



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 20, 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 State of Connecticut's Use of
Coronavirus Relief Fund Proceeds (OIG-CA-25-029)

Please find the attached desk review memorandum¹ on the State of Connecticut's (Connecticut) 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 28 transactions² reported in the quarterly Financial Progress Reports (FPR) and identified unsupported questioned costs of \$167,633,232 (see attached schedule of monetary benefits).

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 Castro made a non-statistical selection of 32 transactions to test based on Connecticut's total CRF award amount and Castro's overall risk assessment for Connecticut. Four (4) of the 32 transactions were ultimately reimbursed with other Federal program funds and reversed by Connecticut in the grant-reporting portal. In addition, Castro selected six potential duplicate payment transactions for limited testing to determine if the payments were duplicates.

Castro determined that the expenditures related to the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000,³ Direct Payments Greater than or equal to \$50,000, Aggregate Reporting less than \$50,000,⁴ and Aggregate Payments to Individuals⁵ payment types did not comply with the CARES Act and Department of the Treasury's (Treasury) Guidance. Castro also identified grant-reporting portal misclassification issues related to the Transfers greater than or equal to \$50,000 and Direct Payments greater than or equal to \$50,000 payment types that did not comply with Treasury's Guidance. Castro also determined that Connecticut did not comply with the reporting timeline as required under Treasury Office of Inspector General's (OIG) Guidance, *Coronavirus Relief Fund Reporting and Record Retention Requirements (OIG-CA-20-021)*.

Additionally, Castro determined that Connecticut's risk of unallowable use of funds is high.

Castro recommends that Treasury OIG follow-up with Connecticut's management to confirm if the \$167,633,232 noted as unsupported expenditures within 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 Payments to Individuals payment types can be supported. If support is not provided, Treasury OIG should recoup the funds or request that Connecticut's management provide support for other eligible replacement expenses, not previously charged to CRF, that were incurred during the period of performance.

Further, based on Connecticut's responsiveness to Treasury OIG's requests and management's ability to provide sufficient documentation and/or replace unsupported 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, 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 payment types.

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 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).

⁵ 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 noted that Connecticut had findings in its Single Audit Act reports for fiscal years 2020, 2021, and 2022.

- 1) Connecticut's fiscal year 2020 Single Audit Act report was published on February 19, 2021, and the auditor identified unsupported questioned costs specific to the CRF in the amount of \$479,551.
- 2) Connecticut's fiscal year 2021 Single Audit Act report was published on February 24, 2022, and the auditor identified unsupported questioned costs specific to the CRF in the amount of \$1,343,753.
- 3) Connecticut's fiscal year 2022 Single Audit Act report was published on February 24, 2023, and the auditor identified \$144,342 in unsupported questioned costs specific to the CRF.

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. Castro also recommends Treasury OIG follow-up on any CRF specific questioned costs reported in the fiscal year 2023 Single Audit Act report that was published on March 27, 2024, after Castro's desk review planning and fieldwork procedures were completed.

Treasury OIG and Castro met with Connecticut's management to discuss the report. Connecticut's 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 Connecticut's use of CRF proceeds. Castro is responsible for the attached desk review memorandum and the conclusions expressed therein. Our review found no instances in which Castro did not comply in all material respects with *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
Paul Potamianos, Deputy Secretary, State of Connecticut
Greg Messner, Executive Budget Officer, State of Connecticut

Attachment

Schedule of Monetary Benefits

According to the Code of Federal Regulations,⁶ 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).⁷ 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	\$167,633,232

The questioned costs represent amounts provided by Treasury under the Coronavirus Relief Fund. As discussed in the attached desk review, \$167,633,232 is Connecticut's expenditures reported in the grant-reporting portal that lacked supporting documentation.

⁶ 2 CFR § 200.84 – Questioned Cost

⁷ JAMES is Treasury's audit recommendation tracking system.

Desk Review of the State of Connecticut

December 20, 2024

OIG-CA-25-029

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

FROM: Wayne Ference
Partner, Castro & Company, LLC

SUBJECT: Desk Review of the State of Connecticut

On November 6, 2023, we initiated a desk review of the State of Connecticut's (Connecticut) 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 Connecticut'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 December 31, 2022,³ as reported in the GrantSolutions portal.

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

- 1) reviewed Connecticut's quarterly Financial Progress Reports (FPRs) submitted in the GrantSolutions portal through December 31, 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 Connecticut fully expended their total CRF proceeds as of December 31, 2022. Castro set the scope end date to December 31, 2022, which was the date of Connecticut'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 State of Connecticut

- 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 Connecticut'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 Connecticut'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 Connecticut's uses of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying Connecticut's 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 16 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 State of Connecticut

- 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 Connecticut's quarterly FPRs.

Based on our review of Connecticut's documentation supporting the uses of its CRF proceeds as reported in the GrantSolutions portal, we were unable to verify whether the expenditures related to 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 Payments to Individuals payment types complied with the CARES Act and Treasury's Guidance.

We identified unsupported questioned costs of \$167,633,232. We also determined Connecticut's risk of unallowable use of funds is high.

Castro recommends that Treasury OIG follow-up with Connecticut's management to confirm the \$167,633,232 noted as unsupported expenditures within the Contacts 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 payment types can be supported. If support is not provided, Treasury OIG should recoup the funds or request Connecticut management provide support for other eligible replacement expenses, not previously charged to CRF, that were incurred during the period of performance.

Further, based on Connecticut's responsiveness to Treasury OIG's requests and management's ability to provide sufficient documentation and/or replace unsupported transactions charged to CRF with valid expenditures, Castro recommends Treasury OIG determine the feasibility of conducting an audit for the Contacts 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 payment types.

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.

Desk Review of the State of Connecticut

At the time of the desk review fieldwork, Castro noted that Connecticut had findings in their Single Audit Reports for fiscal years 2020, 2021, and 2022, which we have summarized below:

- Connecticut’s fiscal year 2020 Single Audit report was published on February 19, 2021, and the auditor identified unsupported questioned costs specific to the CRF in the amount of \$479,551.
- Connecticut’s fiscal year 2021 Single Audit report was published on February 24, 2022, and the auditor identified unsupported questioned costs specific to the CRF in the amount of \$1,343,753.
- Connecticut’s fiscal year 2022 Single Audit report was published on February 24, 2023, and the auditor identified \$144,342 unsupported questioned costs specific to the CRF.

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. We also recommend Treasury OIG follow-up on any CRF specific questioned costs reported in the fiscal year 2023 Single Audit report that was published on March 27, 2024, after Castro’s desk review planning and fieldwork procedures were completed.

Non-Statistical Transaction Selection Methodology

Treasury issued a \$1,382,477,973 CRF payment to Connecticut. As of December 31, 2022, Connecticut’s cumulative obligations and expenditures were both \$1,381,952,408. Connecticut returned a total of \$525,565 in CRF proceeds to Treasury. Connecticut’s cumulative obligations and expenditures by payment type are summarized below.

Payment Type	Cumulative Obligations	Cumulative Expenditures
Contracts >= \$50,000	\$ 378,539,466	\$ 378,539,466
Grants >= \$50,000	\$ 258,403,987	\$ 258,403,987
Loans >= \$50,000	\$ -	\$ -
Transfers >= \$50,000	\$ 64,610,622	\$ 64,610,622
Direct Payments >= \$50,000	\$ 232,456,902	\$ 232,456,902
Aggregate Reporting < \$50,000	\$ 20,815,222	\$ 20,815,222
Aggregate Payments to Individuals (in any amount)	\$ 427,126,209	\$ 427,126,209
Totals	\$ 1,381,952,408	\$ 1,381,952,408

Desk Review of the State of Connecticut

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 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 anomalies¹² identified by the Treasury OIG CRF monitoring team, and review of Connecticut's FPR submissions. Connecticut 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 (28)¹³ we selected to test was based on Connecticut's total CRF award amount and our overall risk assessment of Connecticut. To allocate the number of transactions (28) by payment type (Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, 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 December 31, 2022.

Additionally, Treasury OIG provided information on anomalies identified for Connecticut. We selected seven anomalies within our transaction selections. Treasury OIG also identified additional anomalies in the form of potential duplicates, which had not already been included within our transaction selections, of which we selected six potential duplicates. We performed limited testing on these six potential duplicate payments to determine if the payments were duplicates. We identified exceptions within this potential duplicate testing. See **Contracts greater than or equal to \$50,000 section in the Desk Review Results** below for further discussion. 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.

¹³ During the transaction selection process, Castro initially selected 32 transactions for testing. We noted that four of the 32 transactions were reimbursed with funds from the Department of Homeland Security Federal Emergency Management Agency, and were ultimately reversed by Connecticut in the GrantSolutions portal. As a result, we reduced the number of transactions by four from 32 to 28 to recognize the reversed transactions. This transaction selection count accurately reflects the expenditures reimbursed with CRF proceeds and tested during the desk review.

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 \$1,382,477,973 CRF payment to Connecticut. 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, 2021.¹⁴

Section 15011 of the CARES Act required each covered recipient¹⁵ 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^{16,17} 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.

¹⁴ 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.

¹⁵ Section 15011 of P.L. 116-136 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.

¹⁶ Section 15010 of P.L. 116-136, 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.

¹⁷ 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 State of Connecticut

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 Connecticut's quarterly FPRs through December 31, 2022, and found that Connecticut timely filed quarterly FPRs in the GrantSolutions portal in compliance with Treasury OIG's reporting requirements for the periods ending June 30, 2020 and September 30, 2020, and the periods ending March 31, 2021 through December 31, 2022. However, Connecticut failed to submit the quarterly FPR in the GrantSolutions portal for the period ending December 31, 2020, resulting in non-compliance with Treasury OIG's reporting requirements.

Population Reconciling and Financial Reporting Controls Issues

Connecticut noted the approach they used to report the payment types in the GrantSolutions portal was not the same as the Treasury OIG's reporting requirements. Connecticut explained this may have resulted from human error during the reconciliation process. We requested that Connecticut management reperform the general ledger (GL) reconciliation to the amounts claimed in the GrantSolutions portal. However, Connecticut was unable to clear the reconciliation variances. The discrepancies in the reconciliation between the GL details and GrantSolutions portal data were identified in both the obligations and expenditures. The variances in the total expenditure population indicated there were more expenditures than reimbursed with CRF proceeds. We noted Connecticut's controls surrounding the GrantSolutions portal reporting were ineffective and inefficient. This was consistent with prior Connecticut Single Audit Act report findings. Although the population reconciliation and financial control reporting issues noted above did not generate questioned costs, we determined the lack of controls in place contributed to the prior year Single Audit Act findings specific to CRF proceeds. We were able to perform alternative procedures to make our transaction selections across the payment types.

Desk Review of the State of Connecticut

Summary of Testing Results

We were unable to verify whether 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 Payments to Individuals payment types complied 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.

We determined for the majority of the transactions we selected for testing, that Connecticut did not comply with Treasury OIG *Coronavirus Relief Fund Recipient Reporting and Record Retention Requirements* (OIG-CA-20-021; July 2, 2020). This guidance requires each prime recipient of CRF payments to maintain and make available to Treasury OIG, upon request, all documents and financial records sufficient to establish compliance with the CARES Act and the use of CRF proceeds.

Within Table 1 below, we have included a summary of \$154,074,571 in unsupported expenditures identified as questioned costs through our testing of detailed transactions, for which we were unable to verify compliance 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 \$13,558,661 identified separately from our detailed transaction testing to account for total questioned costs of \$167,633,232. 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 State of Connecticut

**Table 1 - Summary of Expenditures Testing and Recommended Results
As of December 31, 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	\$ 378,539,466	\$ 83,840,621	\$ 56,991,521	\$ -	\$ 56,991,521
Grants >= \$50,000	\$ 258,403,987	\$ 57,586,446	\$ 57,586,446	\$ -	\$ 57,586,446
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ 64,610,622	\$ 258,659	\$ 258,659	\$ -	\$ 258,659
Direct Payments >= \$50,000	\$ 232,456,902	\$ 18,082,583	\$ 18,082,583	\$ -	\$ 18,082,583
Aggregate Reporting < \$50,000	\$ 20,815,222	\$ 36,500	\$ 36,500	\$ -	\$ 36,500
Aggregate Payments to Individuals (in any amount)	\$ 427,126,209	\$ 21,171,607	\$ 21,118,862	\$ -	\$ 21,118,862
Totals	\$ 1,381,952,408	\$ 180,976,416	\$ 154,074,571	\$ -	\$ 154,074,571

**Table 2 – Summary of Expenditures Testing and Other Matters and Recommended Results
As of December 31, 2022**

Payment Type	(A) Unsupported Questioned Costs (Tested)	(B) Unsupported Questioned Costs (Other Matters)	(C=A+B) Total Unsupported Questioned Costs	(D) Ineligible Questioned Costs (Tested)	(E) Ineligible Questioned Costs (Other Matters)	(F=D+E) Total Ineligible Questioned Costs	(G=C+F) Total Questioned Costs (Tested & Other Matters)
Contracts >= \$50,000	\$ 56,991,521	\$ 2,920,079	\$ 59,911,600	\$ -	\$ -	\$ -	\$ 59,911,600
Grants >= \$50,000	\$ 57,586,446	\$ -	\$ 57,586,446	\$ -	\$ -	\$ -	\$ 57,586,446
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ 258,659	\$ -	\$ 258,659	\$ -	\$ -	\$ -	\$ 258,659
Direct Payments >= \$50,000	\$ 18,082,583	\$ 494,492	\$ 18,577,075	\$ -	\$ -	\$ -	\$ 18,577,075
Aggregate Reporting < \$50,000	\$ 36,500	\$ -	\$ 36,500	\$ -	\$ -	\$ -	\$ 36,500
Aggregate Payments to Individuals (in any amount)	\$ 21,118,862	\$ 10,144,090	\$ 31,262,952	\$ -	\$ -	\$ -	\$ 31,262,952
Totals	\$ 154,074,571	\$ 13,558,661	\$ 167,633,232	\$ -	\$ -	\$ -	\$ 167,633,232

Desk Review of the State of Connecticut

Contracts Greater Than or Equal to \$50,000

We were unable to verify whether Connecticut's Contracts greater than or equal to \$50,000 complied with the CARES Act and Treasury's Guidance. We tested seven contracts totaling \$83,840,621. The contracts tested included expenditures for COVID-19 cleaning, sanitizing, testing, and contact tracing; contracted services to manage and oversee the distribution of rent assistance to eligible applicants; and the purchase of equipment to facilitate distance learning in connection with school closings. We identified exceptions related to five of the seven contracts tested, which resulted in unsupported questioned costs totaling \$56,991,521, as detailed below.

Additionally, we tested six potential duplicate payments flagged by Treasury OIG and noted Connecticut management failed to provide sufficient supporting documentation to confirm the payments were not duplicated resulting in additional Other Matter unsupported questioned costs of \$172,000.

Further, we identified an Other Matter that warrants the attention of Treasury OIG in regard to Connecticut's ability to sufficiently elaborate upon Items Not Listed Above (INLA)¹⁸ expenditure category descriptions claimed in the GrantSolutions portal resulting in unsupported questioned costs of \$2,748,079, as detailed below. The identified unsupported questioned costs totaled \$59,911,600.

Due to the significant amount of questioned costs resulting from our Contracts greater than or equal to \$50,000 payment type testing, we recommend Treasury OIG determine the feasibility of performing additional procedures on the remaining untested amounts reported in the GrantSolutions portal for the Contracts greater than or equal to \$50,000 payment type.

Contracts Summary of Unsupported Questioned Costs

As part of our testing procedures, we requested that Connecticut management provide supporting documentation in the form of obligations, expenditures, disbursements, and justification statements to evidence the expenditures complied with the CARES Act and Treasury Guidance. Connecticut failed to provide expenditure support such as invoices or payment details to evidence the selected expenditures were necessary due to the COVID-19 pandemic. Connecticut management explained that Connecticut's decentralized nature required the state to reach out to other Connecticut departments and agencies for documentation.

¹⁸ Prime recipients were required to select a specific expenditure category from the available options from a dropdown menu in the GrantSolutions portal for each expenditure claimed. If the expenditure did not fit one of the pre-defined categories, a prime recipient was able to select the Items Not Listed Above expenditure category, to include other eligible expenses that were not captured in the available expenditure categories.

Desk Review of the State of Connecticut

Based on our understanding of Connecticut’s operating environment, we determined Connecticut did not have effective or efficient internal controls surrounding the requirement to keep and access documentation to support expenditures. We concluded the decentralized nature of the state contributed to Connecticut's inability to provide readily available support. We determined Connecticut failed to provide sufficient supporting documentation to justify the eligible and allowable use of CRF proceeds in conformity with CARES Act and Treasury’s Guidance. We identified exceptions related to five contracts tested, resulting in unsupported questioned costs of \$56,991,521. See details in Table 3 below:

Table 3 – Contracts Greater Than or Equal to \$50,000 Exception Summary

Contracts Exception Number	Contract Description	Amount Tested	Unsupported Questioned Costs
Contract Exception #1	Connecticut’s Department of Administrative Services entered into a contract with a third-party vendor related to services for abatement and removal of asbestos, lead, mold, and other hazardous materials.	\$ 113,840	\$ 113,840
Contract Exceptions #2	Connecticut’s Department of Public Health contracted with a hospital to collect specimens from staff and employees at Connecticut long-term care facilities, perform contact tracing, and transport specimens to department identified labs for COVID-19 testing.	\$ 25,411,821	\$ 25,411,821
Contract Exception #3	Connecticut’s Department of Education contracted with a vendor to facilitate distance learning required due to school closings as a result of the COVID-19 pandemic.	\$ 13,313,338	\$ 13,313,338
Contract Exception #4	Connecticut’s Department of Public Health contracted with a hospital to collect specimens from staff and employees at Connecticut long-term care facilities, perform contact tracing, and transport specimens to department identified labs for COVID-19 testing.	\$ 10,903,650	\$ 10,903,650
Contract Exception #5	Connecticut’s Department of Education contracted with a vendor to purchase technological equipment necessitated by school closings resulting from the COVID-19 pandemic.	\$ 7,248,872	\$ 7,248,872
Totals		\$ 56,991,521	\$ 56,991,521

Duplicate Payment Contract Exceptions¹⁹

We selected six potential duplicate payments totaling \$172,000 flagged by Treasury OIG. However, Connecticut did not provide any relevant or appropriate supporting documentation to evidence these expenditures were not duplicate payments, resulting in Other Matter unsupported questioned costs of \$172,000.

Items Not Listed Above Contract Exceptions

Castro reviewed the Contracts greater than or equal to \$50,000 INLA expenditure category descriptions and noted Connecticut management provided insufficient responses to four INLA expenditure category descriptions totaling \$2,748,079. Specifically, Connecticut management did not provide a formal written response or additional supporting documentation to elaborate on the INLA descriptions that were outstanding. Within the INLA expenditure categories, Connecticut reported the following vague expenditure category descriptions: "Software", "Laptops", "Platform Services", and "School Reopening". Due to the lack of responses provided by Connecticut to our questions about these expenditure category descriptions, we identified these items as Other Matter unsupported questioned costs totaling \$2,748,079.

Grants Greater Than or Equal to \$50,000

We were unable to verify whether Connecticut's Grants greater than or equal to \$50,000 complied with the CARES Act and Treasury's Guidance. We tested 10 invoices related to six grants, totaling \$57,586,446. The grants tested included expenditures for the costs related to reimbursements for small business assistance; reimbursements for technological equipment purchases to facilitate distance learning during school closures; purchases of personal protective equipment for state libraries; and costs for medical expenses for vulnerable communities. We identified exceptions related to all six grants tested, resulting in unsupported questioned costs of \$57,586,446 as detailed below.

Additionally, Castro noted there were exceptions identified in all of the Grants greater than or equal to \$50,000 transactions selected for testing. Of the total \$258,403,987 reported in the GrantSolutions portal as of December 31, 2022, we tested \$57,586,446 and identified unsupported questioned costs for the full amount tested. Due to the significant amount of questioned costs resulting from our Grants greater than or equal to \$50,000 payment type testing, we recommend Treasury OIG determine the feasibility of performing additional procedures on the

¹⁹ As part of the desk review procedures, testing over items classified as "Potential Duplicate Payments" were subject to limited procedures. Castro's testing objectives over Potential Duplicate Payments was to confirm the claimed costs were not duplicated within the GrantSolutions portal.

Desk Review of the State of Connecticut

remaining untested amounts reported in the GrantSolutions portal for the Grants greater than or equal to \$50,000 payment type.

Grants Summary of Unsupported Questioned Costs

As part of our testing procedures, we requested that Connecticut management provide supporting documentation in the form of obligations, expenditures, disbursements, and justification statements to evidence the expenditures complied with the CARES Act and Treasury Guidance. We requested the documentation multiple times however, for two of six Grants, Connecticut was unable to provide any appropriate or relevant supporting documentation to justify the eligible and allowable use of CRF proceeds. Similarly, for the remaining four Grants, Connecticut provided obligation support, but failed to provide expenditure support such as invoices or payment details to evidence the selected expenditures were necessary due to the COVID-19 pandemic. Connecticut management explained that Connecticut's decentralized nature required the state to reach out to departments and agencies for documentation. Based on our understanding of Connecticut's operating environment, we determined Connecticut did not have effective or efficient internal controls surrounding the desk review reporting objectives. We concluded the decentralized nature of the state contributed to Connecticut's inability to provide readily available support. We determined Connecticut failed to provide sufficient supporting documentation to justify the eligible and allowable use of CRF proceeds in conformity with CARES Act and Treasury's Guidance. We identified exceptions for the entire amount for all six grants tested, resulting in unsupported questioned costs of \$57,586,446. See details in Table 4 below:

Table 4 – Grants Greater Than or Equal to \$50,000 Exception Summary

Grants Exception Number	Grant Description	Amount Tested	Unsupported Questioned Costs
Grant Exception #1	Connecticut’s Office of Early Childhood awarded CRF proceeds to an educational council as part of a priority school readiness stabilization grant in connection with the COVID-19 pandemic.	\$ 190,377	\$ 190,377
Grant Exception #2	Connecticut’s Department of Education awarded CRF proceeds to a charter school to ensure compliance with COVID-19 related health measures, such as facilitating distance learning.	\$ 194,355	\$ 194,355
Grant Exception #3	Connecticut’s State Library awarded CRF proceeds to a public library to provide personal protective equipment, signage, and other supplies needed to make spaces safe for people to use the library.	\$ 167,451	\$ 167,451
Grant Exception #4	Connecticut’s Department of Economic and Community Development passed through funds to Connecticut’s Department of Revenue Services to provide awards to eligible businesses for a Business Recovery Grant Program.	\$ 150,000	\$ 150,000
Grant Exception #5	Connecticut’s Department of Economic and Community Development awarded CRF proceeds to a lending company to issue supplemental small business support grants.	\$ 50,000,000	\$ 50,000,000
Grant Exception #6	Connecticut’s Department of Social Services awarded CRF proceeds to a hospital to perform widespread testing of vulnerable members of high-risk populations to protect the health and safety of the public from COVID-19.	\$ 6,884,263	\$ 6,884,263
Totals		\$ 57,586,446	\$ 57,586,446

Transfers Greater Than or Equal to \$50,000

We were unable to verify whether Connecticut’s Transfers greater than or equal to \$50,000 complied with the CARES Act and Treasury’s Guidance. We tested two transfers totaling \$258,659. The transfers tested included expenditures for a transfer to the Western Connecticut Council of Governments for COVID-19 recovery planning projects and operating recovery coordination; and expanded wi-fi infrastructure needed to facilitate distance learning, including technological improvements due to the COVID-19 pandemic. We identified exceptions related to both transfers tested, resulting in unsupported questioned costs of \$258,659 as detailed below.

Of the total \$64,610,622 reported in the GrantSolutions portal as of December 31, 2022, we tested \$258,659 and identified unsupported questioned costs for the full amount tested. As a result, we recommend Treasury OIG determine the feasibility

Desk Review of the State of Connecticut

of performing additional procedures on the remaining untested amounts reported in the GrantSolutions portal for the Transfers greater than or equal to \$50,000 payment type.

Further, Castro identified a reporting misclassification that did not comply with Treasury's Guidance, as Connecticut reported a transfer within the Transfers greater than or equal to \$50,000 payment type when it should have been reported under Grants or Direct Payments greater than or equal to \$50,000.

Transfers Summary of Unsupported Questioned Costs

As part of our testing procedures, we requested that Connecticut management provide supporting documentation in the form of obligations, expenditures, disbursements, and justification statements to evidence the expenditures complied with the CARES Act and Treasury Guidance. Connecticut failed to provide expenditure support such as invoices or payment details to evidence the selected expenditures were necessary due to the COVID-19 pandemic. Connecticut management explained that Connecticut's decentralized nature required the state to reach out to departments and agencies for documentation. Based on our understanding of Connecticut's operating environment, we determined Connecticut did not have effective or efficient internal controls surrounding the requirement to keep and access documentation to support expenditures. We concluded the decentralized nature of the state contributed to Connecticut's inability to provide readily available support. We determined Connecticut failed to provide sufficient supporting documentation to justify the eligible and allowable use of CRF proceeds in conformity with CARES Act and Treasury's Guidance. We identified exceptions for the entire amount for both transfers tested, resulting in unsupported questioned costs of \$258,659. See details in Table 5 below:

Table 5 – Transfers Greater Than or Equal to \$50,000 Exception Summary

Transfer Exception Number	Transfers Description	Amount Tested	Unsupported Questioned Costs
Transfer Exception #1	The Connecticut Office of Policy and Management provided funding to the Western Connecticut Council of Governments for COVID-19 recovery planning and coordination. Expenditures were associated with conducting a recovery planning project and operating a recovery coordination office.	\$ 63,301	\$ 63,301
Transfer Exception #2	The Connecticut Department of Administrative Services provided funding to the Connecticut Education Network to install public wi-fi infrastructure. The expanded wi-fi infrastructure was needed to facilitate distance learning required due to COVID-19.	\$ 195,358	\$ 195,358
Totals		\$ 258,659	\$ 258,659

Additionally, for the \$195,358 transfer to Connecticut’s Education Network, Castro noted that this entity was governed by the Connecticut Commission for Education Technology defined as a component unit of the prime recipient’s government under the umbrella of the Connecticut Department of Administrative Services. Castro considered this a reporting misclassification that did not comply with Treasury’s Guidance, as Connecticut reported this within the Transfers greater than or equal to \$50,000 payment type when it should have been reported under Grants or Direct Payments greater than or equal to \$50,000.

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

We were unable to verify whether Connecticut’s Direct Payments greater than or equal to \$50,000 complied with the CARES Act and Treasury’s Guidance. We tested four direct payments totaling \$18,082,583. The direct payments tested included expenditures for services and programs supporting youth employment, including summer internships and recruitment and training of college students during the pandemic; moving and storage to assist students moving out of dorms and relocation during the pandemic; and support for the operation of private hospitals during the pandemic. We identified exceptions related to all four direct payments tested, resulting in unsupported questioned costs of \$18,082,583 as detailed below.

Additionally, we identified Other Matter unsupported questioned costs of \$494,492 related to our review of the direct payments INLA expenditure categories. This increased the grand total of unsupported questioned costs from \$18,082,583 to \$18,577,075.

Desk Review of the State of Connecticut

Further, Castro identified a reporting misclassification that did not comply with Treasury's Guidance, as Connecticut reported a transaction within the Direct Payments greater than or equal to \$50,000 payment type when it should have been reported under Grants greater than or equal to \$50,000.

Also, Castro noted there were exceptions identified in all of the Direct Payments greater than or equal to \$50,000 transactions selected for testing. Of the total \$232,456,902 reported in the GrantSolutions portal as of December 31, 2022, we tested \$18,082,583 and identified unsupported questioned costs for the full amount tested. Due to the significant amount of questioned costs resulting from our Direct Payments greater than or equal to \$50,000 payment type testing, we recommend Treasury OIG determine the feasibility of performing additional procedures on the remaining untested amounts reported in the GrantSolutions portal for the Direct Payments greater than or equal to \$50,000 payment type.

Direct Payments Summary of Unsupported Questioned Costs

As part of our testing procedures, we requested that Connecticut management provide supporting documentation in the form of obligations, expenditures, disbursements, and justification statements to evidence the expenditures complied with the CARES Act and Treasury Guidance. We requested documentation multiple times; however, for three²⁰ of four Direct Payments, Connecticut was unable to provide any appropriate or relevant supporting documentation to justify the eligible and allowable use of CRF proceeds. For the remaining Direct Payment transaction, we obtained and reviewed payment support; however, Connecticut failed to provide underlying expenditure support such as invoices to substantiate the payment.

Connecticut management explained that Connecticut's decentralized nature required the state to reach out to departments and agencies for documentation. Based on our understanding of Connecticut's operating environment, we determined Connecticut did not have effective or efficient internal controls surrounding the requirement to keep and access documentation to support expenditures. We concluded the decentralized nature of the state contributed to Connecticut's inability to provide readily available support. We determined Connecticut failed to provide sufficient supporting documentation for all four direct payments tested to justify the eligible and allowable use of CRF proceeds in conformity with CARES Act and Treasury's Guidance, resulting in unsupported questioned costs of \$18,082,583. See details in Table 6 below:

²⁰ Refer to Direct Payment Exceptions #1 through #3 in Table 6.

Table 6 – Direct Payments Greater Than or Equal to \$50,000 Exception Summary

Direct Payment Exception Number	Direct Payment Description	Amount Tested	Unsupported Questioned Costs
Direct Payment Exception #1	Connecticut claimed \$430,137 in expenditures related to higher education support during the pandemic. We were unable to obtain any additional information related to what this transaction entailed.	\$ 430,137	\$ 430,137
Direct Payment Exception #2	Connecticut claimed and we tested \$908,989 in expenditures passed through Connecticut’s Office of Higher Education and awarded to a university to invest in services and programs supporting youth employment, including summer internships and recruitment and training of college students to mentor children in summer programs during the pandemic.	\$ 908,989	\$ 908,989
Direct Payment Exception #3	Connecticut claimed and we tested \$443,457 in expenditures passed through Connecticut’s State colleges and universities and awarded to a company contracted to move students out of dorms and relocate and store dormitory equipment to be cleaned and disinfected due to COVID-19.	\$ 443,457	\$ 443,457
Direct Payment Exception #4	Connecticut claimed and we tested \$16,300,000 in expenditures passed through Connecticut’s Department of Social Services, which entered into an agreement with a private hospital to support operations during the COVID-19 pandemic, and to reimburse the hospital for COVID-19 related medical expenses. ²¹	\$ 16,300,000	\$ 16,300,000
Totals		\$ 18,082,583	\$ 18,082,583

Castro identified reporting misclassification errors that did not comply with Treasury Guidance, where transactions were reported as Direct Payments greater than or equal to \$50,000 within the GrantSolutions portal, but should have been classified as Contracts greater than or equal to \$50,000. Refer to Direct Payment Exception #4.

²¹ For Direct Payment Exception #4, we obtained and reviewed the wire transfer request and notice of CRF payment to the hospital, which detailed the specific conditions for the CRF payment and noted the effective timeframe for expenses to be incurred was within the CRF covered period. However, Connecticut management did not provide additional supporting documentation in the form of invoices or track expenditures such as employee wages; hazard pay; personal protective equipment; cleaning supplies; and COVID-19 testing kits as required by the conditions of the award.

Items Not Listed Above Direct Payments Exceptions

During our review of the Direct Payments greater than or equal to \$50,000 INLA expenditure category descriptions, we noted that Connecticut reported \$494,492 of expenditures with the following INLA expenditure category description: "N/A." Connecticut provided insufficient responses to our follow-up requests for this item. Specifically, Connecticut did not provide a formal written response or additional supporting documentation to elaborate on the INLA descriptions that were outstanding. Due to the lack of responses provided by Connecticut to our questions about this vague expenditure category description and our inability to determine the eligibility of these expenditures, we identified these items as Other Matter unsupported questioned costs totaling \$494,492.

Aggregate Reporting Less Than \$50,000

We were unable to verify whether Connecticut's Aggregate Reporting less than \$50,000 complied with the CARES Act and Treasury's Guidance. We tested one aggregate reporting transaction totaling \$36,500. We did not receive any obligation and expenditure supporting documentation related to this transaction selection; therefore, we were unable to provide any additional details on what the transaction entailed. Connecticut did not provide any relevant or appropriate supporting documentation to evidence the selected expenditures were necessary due to the COVID-19 pandemic. As a result, we identified unsupported questioned costs of \$36,500.

Of the total \$20,815,222 reported in the GrantSolutions portal as of December 31, 2022, we tested \$36,500 and identified unsupported questioned costs for the full amount tested. As a result, we recommend Treasury OIG determine the feasibility of performing additional procedures on the remaining untested amounts reported in the GrantSolutions portal for the Aggregate Reporting less than \$50,000 payment type.

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 the Aggregate Payments to Individuals payment type consisted of the below broad types of potential costs, which we have defined from 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 Health and Safety 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 expenditures made to individuals.

²² 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

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 or mitigating COVID-19. Treasury's Federal Register guidance stated: "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, Treasury's Federal Register guidance stated: "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 State of Connecticut

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 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 by performing tests over specific employee timesheet submissions.

Castro requested Connecticut's Aggregate Payments to Individuals (API) analysis with the breakout of API category types described above. However, Connecticut was unable to complete an accurate analysis. As a result, we performed alternative procedures to make the API transaction selections in order to obtain adequate coverage for testing purposes. We considered the universe of the GL population categorized as API to be subject to selection as part of the transaction selection methodology.

We recommend Treasury OIG request Connecticut management to properly segregate the API expenditures based on the defined categories above. In addition, based on those details and the significant number of API testing errors detailed below, we recommend Treasury OIG determine the feasibility of conducting an audit for the API payment type transactions that were not subject to our desk review procedures.

We were unable to verify whether Connecticut's Aggregate Payments to Individuals complied with the CARES Act and Treasury's Guidance. We tested a total of \$21,171,607 of expenditures for eight Aggregate Payments to Individuals transactions. The one transaction tested without exception included expenditures related to public health and safety payroll. For the remaining transactions, we identified exceptions related to seven of the eight API transactions tested, resulting in unsupported questioned costs totaling \$21,118,862 as detailed below. These transactions included expenditures related to payments for development, technology, and personnel costs to support a call center to address the high volume of inquiries related to unemployment insurance as a result of the COVID-

²⁶ Treasury's Federal Register guidance stated 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."

Desk Review of the State of Connecticut

19 pandemic; payroll related costs for Connecticut's Department of Developmental Services; payroll related costs for Connecticut's Judicial Department; hardship payments to foster care providers for maintenance costs during the pandemic, which were payments made on behalf of foster children for items such as clothing and personal allowances; and payments made to commercial vendors through Connecticut's Department of Public Health.

Additionally, within the Other Matters for Treasury OIG to consider, we noted material variances of \$10,144,090 between the expenditures provided by the GL details and the amounts reported in GrantSolutions as of December 31, 2022, which we have included as unsupported questioned costs, as detailed below.

Due to the significant amount of questioned costs resulting from our Aggregate Payments to Individuals payment type testing, we recommend Treasury OIG determine the feasibility of performing additional procedures on the remaining untested amounts reported in the GrantSolutions portal for the Aggregate Payments to Individuals payment type.

Aggregate Payments to Individuals Payroll Exception #1

Connecticut claimed and we tested \$271,504 in expenditures awarded to Connecticut's Department of Labor to cover payments for development, technology, and personnel costs to support a call center to address the high volume of inquiries related to unemployment insurance as a result of the COVID-19 pandemic. Castro considered support provided for this payroll amount to be batched, as it did not contain sufficient details needed to verify whether these payroll related costs were for public health and safety personnel, substantially dedicated personnel, or non-substantially dedicated personnel. Castro requested timesheets, paystubs, and other relevant payroll distribution support, but Connecticut did not sufficiently respond to our requests. As a result, we questioned the entire amount tested of \$271,504 as unsupported.

Aggregate Payments to Individuals Exception #2

Connecticut claimed and we tested \$20,445,974 in expenditures awarded to a university. We did not receive any obligation and expenditure supporting documentation related to this transaction selection. Connecticut did not provide any relevant or appropriate supporting documentation to evidence the selected expenditures were necessary due to the COVID-19 pandemic. We determined Connecticut failed to provide sufficient supporting documentation to justify the eligible and allowable use of CRF proceeds in conformity with the CARES Act and Treasury's Guidance. As a result, we questioned the entire amount tested of \$20,445,974 as unsupported.

Aggregate Payments to Individuals Payroll Exception #3

Connecticut claimed and we tested \$41,865 in expenditures awarded to Connecticut's Department of Developmental Services. We were unable to determine if these payroll related costs were for public health and safety personnel, substantially dedicated personnel, or non-substantially dedicated personnel.

We obtained and reviewed the hours and earnings reports, timesheets, and pay rate details. However, the support did not agree to the amounts claimed in the GrantSolutions portal as of December 31, 2022. For instance, the paystubs and timesheets appeared to only make up a portion of the claimed payroll costs. We noted that Connecticut was unable to reperform the payroll calculations to arrive at the selected expenditure amounts. Therefore, we were unable to determine if Connecticut properly charged hours to COVID-19 related projects and if the payroll costs claimed for reimbursement were accurate. We determined Connecticut failed to provide sufficient supporting documentation to justify the eligible and allowable use of CRF proceeds in conformity with the CARES Act and Treasury's Guidance. As a result, we questioned the entire amount tested of \$41,865 as unsupported.

Aggregate Payments to Individuals Payroll Exception #4

Connecticut claimed and we tested \$140,219 in expenditures awarded to Connecticut's Judicial Department. Connecticut asserted these costs were payroll related items for five employees. Of the five employees, we confirmed only one employee was considered public health and safety personnel and tested their associated payroll costs totaling \$10,501 without exception. For the remaining four employees, we were unable to determine if these payroll-related costs were for substantially dedicated or non-substantially dedicated personnel, as detailed below.

For four of five payroll employees tested totaling \$129,718, we obtained and reviewed payroll registers, paystubs, and attendance reports. However, we were unable to verify whether the duties performed by the four employees were COVID-19 related. Specifically, we obtained only partial supporting documentation to sufficiently evidence the payroll related costs. We noted the four-payroll employee's COVID-19 job function was not described in the attendance log report. In addition, justification statements were not provided to clearly distinguish the diverted work functions of these employees.

Therefore, we determined Connecticut failed to provide sufficient supporting documentation to justify the eligible and allowable use of CRF proceeds in conformity with the CARES Act and Treasury's Guidance. As a result, we identified unsupported questioned costs of \$129,718.

Aggregate Payments to Individuals Hardship Payment Exception #5

Connecticut claimed and we tested \$129,818 in expenditures awarded to Connecticut's Department of Children and Families to cover payments issued to foster care providers for maintenance costs during the pandemic, which were payments made on behalf of foster children for items such as clothing and personal allowances. Connecticut management told us that these payments were necessary as foster home food costs increased due to COVID-19 school closures and foster parents contracted COVID-19 and were unable to work.

For four of the five transactions tested totaling \$3,482, we received adequate support and tested the transactions without exception. For one of five transactions totally \$126,336, we obtained and reviewed various supporting documentation. However, the amounts in the documentation did not agree to the claimed amounts in the GrantSolutions portal as of December 31, 2022. Connecticut did not provide additional supporting documentation to recalculate the amounts disbursed to the foster care providers. We determined Connecticut failed to provide sufficient supporting documentation to justify the eligible and allowable use of CRF proceeds in conformity with the CARES Act and Treasury's Guidance. As a result, we identified unsupported questioned costs of \$126,336.

Aggregate Payments to Individuals Exception #s 6-7 – Payment to Commercial Vendors

For Exceptions #6 and 7, Connecticut claimed, and we tested \$57,056 and \$46,409, respectively, for a total of \$103,465 in expenditures awarded to Connecticut's Department of Public Health. The payments were made to commercial vendors. However, Connecticut did not provide sufficient support to determine if the costs were payroll related, or any additional information related to what the transactions entailed. Connecticut did not provide any relevant or appropriate supporting documentation that sufficiently supported the selected expenditures were related to the COVID-19 pandemic. We determined Connecticut failed to provide sufficient supporting documentation to justify the eligible and allowable use of CRF proceeds in conformity with the CARES Act and Treasury's Guidance. As a result, we identified total unsupported questioned costs of \$103,465.

API Reconciliation Errors Identified

Our initial transaction selections were at an aggregate level, which required additional selections at the transaction level for detailed testing. For two transaction selections, we noted material variances of \$10,144,090 between the expenditures provided in the GL and the amounts claimed in the GrantSolutions portal as of December 31, 2022, which we have included as Other Matter unsupported questioned costs. We requested that Connecticut management elaborate on the issues we identified. However, Connecticut was unable to obtain the supporting documentation from other state agencies due to the prime recipient's decentralized nature. As a result, we determined Connecticut failed to ensure the cumulative expenditures reported within the GrantSolutions portal were accurate and complete.

Conclusion

We were unable to verify whether the expenditures related to 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 Payments to Individuals payment types complied with the CARES Act and Treasury's Guidance.

We identified unsupported questioned costs of \$167,633,232. Also, we identified GrantSolutions portal misclassification reporting issues related to the Transfers greater than or equal to \$50,000 and Direct Payments greater than or equal to \$50,000 payment types that did not comply with Treasury's Guidance.

Castro also identified reporting errors within Connecticut's quarterly FPR submission for the period ending December 31, 2020. Connecticut failed to submit the quarterly FPR in the GrantSolutions portal resulting in non-compliance with Treasury OIG's reporting requirements.

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

Castro recommends that Treasury OIG follow-up with Connecticut's management to confirm if the \$167,633,232 noted as unsupported expenditures within the Contacts 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 payment types can be supported. If support is not provided, Treasury OIG should recoup the funds or request Connecticut management provide support

Desk Review of the State of Connecticut

for other eligible replacement expenses, not previously charged to CRF, that were incurred during the period of performance.

Further, based on Connecticut's responsiveness to Treasury OIG's requests and its ability to provide sufficient documentation and/or replace unsupported transactions charged to CRF with valid expenditures, Castro recommends Treasury OIG determine the feasibility of conducting an audit for the Contacts 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 payment types.

At the time of desk review fieldwork, Castro noted that Connecticut had findings in their Single Audit Reports for fiscal years 2020, 2021, and 2022.

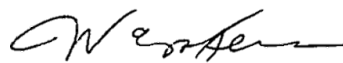
- Connecticut's fiscal year 2020 Single Audit Act report was published on February 19, 2021, and the auditor identified unsupported questioned costs specific to the CRF in the amount of \$479,551.
- Connecticut's fiscal year 2021 Single Audit Act report was published on February 24, 2022, and the auditor identified unsupported questioned costs specific to the CRF in the amount of \$1,343,753.
- Connecticut's fiscal year 2022 Single Audit Act report was published on February 24, 2023, and the auditor identified \$144,342 in unsupported questioned costs specific to the CRF.

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. We also recommend Treasury OIG follow-up on any CRF specific questioned costs reported in the fiscal year 2023 Single Audit report that was published on March 27, 2024, after Castro's desk review planning and fieldwork procedures were completed.

Desk Review of the State of Connecticut

All work completed with this letter complies with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Federal Offices of Inspectors General*, which require that the work adheres to the professional standards of independence, due professional care, and quality assurance to ensure the accuracy of the information presented.²⁷ We appreciate the courtesies and cooperation provided to our staff during the desk review.

Sincerely,



Wayne Ference
Partner, Castro & Company, LLC

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