount. That dollar amount was based on historical dollar amounts included in the grant applicant's 2018 submitted cost report. Massachusetts and its sub-recipient claimed indirect cost rates by employing guidance from the Code of Federal Regulations (CFR), 2 CFR 200.414(f), *Grants and Agreements, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Direct and Indirect (F&A) Costs*.¹⁸ This guidance defined indirect cost rates and sets forth the 10 percent de minimis¹⁹ indirect cost rate that could be used indefinitely instead of charging the actual administrative costs. Treasury's CRF guidance published in

¹⁸ Code of Federal Regulations (CFR), 2 CFR 200.414(f), *Grants and Agreements, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Direct and Indirect (F&A) Costs* states: "...any non-Federal entity that does not have a current negotiated (including provisional) rate...may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. No documentation is required to justify the 10% de minimis indirect cost rate. As described in § 200.403, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time."

¹⁹ De minimis means lacking significance or importance: so minor as to merit disregard.

Desk Review of the Commonwealth of Massachusetts

the Federal Register²⁰ stated that this provision did not apply to the use of CRF funds and recipients could not apply their indirect costs rates to payments received from the CRF. CRF program requirements for prime recipients also apply to their sub-recipients. Therefore, by applying the indirect cost rate, the expenditure for the residential care center did not comply with Treasury's Guidance, resulting in an ineligible use of CRF proceeds in the amount of \$114,940 of questioned costs.

Additionally, Castro determined that this transaction should have been classified as a Grant greater than or equal to \$50,000 instead of as a Direct Payment greater than or equal to \$50,000 transaction. We considered this to be a reporting error that did not comply with Treasury's Guidance.

Castro noted that within a Treasury OIG report issued in October 2023 titled City of Springfield, Massachusetts - Use of Coronavirus Relief Fund Proceeds (OIG-CA-24-003),²¹ the Treasury OIG found that Massachusetts applied an indirect cost rate to recover other administrative costs charged by the City of Springfield. Within our desk review testing procedures performed, Castro identified additional instances of Massachusetts allowing other sub-recipients to apply indirect cost rates to recover administrative costs. This suggests that this may be a systematic issue and there may be other costs charged to the CRF that were similarly ineligible that had not yet been identified by Massachusetts. Castro recommends Treasury OIG request Massachusetts management perform an assessment over whether there were any additional indirect costs or negotiated rates claimed within its Direct Payments greater than or equal to \$50,000 and Grants greater than or equal to \$50,000 payment types, and to identify those costs for repayment to Treasury, as applicable.

Aggregate Reporting Less Than \$50,000

We determined Massachusetts' Aggregate Reporting less than \$50,000 complied with the CARES Act and Treasury's Guidance. We tested one aggregate reporting transaction totaling \$42,000 and identified no exceptions. The aggregate reporting transaction tested included expenditures for counsel fees associated with Massachusetts acquiring a line of credit to maintain liquidity during the pandemic.

²⁰ *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 Section, Supplemental Guidance on Use of Funds To Cover Administrative Costs, stated that "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."

²¹ City of Springfield, Massachusetts - Use of Coronavirus Relief Fund Proceeds (OIG-CA-24-003). https://oig.treasury.gov/sites/oig/files/2023-11/OIG-CA-24-003%20%28LOCKED%29_0.pdf

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 consists of the following broad types of potential costs, which we have defined from the Treasury's Guidance as published in the Federal Register.²² Prime recipients may or may not have claimed all of these types of expenditures.

- **Public Safety/Health Payroll**²³ – consisted of payroll costs for public health and safety department personnel.
- **Substantially Dedicated Payroll**²⁴ – 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**²⁵ – 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 expenses made to individuals.

²² 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

²³ 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."

²⁴ Substantially dedicated payroll costs meant that personnel must have dedicated over 50 percent of their time to responding to or mitigating COVID-19. Treasury's Federal Register guidance stated 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."

²⁵ Payroll costs that were not substantially dedicated were payroll costs that were not public health and safety, and which were not substantially dedicated to performing COVID-19 related tasks. Treasury's Federal Register guidance defined more stringent tracking requirements for these types of payroll costs. Specifically, the Federal Register stated 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."

Desk Review of the Commonwealth of Massachusetts

Massachusetts' Aggregate Payments to Individuals balance consisted of payroll and other transactions from the following types of claimed costs.

Aggregate Payments to Individuals Category Types	Total Expenses Claimed
Public Safety/Health Payroll	\$ 713,178,881
Substantially Dedicated Payroll	\$ 43,722,726
Non-Payroll Expenditures	\$ 39,000
Totals	\$ 756,940,607

Castro noted that public health and safety payroll transactions were subject to Treasury's administrative accommodation,²⁶ 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 payroll balances were not subject to this administrative accommodation, and therefore, Castro tested these transactions by reviewing the prime recipient's substantially dedicated conclusions with respect to its employees and payroll distribution files, and also by performing tests over specific employee timesheet submissions. Castro noted that Massachusetts did not make any replenishment payments to its unemployment trust fund.

We determined Massachusetts' Aggregate Payments to Individuals did not comply with the CARES Act and Treasury's Guidance. We tested a total of \$518,974,087 of expenditures for seven Aggregate Payments to Individuals transactions. The transactions tested included five public health and safety payroll transactions, one substantially dedicated payroll transaction, and one non-payroll transaction.

Castro identified exceptions related to five public health and safety payroll transactions tested, with ineligible tested questioned costs of \$70,626,060. Additionally, Castro identified two other matter questioned costs items, \$5,756 in one-time bonuses and \$91,640,351 in indirect fringe benefit costs, respectively, for a total of \$91,646,107 in other matter questioned costs.

²⁶ Treasury's Federal Register guidance states that an administrative accommodation was, "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 #1 - Ineligible Transactions, Estimated Fringe Benefits using Negotiated Rate

For five public health and safety departments, Castro tested \$70,625,069 of fringe benefits related to public health and safety payroll expenses claimed. We requested payroll distribution support to evidence the fringe benefits claimed as CRF expenses. Massachusetts stated that they utilized the U.S. Department of Health and Human Services' (HHS) negotiated fringe benefit rates to calculate the estimated fringe benefits.

Since Massachusetts calculated its fringe benefits costs utilizing the HHS negotiated rate, Castro considered these fringe benefits expenditures charged to the CRF to be calculated using an indirect cost estimate instead of charging direct administrative costs as required by Treasury's Guidance. Massachusetts claimed indirect cost rates by employing guidance from the Code of Federal Regulations (CFR), 2 CFR 200.414(f), *Grants and Agreements, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Direct and Indirect (F&A) Costs*.²⁷ This guidance defined indirect cost rates and sets forth the 10 percent de minimis²⁸ indirect cost rate (or other similar agreed upon rate) that could be used indefinitely instead of charging the actual administrative costs.

Treasury's Guidance published in the Federal Register²⁹ stated that this provision did not apply to the use of the CRF and recipients could not apply their indirect costs rates to payments received from the CRF. Massachusetts, by applying the indirect cost rate, did not comply with Treasury's Guidance, resulting in an ineligible use of CRF in the amount of \$70,625,069 of questioned costs.

²⁷ Code of Federal Regulations (CFR), 2 CFR 200.414(f), *Grants and Agreements, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Direct and Indirect (F&A) Costs* states: "...any non-Federal entity that does not have a current negotiated (including provisional) rate...may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. No documentation is required to justify the 10% de minimis indirect cost rate. As described in § 200.403, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time."

²⁸ De minimis means lacking significance or importance: so minor as to merit disregard.

²⁹ *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> Section, Supplemental Guidance on Use of Funds To Cover Administrative Costs, stated that "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."

Desk Review of the Commonwealth of Massachusetts

Additionally, as part of our reconciliation procedures performed, Castro identified a total amount of fringe benefits that were not part of our final tested amounts, but that were claimed within our original six payroll transaction selections totaling \$162,265,420. After excluding the \$70,625,069 already questioned, Castro identified additional other matter questioned costs of \$91,640,351 due to ineligible estimated fringe benefits costs claimed. Based on the above finding regarding Massachusetts' use of an indirect cost rate, Castro recommends Treasury OIG request Massachusetts management perform an assessment over whether there were any additional indirect costs charged to CRF within its Aggregate Payments to Individuals payment type and identify those for repayment to Treasury, as applicable.

Aggregate Payments to Individuals Exception #2 - Ineligible Transactions, Bonuses

Based on the results of our testing, we identified one transaction for a one-time bonus totaling \$991 in public health and safety costs that we considered to be ineligible. Treasury's Guidance in the Federal Register FAQ Number A.29 states, that workforce bonuses are an example of ineligible expenses but provides that hazard pay would be eligible if otherwise determined to be a necessary expense. Castro considered the one-time bonus of \$991 to be explicitly ineligible because it was not related to payments made to employees performing hazardous duty and questioned the costs accordingly.

Additionally, as part of our reconciliation procedures performed, Castro questioned \$5,756 in one-time bonuses. These transactions were not tested in our final transaction selections but were included in the Massachusetts Executive Office for Administration & Finance substantially dedicated payroll expenses claimed populations we reviewed while selecting our substantially dedicated payroll transaction selections. As stated above, Treasury's Guidance in the Federal Register FAQ Number A.29 states these costs are explicitly ineligible because they were not one-time bonus payments made to employees performing hazardous duty. Castro questions the one-time bonus in the amount of \$5,756 as ineligible costs. Castro recommends Treasury OIG request that Massachusetts management perform an assessment to determine if there were any additional one-time bonus payments not related to hazardous duty included within its Aggregate Payments to Individuals claims and identify those for repayment to Treasury, as applicable.

Conclusion

We determined the expenditures related to the Grants 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, Transfers greater than or equal to \$50,000, Direct Payments 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 and ineligible questioned costs of \$129,166 and \$163,971,859, respectively, with total questioned costs of \$164,101,025. Also, we identified GrantSolutions portal misclassification issues within the Contracts greater than and equal to \$50,000 and Direct Payments greater than equal to \$50,000 payment type that did not comply with Treasury's Guidance.

Additionally, Massachusetts' risk of unallowable use of funds is **high**.

Castro recommends that Treasury OIG follow-up with Massachusetts management to confirm if the \$129,166 noted as unsupported expenditures within the Contracts greater than or equal to \$50,000 and Transfers greater than or equal to \$50,000 payment types can be supported. If support is not provided, Treasury OIG should recoup the funds or request Massachusetts' management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance.

In addition, Castro recommends that Treasury OIG request Massachusetts management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance for the \$163,971,859 of ineligible costs charged to the Contracts greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, and Aggregate Payments to Individuals payment types. If support is not provided, Treasury OIG should recoup the funds.

Further, based on Massachusetts management's responsiveness to Treasury OIG's requests and its ability to provide sufficient documentation and/or replace unsupported and ineligible transactions charged to CRF with valid expenditures, Castro recommends Treasury OIG determine the feasibility of conducting an audit for the Contracts greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000 and Aggregate Payments to Individuals payment types.

Desk Review of the Commonwealth of Massachusetts

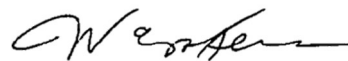
Castro also identified other matters throughout the course of our desk review, which warrant recommendations to Treasury OIG for additional action. Castro recommends Treasury OIG follow-up on these issues:

- Follow-up with Massachusetts to determine if Massachusetts and the City of Springfield implemented corrective actions related to Treasury OIG's findings previously reported under the report titled "City of Springfield, Massachusetts - Use of Coronavirus Relief Fund Proceeds (OIG-CA-24-003)."
- Within our desk review testing procedures performed, Castro identified instances of Massachusetts allowing sub-recipients to apply indirect cost rates to recover administrative costs. Castro noted that this issue was the same as the Treasury OIG's finding that Massachusetts applied an indirect cost rate to recover other administrative costs charged by the City of Springfield. This suggests that this may be a systematic issue and there may be other costs charged to the CRF that were similarly ineligible that had not yet been identified by Massachusetts. Based on the sub-recipient's standard methodology of applying indirect cost rates, Castro recommends Treasury OIG request that Massachusetts management perform an assessment over whether there were any additional indirect costs or negotiated rates claimed within its Grants greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, and Aggregate Payments to Individuals payment types reported in the GrantSolutions portal, and identify those for repayment to Treasury, as applicable.
- Request that Massachusetts management perform an assessment to determine if there were any additional advertising and marketing costs charged to the CRF within its Contracts greater than or equal to \$50,000 payment type and identify those for repayment to Treasury, as applicable.
- Request that Massachusetts management perform an assessment to determine if there were any one-time bonus payments, not related to hazardous duty, included within its Aggregate Payments to Individuals claims and identify those for repayment to Treasury, as applicable.

Desk Review of the Commonwealth of Massachusetts

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.³⁰ We appreciate the courtesies and cooperation provided to our staff during the desk review.

Sincerely,



Wayne Ference
Partner, Castro & Company, LLC

³⁰ <https://www.ignet.gov/sites/default/files/files/Silver%20Book%20Revision%20-%208-20-12r.pdf>