



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 17, 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 District of Columbia's Use of
Coronavirus Relief Fund Proceeds
(OIG-CA-25-017)

Please find the attached desk review memorandum¹ on the District of Columbia's (DC) 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 20 transactions reported in the quarterly Financial Progress Reports (FPR) and identified unsupported and ineligible questioned costs of \$93,752 and \$27,388,154, respectively, resulting in total questioned costs of \$27,481,906 (see attached schedule of monetary benefits).

Castro determined that DC did not comply with the reporting timeline as required under Department of the Treasury (Treasury) Office of Inspector General's (OIG) Guidance, *Coronavirus Relief Fund Reporting and Record Retention Requirements* (OIG-CA-20-021).

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 expenditures related to the Aggregate Reporting less than \$50,000² payment type complied with the CARES Act and Treasury's Guidance. Castro also found that Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, and Aggregate Payments to Individuals³ payment types did not comply with CARES Act and Treasury's Guidance. Castro determined that DC's risk of unallowable use of funds is high.

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

Castro also identified matters throughout the course of the desk review and recommends Treasury OIG follow-up on these issues:

- 1) Follow-up with DC management to obtain DC's completed reconciliation of general ledger details to the grant-reporting portal amounts to ensure the unreconciled balances of \$154,210,707 and \$103,198,232 for Contracts greater than or equal to \$50,000 and Grants greater than or equal to \$50,000 payment types, respectively, were properly supported.
- 2) Based on DC management's ability to respond to Treasury OIG's requests related to the comprehensive COVID-19 related health care services contract's ineligible costs, Castro recommends Treasury OIG request the details on the remainder of the contract balance. If DC is unable to itemize the portion of the medical expenses that were COVID-19 related, Castro recommends Treasury OIG determine if the remaining contract balance was similarly ineligible and should be recouped or replaced by other eligible expenditures, not previously charged to CRF, that were incurred during the period of performance.
- 3) Castro found the DC Department of Human Services Emergency Rental Assistance Program (DC DHS ERAP) was appropriately designed with a

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 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.

grant application question that asked whether the emergency rental assistance applicant experienced a hardship due to the COVID-19 pandemic. However, in both instances Castro tested, Castro found that the grant applications did not include valid justifications that payments were necessary as a result of the COVID-19 pandemic. Castro determined that there is a risk that there may be other claimed CRF expenses in the DC DHS ERAP program that also did not represent eligible expenses that were necessary as a result of the pandemic. After excluding \$26,744 in costs already questioned as ineligible within Castro's testing from the total award amount of \$875,000, Castro recommends Treasury OIG review the remaining balance of \$848,256 to determine if there were other similarly ineligible expenses.

- 4) Castro noted that DC claimed \$10,337,093 for the Housing Stabilization Grant Program. Based on the lack of support for tenant payments noted in detailed testing, Castro recommends Treasury OIG follow-up with DC management to determine if the remaining grant balance was similarly unsupported and should be recouped or replaced by other eligible expenditures, not previously charged to CRF, that were incurred during the period of performance.
- 5) Based on the lack of support for business grants noted in detailed testing, Castro recommends Treasury OIG determine the feasibility of performing additional testing over the portions of the remaining \$5,750,000 not tested. If DC is unable to provide missing grant applicant level support to evidence that the hardships were COVID-19 related, Castro recommends Treasury OIG recoup the funds or request that DC management provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance.
- 6) Castro noted that DC reported a total of \$10,339,026 in substantially dedicated payroll⁴ costs within its Aggregate Payments to Individuals payment type in the September 30, 2022 FPR submission. Based on DC's ability to respond to Treasury OIG's follow-up requests related to the unsupported substantially dedicated employees tested, Castro recommends Treasury OIG determine the feasibility of performing testing related to the remaining substantially dedicated Aggregate Payments to Individuals balance. If DC is unable to provide missing support for the substantially dedicated payroll costs and DC's substantially dedicated conclusion, Castro

⁴ 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: "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."

recommends that Treasury OIG determine if the remaining substantially dedicated Aggregate Payments to Individuals balance was similarly unsupported.

Treasury OIG and Castro met with DC management to discuss the report. DC 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 DC'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
Jennifer Reed, Mayor's Director of the Office of Budget and Performance Management, Government of District of Columbia
Barry Kreiswirth, Senior Policy Advisor and General Counsel for the Office of the City Administrator, Office of the District of Columbia
Jeannette Fernandez, Associate Director for Operating on the Office of Budget and Performance Team, Office of the District of Columbia

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	\$27,481,906

The questioned cost represents amounts provided by Treasury under the Coronavirus Relief Fund. As discussed in the attached desk review, \$27,481,906 is DC's 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 District of Columbia

December 17, 2024

OIG-CA-25-017

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

FROM: Wayne Ference
Partner, Castro & Company, LLC

SUBJECT: Desk Review of the District of Columbia

On November 9, 2023, we initiated a desk review of the District of Columbia's (DC) 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 DC's documentation supporting its uses of CRF proceeds as reported in the GrantSolutions² portal and to assess the risk of unallowable use of funds. The scope of our desk review was limited to obligation and expenditure data for the period of March 1, 2020 through September 30, 2022,³ as reported in the GrantSolutions portal.

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

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

¹ P.L. 116-136 (March 27, 2020).

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

³ DC fully expended their total CRF proceeds as of September 30, 2022. Castro set the scope end date to September 30, 2022, which was the date of DC'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 District of Columbia

- 3) reviewed Treasury Office of Inspector General's (OIG) *Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping*;⁵
- 4) reviewed Treasury OIG's monitoring checklists⁶ of DC'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 DC'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 DC's use of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying DC's GrantSolutions portal quarterly FPR submissions, as well as officials responsible for obligating and expending CRF proceeds;
- 8) made a non-statistical selection of Contracts, Grants, Aggregate Reporting,⁹ and Aggregate Payments to Individuals¹⁰ data identified through GrantSolutions portal reporting; and
- 9) evaluated documentation and records used to support DC's quarterly FPRs.

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 established the Pandemic Response Accountability Committee within the Council of the Inspectors General on Integrity and Efficiency to promote transparency and conduct and support oversight of covered funds (see Footnote 15 for a definition of covered funds) and the coronavirus response to (1) prevent and detect fraud, waste, abuse, and mismanagement; and (2) mitigate major risks that cut across program and agency boundaries.

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

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

Desk Review of the District of Columbia

Based on our review of DC's documentation supporting the uses of its CRF proceeds as reported in the GrantSolutions portal, we determined that the expenditures related to the Contracts greater than or equal to \$50,000, Grants 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. Also, we found that the Aggregate Reporting less than \$50,000 payment type complied with the CARES Act and Treasury's Guidance.

We identified unsupported and ineligible questioned costs of \$93,752 and \$27,388,154, respectively, resulting in total questioned costs of \$27,481,906. We also determined DC's risk of unallowable use of funds is high.

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

Non-Statistical Transaction Selection Methodology

Treasury issued a \$495,138,064 CRF payment to DC. As of September 30, 2022, DC expended all of its CRF funds. DC's cumulative obligations and expenditures by payment type are summarized below.

Payment Type	Cumulative Obligations	Cumulative Expenditures
Contracts >= \$50,000	\$ 154,210,707	\$ 154,210,707
Grants >= \$50,000	\$ 103,198,232	\$ 103,198,232
Loans >= \$50,000	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -
Direct Payments >= \$50,000	\$ -	\$ -
Aggregate Reporting < \$50,000	\$ 3,438,573	\$ 3,438,573
Aggregate Payments to Individuals (in any amount)	\$ 234,290,552	\$ 234,290,552
Totals	\$ 495,138,064	\$ 495,138,064

Desk Review of the District of Columbia

Castro made a non-statistical selection of payments in the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types.

Selections were made using auditor judgment based on information and risks identified in reviewing audit reports, the GrantSolutions portal reporting anomalies¹¹ identified by the Treasury OIG CRF monitoring team, and review of DC's FPR submissions. DC did not obligate or expend CRF proceeds to the Loans greater than or equal to \$50,000, Transfers¹² greater than or equal to \$50,000, or Direct Payments greater than or equal to \$50,000 payment types; therefore, we did not select transactions from these payment types.

The number of transactions (20) we selected to test were based on DC's total CRF award amount and Castro's overall risk assessment of DC. To allocate the number of transactions (20) by payment type (Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals), we compared the total payment type dollar amounts as a percentage of cumulative expenditures as of September 30, 2022. The transactions tested were not selected statistically, and therefore results could not be extrapolated to the total universe of transactions.

Background

The CARES Act appropriated \$150 billion to establish the CRF. Under the CRF, Treasury made payments for specified uses to States and certain local governments; the District of Columbia and U.S. Territories, including the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands; and Tribal governments (collectively referred to as "prime recipients"). Treasury issued a \$495,138,064 CRF payment to DC. 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

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

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

Desk Review of the District of Columbia

(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.

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 it is determined a prime 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 DC's quarterly FPRs through September 30, 2022, and found that DC timely filed quarterly FPRs in the GrantSolutions portal in compliance with Treasury OIG's reporting requirements for the periods ending June 30, 2020 through September 30, 2021, and the period ending September 30, 2022. However, we found that DC did not submit FPRs for the periods ending December 31, 2021 through June 30, 2022.

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 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 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 District of Columbia

DC marked its September 30, 2022 submission as final within the GrantSolutions portal. Further, within DC's final September 30, 2022 submission, Treasury OIG identified project titles with descriptions that were deemed too vague for COVID-19 justification and requested DC management to make updates by submitting a new final submission as of December 31, 2022. DC did not make the updates and resubmit a second final quarterly submission as of December 31, 2022, as requested. Due to the FPRs that were not submitted above, we determined that DC did not comply with the reporting timeline as required under Treasury's OIG's Guidance OIG-CA-20-021, *Coronavirus Relief Fund Reporting and Record Retention Requirements*.

Financial Reporting Controls Issues

DC provided us with a general ledger (GL) that agreed to the total CRF proceeds of \$495,138,064 without exception, but DC could not itemize the underlying GL detail populations to the amounts reported in the GrantSolutions portal for its Contracts greater than or equal to \$50,000 and Grants greater than or equal to \$50,000 payment types. The unreconciled amounts that DC reported in the GrantSolutions portal were \$154,210,707 for the Contracts greater than or equal to \$50,000 payment type and \$103,198,232 for the Grants greater than or equal to \$50,000 payment type. Castro considered this reporting error as non-compliant with Treasury's Guidance, as there may still be uncorrected errors within this reported balance.¹⁷ As an other matter for consideration, Castro recommends Treasury OIG follow-up with DC management to obtain DC's completed reconciliation of GL details to the GrantSolutions portal amounts to ensure the unreconciled balances of \$154,210,707 and \$103,198,232 for the Contracts greater than or equal to \$50,000 and Grants greater than or equal to \$50,000 payment types, respectively, were properly supported.

Summary of Testing Results

We found that the Contracts greater than or equal to \$50,000, Grants 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 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. We found that the Aggregate Reporting less than \$50,000 payment type complied with the CARES Act and Treasury's Guidance. The transactions selected for testing were

¹⁷ Although DC was not able to complete its GL detail to GrantSolutions portal reconciliation, Castro utilized the GrantSolutions portal entries to move forward with transaction selections for desk review testing purposes.

Desk Review of the District of Columbia

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 \$5,352,768 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 \$22,129,138 identified separately from our detailed transaction testing to account for total questioned costs of \$27,481,906. 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.

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

Payment Type	Cumulative Expenditure Population Amount	Cumulative Expenditure Tested Amount	Unsupported Tested Questioned Costs	Ineligible Tested Questioned Costs	Total Tested Questioned Costs
Contracts >= \$50,000	\$ 154,210,707	\$ 21,158,069	\$ -	\$ 5,223,982	\$ 5,223,982
Grants >= \$50,000	\$ 103,198,232	\$ 110,274	\$ 63,645	\$ 35,034	\$ 98,679
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Payments >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate Reporting < \$50,000	\$ 3,438,573	\$ 5,025	\$ -	\$ -	\$ -
Aggregate Payments to Individuals (in any amount)	\$ 234,290,552	\$ 118,803,367	\$ 30,107	\$ -	\$ 30,107
Totals	\$ 495,138,064	\$ 140,076,735	\$ 93,752	\$ 5,259,016	\$ 5,352,768

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

Payment Type	(A) Unsupported Questioned Costs (Tested)	(B) Ineligible Questioned Costs (Tested)	(C) Ineligible Questioned Costs Rent Assistance Grant (Other Matters)	(D) Ineligible Questioned Costs Reconciliation Errors (Other Matters)	(E=B+C+D) Total Ineligible Questioned Costs	(F=A+E) Total Questioned Costs (Tested & Other Matters)
Contracts >= \$50,000	\$ -	\$ 5,223,982	\$ -	\$ 148,721	\$ 5,372,703	\$ 5,372,703
Grants >= \$50,000	\$ 63,645	\$ 35,034	\$ 21,202,722	\$ 777,695	\$ 22,015,451	\$ 22,079,096
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Payments >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate Reporting < \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate Payments to Individuals (in any amount)	\$ 30,107	\$ -	\$ -	\$ -	\$ -	\$ 30,107
Totals	\$ 93,752	\$ 5,259,016	\$ 21,202,722	\$ 926,416	\$ 27,388,154	\$ 27,481,906

Desk Review of the District of Columbia

Contracts Greater Than or Equal to \$50,000

We determined DC's Contracts greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. For six contracts, we tested 34 invoices totaling \$21,158,069. The contracts tested included expenditures for unemployment insurance call center intake staff augmentation during the pandemic; expenditures for DC to improve the safety of its schools during the pandemic by performing a heating, ventilation, and air conditioning retrofit project; a contract with a consulting company for analysis and strategy advisory services, where the company analyzed and advised DC on how to expend CRF funds; an emergency services grant to a non-profit organization; and a contract for comprehensive COVID-19 health care related services.

We identified exceptions related to two different contracts, which resulted in total ineligible questioned costs of \$5,372,703, of which \$5,223,982 was identified as a result of our detailed testing of transactions and \$148,721 was identified through our reconciliation procedures. See details of the ineligible questioned costs discussed below.

Additionally, we identified reporting misclassifications related to the Contracts greater than or equal to \$50,000 payment type that we determined should have been reported within the Grants greater than or equal to \$50,000 payment type in the GrantSolutions portal, which we considered to be non-compliant with Treasury's Guidance.

Contract Exception #1- Emergency Services Grant for Non-Profit Organization

We identified this transaction to be a misclassified transaction that should have been reported as a grant instead of a contract in the GrantSolutions portal. DC issued a grant award totaling \$1,653,302 to a non-profit organization. Castro tested 16 invoices related to this grant, totaling \$1,107,989. The non-profit granted a sub-award to various public charities to provide emergency surge food supplies, emergency security services, emergency operation services for extended hours for DC shelter sites, transitional housing sites, and overflow shelter sites serving DC homeless individuals.

Castro determined that the sub-recipient of the grant utilized an indirect cost rate of 10 percent to claim administrative costs in the amount of \$6,117. When Castro asked DC about the use of an indirect cost rate for administrative costs versus the actual costs incurred, they provided the sub-recipient's indirect cost calculations, which included hardcoded figures within the invoices detailing total indirect cost amounts claimed but did not include any support for the actual underlying direct payroll administrative costs incurred by the public charities. Castro considered

Desk Review of the District of Columbia

this to be ineligible because Treasury's Guidance did not permit CRF recipients to charge indirect costs to their CRF award. Castro found that DC did not ensure that its sub-recipient claimed only direct costs,¹⁸ and instead, allowed its sub-recipient to claim indirect costs.

DC 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*.¹⁹ This guidance defined indirect cost rates and set forth the 10 percent de minimis²⁰ indirect cost rate that could be used indefinitely instead of charging the actual administrative costs.

However, Treasury's Guidance²¹ states that recipients may not apply their indirect cost rates to payments received from the Fund. Therefore, by applying the indirect cost rate, DC did not comply with Treasury's Guidance, resulting in an unallowable use of CRF funding. Without direct cost support, Castro could not corroborate these expenses were necessary due to the COVID-19 pandemic. Therefore, Castro questions \$6,117 as ineligible costs.

¹⁸ 2 CFR 200.413, *Grants and Agreements, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Direct and Indirect [Facilities and Administration] F&A Costs, Direct Costs*, defines direct costs as follows. "Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs."

¹⁹ 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 percent of modified total direct costs (MTDC) which may be used indefinitely. No documentation is required to justify the 10 percent 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."

²⁰ De minimis means lacking significance or importance: so minor as to merit disregard.

²¹ Treasury's Guidance in the Federal Register Notice Volume 86, Number 10, for the CRF, *Supplemental Guidance on Use of Funds To Cover Administrative Costs*, states: "provisions of the Uniform Guidance, 2 CFR part 200, that are applicable to indirect costs do not apply. Recipients may not apply their indirect cost rates to payments received from the Fund."

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During our reconciliation procedures related to the \$1,653,302 emergency services non-profit grant discussed above, DC provided us with a GL detail listing of grantee incurred expenditures that agreed to the expenditure amounts claimed without exception. However, within the GL detail provided, Castro noted that DC's grantee claimed CRF costs using an indirect cost rate. Castro considered these amounts as ineligible because of non-compliance with the same Treasury's Guidance contemplated in the finding above. Although this was not part of our selections tested, Castro questions an additional \$148,721 of ineligible indirect costs.

Contract Exception #2 – Comprehensive COVID-19 Related Health Care Services

DC awarded a contract to a healthcare company for \$15,940,257 to provide comprehensive COVID-19 related health care services. For five invoices related to this contract totaling \$5,217,865, we reviewed invoices that agreed to the amounts claimed in the GrantSolutions portal without exception. These invoices stated that the expenditures were incurred for items such as the purchase of pharmaceuticals for inmates and comprehensive health care services for medical, mental health, pharmacy, and dental services. The invoices provided did not itemize and break out the costs between non-COVID-19 related medical billings and COVID-19 related medical billings. Additionally, DC did not provide an explanation justifying how it determined the expenditures were not accounted for in the budget most recently approved as of the date of enactment of the CARES Act or supporting documentation needed to evidence this determination. Castro received DC's justification that stated that due to the impact of COVID-19, the DC government faced a fiscal year 2020 revenue shortfall and an increase in COVID related costs. We noted that Treasury's Guidance²² explicitly states that "Funds may not be used to fill shortfalls in government revenue to cover expenditures that would not otherwise qualify under the statute." For the above reasons, Castro questions the total amount tested of \$5,217,865 as ineligible.

²² Treasury's Guidance in the Federal Register Notice Volume 86, Number 10, for the CRF, *Necessary Expenditures Incurred Due to the Public Health Emergency*, states: "Funds may not be used to fill shortfalls in government revenue to cover expenditures that would not otherwise qualify under the statute."

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Based on DC management's ability to respond to Treasury OIG's requests related to the comprehensive COVID-19 related health care services contract's ineligible costs described above, we recommend Treasury OIG request the details on the remainder of the contract balance. If DC management is unable to itemize the portion of the medical expenses that were COVID-19 related, we recommend Treasury OIG determine if the remaining contract balance was similarly ineligible and should be recouped or replaced by other eligible expenditures, not previously charged to CRF, that were incurred during the period of performance.

Grants Greater Than or Equal to \$50,000

We determined DC's Grants greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested 10 transactions under four grant awards, totaling \$110,274. The grant expenditures tested related to the issuance of rental assistance payments to landlords to avoid eviction and homelessness and small business recovery grant awards made to DC based companies who suffered an economic hardship due to the pandemic.

Castro identified exceptions related to all four grants tested, resulting in total questioned costs of \$22,079,096, which consisted of total ineligible costs of \$22,015,451 and total unsupported questioned costs of \$63,645. Of the \$22,015,451 ineligible questioned costs, we questioned \$35,034 as a result of our detailed transaction testing, \$21,202,722 for rental assistance grants identified separate from our detailed testing of transactions, and \$777,695 resulting from our reconciliation procedures identified as other matters during our desk review. See details below of these questioned costs.

We have questioned the following **cumulative expenditures** as **ineligible**:

Grant Exception #1 - Rental Assistance and Housing Stabilization Case Management Services Grant

DC claimed \$21,211,012 in grant expenditures related to DC's Department of Human Services (DHS) Family Rehousing and Stabilization Program (FRSP). Castro tested two beneficiary payment transactions incurred under this grant totaling \$8,290 that related to rental assistance payments made to landlords on behalf of low-income tenants in the DC Housing Authority's (DCHA) FRSP program. To be eligible for FRSP, DC stated that families were individually assessed to confirm that they: 1) came from homeless situations (emergency shelter) or were at imminent risk of homelessness; and 2) had income at or below the 40 percent area median income. For both beneficiary payments tested totaling \$8,290, Castro determined the transactions did not directly relate to COVID-19 and were previously budgeted prior to the start of the pandemic, as detailed below.

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We identified by reviewing the grant agreement that the U.S. Department of Housing and Urban Development (HUD), Federal Emergency Solutions Grants Program (ESG) under the "Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009 (HEARTH Act)" was cited as the primary federal funding for this program. Castro confirmed this was not a duplication of benefits with this other federal program; however, we noted the agreement made no mention of COVID-19 or the CARES Act. DC did not provide any modifications to the original grant agreement to tailor this pre-existing program to the CRF/CARES Act requirements needed to evidence that DC ensured the proper use of CRF proceeds for rental assistance payments under this program. As such, we determined that DC did not communicate any of the CARES Act requirements to the DCHA grantee. We also determined that DC did not communicate examples of non-compliance under the CARES Act to the DCHA. DC explained that it considered DCHA to be a vendor and not a grantee because DC DHS retained programmatic decision-making responsibilities over this grant program. DC also noted that "DC's DHS concurs with the determination that the Memorandum of Agreement with DCHA to provide payment management services of rents for families enrolled in the FRSP did not mention CARES Act CRF."

According to Treasury's Guidance,²³ Governments have discretion to determine how to tailor assistance programs they establish in response to the COVID-19 public health emergency but cannot make a per capita payment to residents of a particular jurisdiction without an assessment of individual need as this would not be an appropriate use of payments from the Fund. DC described its eligibility assessment process as follows: "DCHA did not make eligibility determinations for the FRSP...(emphasized) **DC's DHS considered all families in FRSP categorically impacted by the COVID-19 pandemic as detailed above.**" Castro determined that DC did not comply with Treasury's Guidance because DC made a broad eligibility assessment that all tenants in this program were categorically eligible to receive CRF funding as opposed to performing an assessment of individual need. As such, Castro determined that these transactions potentially did not directly relate to the COVID-19 pandemic.

²³ Treasury's Guidance in the Federal Register Notice Volume 86, Number 10, for the CRF, FAQ #43, states: "Governments have discretion to determine how to tailor assistance programs they establish in response to the COVID-19 public health emergency. However, such a program should be structured in such a manner as will ensure that such assistance is determined to be necessary in response to the COVID-19 public health emergency and otherwise satisfies the requirements of the CARES Act and other applicable law. For example, a per capita payment to residents of a particular jurisdiction without an assessment of individual need would not be an appropriate use of payments from the Fund."

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In our review of the \$8,290 in transactions at the rent assistance beneficiary level, Castro noted that the transactions reviewed did not include any tenant assertions or supporting documentation to corroborate that the applicant's income streams were affected by COVID-19. One of the tenant applications that Castro reviewed was signed on June 6, 2019, which occurred before the CRF covered period. Since the application was dated in 2019, it appeared this tenant was not in a shelter experiencing homelessness due to the pandemic, and instead, this appeared to be the continuation of the previous HUD funded rental assistance program. In its response to this discrepancy, DC noted that "Anyone who was enrolled in FRSP at the start of the pandemic was not exited when they reached the time-limits of 12-18 months." The tenant applications provided also did not include any evidence of homelessness or job loss due to the pandemic. Rental assistance payments were made to the same individuals and for the same dollar amount previously being paid under the program using HUD funding sources prior to the COVID-19 pandemic. As such, Castro determined these transactions did not directly relate to the COVID-19 pandemic. Castro questions \$8,290 as ineligible.

Related to our testing of the Grant mentioned above related to the DC DHS FRSP rental assistance and housing stabilization case management services grant, Castro considers the entire \$21,211,012 amount of the grant to be ineligible. After excluding \$8,290 in costs already questioned as ineligible from our tested payments described in the paragraphs above, Castro determined the remaining \$21,202,722 grant balance to be ineligible questioned costs because DC did not comply with Treasury's Guidance to perform an assessment of individual need; instead, DC made a broad eligibility assessment that all tenants in this program were categorically eligible to receive CRF funding.

Grant Exception #2 – Emergency Rental Assistance Grant

DC awarded a \$875,000 grant to a non-profit organization for expenditures related to the DC DHS Emergency Rental Assistance Program (ERAP). Castro confirmed that there was no duplication of benefits received from other federal rental assistance programs, such as Treasury's Emergency Rental Assistance Program, and the CRF expenses claimed. Castro tested two beneficiary payments totaling \$26,744 that related to a grant award to a rental tenant under the non-profit's ERAP. For both beneficiary payments tested, Castro determined that the transactions tested did not directly relate to COVID-19 and noted the grant agreement stated that the program utilized the fiscal year 2022 local budget act of 2021 as the primary funding source. The grant agreement made no mention of COVID-19 or the CARES Act, and as such, we determined that DC did not communicate any of the CARES Act requirements to its grantee and did not communicate examples of non-compliance under the CARES Act.

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For one of two beneficiary payments totaling \$14,000, Castro noted that the rental assistance application contained questions where the applicant indicated that their income had been affected by COVID-19 and how their income and expenses changed within the last 30 days. Castro noted that the applicant indicated that their reason for requiring rental assistance was because the "sister became pregnant and is in school, no longer can assist with expenses." This response related to a family member of the applicant's household, but Castro noted that the applicant remained employed with an employment income stream which remained unaffected during the pandemic. As such, Castro determined that the applicant did not provide information to demonstrate a hardship due to the COVID-19 pandemic. DC indicated that "DHS did not redesign the ERAP program or application process specifically for CARES CRF with the understanding that the ERAP application already screened for COVID hardship." DC's justification was that COVID-19 caused an economic downturn and made it difficult for low-income households to obtain sufficient job opportunities to be able to afford to make their rent payments. Additionally, Treasury's Guidance Frequently Asked Question 44 stipulated that non-profits may distribute payments to individuals in need of financial assistance such as rent relief if the financial assistance provided was related to COVID-19. Castro determined these transactions did not directly relate to the COVID-19 pandemic, and as such, Castro questions \$14,000 as ineligible.

For one of two beneficiary payments totaling \$12,744, the ERAP applicant indicated, "I am on a fixed income. My Son is unemployed." Castro received Supplemental Security Income (SSI) documentation that evidenced that the applicant and one of their household members were receiving SSI benefits in 2021 and that their SSI income was set to increase in 2022. DC's rental assistance program application guidance also stated, "applicants must provide documentation or collateral proof of household composition, income and assets, household expenses, and facts and circumstances surrounding rental arrearages." While we did receive SSI letters to evidence income and a rental ledger to evidence household expenses/delinquent rent, this information indicated that the applicant did not lose, and gained, income during the pandemic. Based on the information provided, Castro determined the grant applicant was ineligible to receive this CRF grant award because these expenses were not necessary due to the pandemic. Castro contemplated the same Treasury's Guidance as the beneficiary payment immediately preceding this to make this determination. Castro questions \$12,744 as ineligible.

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We found the DC DHS ERAP program was designed with a grant application question that asked about whether the emergency rental assistance applicant experienced a hardship due to the COVID-19 pandemic. However, for both transactions we tested, we found that the grant applications did not include valid justifications that were necessary as a result of the COVID-19 pandemic. We determined that there is a risk that there may be other claimed CRF expenses in the DC DHS ERAP program that also did not represent eligible expenses that were necessary as a result of the pandemic. After excluding \$26,744 in costs already questioned as ineligible costs within our beneficiary payment testing above from the total award amount of \$875,000, we recommend Treasury OIG review the remaining balance of \$848,256 to determine if there were other similarly ineligible expenses.

We have questioned the following **cumulative expenditures** as **unsupported**:

Grant Exception #3 - Housing Stabilization Grant Program

DC claimed \$10,337,093 in grant expenditures related to the DC Housing Finance Agency's Housing Stabilization Grant Program. DC determined that financial support was needed to cover rent arrears²⁴ during the COVID-19 public health emergency to assist low-income renters who were at risk of losing their housing, and to stabilize affordable housing properties that were heading toward distress. Castro selected two landlord beneficiary payments totaling \$832,189 – hereafter referred to as “Landlord 1” and “Landlord 2” for \$562,251 and \$269,938, respectively. Due to the high quantity of rental payments included within these balances, Castro further selected two tenants’ rent in arrears amounts from each landlord, for a total of four tenant rent arrears amounts totaling \$39,384, which we considered our transaction selection value and where we identified exceptions, as detailed below. This \$39,384 tested value consisted of two tenants’ rent in arrears amounts from Landlord 1 totaling \$18,184 and two tenants’ rent in arrears amounts for Landlord 2 totaling \$21,200.

Castro reviewed the grant agreement and noted that it required the grantee to submit a tenant attestation form filed in each resident's account. The tenant attestation form was a document where the tenant asserted the following, “I attest that due to the COVID 19 pandemic, I am unable to pay my full rent or make a full housing payment due to substantial loss of household income, loss of compensable hours of work or wages, lay-offs, or extraordinary out-of-pocket medical expenses.”

²⁴ Rent in arrears is the amount that a tenant is past due on their rent and which they owe to the landlord.

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For all four tenant level rent in arrears transactions tested totaling \$39,384, Castro requested tenant level attestations showing that the rent delinquency occurred within the covered period and that the tenants experienced a loss due to the COVID-19 pandemic. DC was unable to provide this documentation by the end of our fieldwork, and instead provided the following response, "DC previously provided the requested information on the project level. DC did not keep tenant level information." Castro determined that DC did not perform sufficient sub-recipient monitoring procedures to verify that these tenants' rent in arrears claims were necessary due to the pandemic prior to making these payments to the landlords, because DC and its grantee solely relied on what was reported by the landlords. Without the tenant level attestation, Castro could not verify that the rent delinquency occurred within the covered period or that the tenants experienced a loss due to the COVID-19 pandemic. Castro questions \$39,384 as unsupported.

Castro noted that the overall Housing Stabilization Grant Program amount reported in Grant Exception #3 was \$10,337,093. Based on the lack of support for tenant payments noted in our testing, we recommend that Treasury OIG follow-up with DC management to determine if the remaining grant balance was similarly unsupported and should be recouped or replaced by other eligible expenditures, not previously charged to CRF, that were incurred during the period of performance.

Grant Exception #4 – Small Business Recovery Grant

DC awarded a \$5,750,000 grant to a bank for the facilitation of a small business recovery grant program. The purpose of the grant was to address critical needs of DC residents and businesses during the COVID-19 public health emergency. Castro selected two beneficiary payments for testing totaling \$35,856.

For one of two beneficiary payments totaling \$24,261, the transaction related to a grant sub-award to a non-profit organization under the bank's small business recovery grant program. Castro did not receive supporting documentation needed to verify that the bank confirmed the non-profit's eligibility for the small business recovery grant. Castro reviewed the grant agreement between DC and the bank and noted that the grant agreement described the terms of non-compliance, as well as communicated the required documentation and guidelines of the grant program; however, the grantee did not comply with the terms of the agreement. The grant application instructions stated that backup documentation for revenue figures was required to be entered throughout the application, and documentation was required for the years the business had been in operation. The applicant also was required to provide the following documents; 2018 return of organization exempt from income tax, 2019 statement of activities, 2020 year to date (January-

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March) statement of activities, and other supporting documentation for potential revenue in April 2020.

Within the non-profit's grant application, the applicant provided the following additional explanation regarding how COVID-19 impacted their business, "[Non-profit's] gala on May 9, 2020 has been postponed. We expected to raise \$250,000 during this event. We are only seeing urgent care patients and we expect to lose \$310,000 in revenue from Medicaid reimbursements, including \$107,228 estimated March loss. We are also incurring costs for extra groceries for (the) community." Castro did not receive any of the grant agreement required documentation above to substantiate the figures claimed within the application or to support the details noted within the applicant's impact statement that the applicant suffered a loss due to COVID-19. Additionally, there was no explanation listed for the missing documentation and we did not receive payment support to evidence that the full award amount of \$24,261 was disbursed to the grant applicant. Castro questions \$24,261 as unsupported.

Based on the lack of support for business grants related to our testing, we recommend that Treasury OIG determine the feasibility of performing additional testing over portions of the remaining Grant Exception #4 balance, which was \$5,750,000 including Castro's transactions tested. If DC is unable to provide missing grant applicant level support to evidence that the grant program administered through the bank was paid to applicants with demonstrated COVID-19 related hardships, Treasury OIG should recoup the funds or request that DC management provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance.

As an additional matter, for Grant Exception 3 and 4 discussed above, during Castro's reconciliation procedures needed to select beneficiary payments for testing, we identified total ineligible questioned costs of \$777,695, which consisted of questioned costs of \$202,695 for Grant Exception #3 and \$575,000 for Grant Exception #4, respectively.

For Grant Exception #3, we attempted to agree the \$10,337,093 grant amount reported in the GrantSolutions portal to the sub-recipient's GL detail listing. As part of these reconciliation procedures, Castro identified GL detail amounts totaling \$10,134,398 out of \$10,337,093, resulting in a variance of \$202,695. The variance related to indirect costs claimed. This indirect administrative cost amount was calculated as two percent multiplied by the sum of the following separately claimed direct cost amounts: total sub-recipient incurred disbursements less programmatic expenses that were returned to the sub-recipient.

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For Grant Exception #4, we attempted to agree the \$5,750,000 grant amount reported in the GrantSolutions portal to the sub-recipient's GL detail listing. As part of these reconciliation procedures, Castro identified GL detail amounts totaling \$5,175,000 out of \$5,750,000, resulting in a variance of \$575,000. The variance related to indirect costs claimed. This indirect administrative cost amount was calculated as 10 percent of total direct costs incurred under the grant program.

For both Grant Exception 3 and 4, the support provided for the sub-recipient's indirect cost calculations included a hard coded figure with total amounts claimed, but did not include any support for the actual underlying direct payroll or non-payroll costs incurred by the sub-recipient. Castro determined DC and its sub-recipients claimed indirect cost rates by employing guidance from the 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*. This guidance defined indirect cost rates and set forth the 10 percent de minimis indirect cost rate that could be used indefinitely instead of charging the actual administrative costs.

Treasury's Guidance published in the Federal Register 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. Therefore, DC, by applying the indirect cost rate, did not comply with Treasury's Guidance, resulting in an unallowable use of CRF funding, and Castro questions \$777,695 as ineligible.

Aggregate Reporting Less Than \$50,000

We determined DC's Aggregate Reporting less than \$50,000 complied with the CARES Act and Treasury's Guidance. We tested one Aggregate Reporting less than \$50,000 transaction to an online retailer for \$5,025 and identified no exceptions. This transaction was for the purchase of diapers for individuals in isolation and quarantine sites. In response to the COVID-19 public health emergency, DC established remote sites for individuals in isolation and quarantine sites for DC residents with a positive COVID-19 diagnosis, or in some cases for those considered to be in close contact of a positive case, that could not safely isolate or quarantine in a private residence.

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.²⁵ Prime recipients may or may not have claimed all of these types of expenditures.

- **Public Health and Safety Payroll**²⁶ – consisted of payroll costs for public health and safety department personnel.
- **Substantially Dedicated Payroll**²⁷ – 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**²⁸ – 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.

²⁵ Coronavirus Relief Fund Guidance as published in the Federal Register (January 15, 2021) https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf

²⁶ 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."

²⁷ 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: "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."

²⁸ 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 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."

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

Aggregate Payments to Individuals Category Types ²⁹	Total Expenses Claimed
Public Health and Safety Payroll	\$ 212,438,066
Substantially Dedicated Payroll	\$ 10,339,026
Non-Payroll Expenditures ³⁰	\$ 11,513,460
Totals	\$ 234,290,552

Castro noted that public health and safety payroll transactions were subject to Treasury's administrative accommodation,³¹ 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 payroll distribution files and by performing tests over specific employee timesheet submissions or other documentation provided by the prime recipient to confirm the "substantially dedicated" conclusion with respect to its employees.

We determined that DC's Aggregate Payments to Individuals did not comply with the CARES Act and Treasury's Guidance. We tested 13 transactions totaling \$118,803,367. The Aggregate Payments to Individuals expenditures tested were related to public health and safety payroll, substantially dedicated payroll, and CRF payments to replenish DC's Unemployment Insurance Trust Fund. Castro identified no exceptions during testing of public health and safety payroll and non-payroll (Unemployment Insurance Trust Fund) expenditures. However, Castro identified unsupported questioned costs of \$30,107 related to all five substantially dedicated payroll transactions tested, as detailed below.

²⁹ Castro noted that DC did not claim non-substantially dedicated payroll for the CRF.

³⁰ The non-payroll expenditures consisted primarily of \$9,726,720 of payments made in December 2020 to replenish DC's Unemployment Insurance Trust Fund.

³¹ 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."

Aggregate Payments to Individuals Substantially Dedicated Payroll Unsupported Exceptions

For all five substantially dedicated payroll transactions tested totaling \$30,107 Castro reviewed payroll distribution reports regarding substantially dedicated employees for the DC Department of General Services. Castro made employee timesheet selections from the payroll distribution reports and requested DC to provide its "substantially dedicated" conclusion with respect to these employees,³² or timesheets to support the employees' claims as being substantially dedicated. For four of five employees tested, DC did not provide any timesheets or activity logs with descriptions of what tasks these employees were working on, how those tasks related to the COVID-19 pandemic, or how these employees were deemed substantially dedicated.

For one of five employees tested, the payroll distribution report included descriptions of tasks performed, but DC did not provide us with a timesheet needed to substantiate the hours charged. Castro did not receive any timesheets or activity logs in response to our requests, and Castro did not consider the support provided sufficient to evidence these employees were substantially dedicated to performing COVID-19 related tasks.

Castro questions all \$30,107 related to all five of the substantially dedicated payroll employees tested as unsupported costs.

Castro noted that DC reported a total of \$10,339,026 in substantially dedicated payroll costs within the Aggregate Payments to Individuals payment type in its September 30, 2022 FPR submission. Based on DC's ability to respond to Treasury OIG's follow-up requests related to the unsupported substantially dedicated employees tested related to the finding above, we recommend Treasury OIG determine the feasibility of performing testing related to the remaining substantially dedicated Aggregate Payments to Individuals payment type balance. If DC is unable to provide missing substantially dedicated payroll costs and DC's substantially dedicated conclusion with respect to its employees to evidence that these payroll claims were related to COVID-19, we recommend Treasury OIG determine if the remaining substantially dedicated Aggregate Payments to Individuals balance was similarly unsupported and are recouped or replaced by

³² Treasury's Federal Register guidance indicated: "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."

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

Unemployment Insurance Trust Fund Replenishment Analysis

DC's non-payroll expenditures consisted primarily of \$9,726,720 in payments made in December 2020 to replenish DC's Unemployment Insurance Trust Fund. The DC Department of Labor (DOL) performed an unemployment claim analysis supporting how it determined that the change in this balance (unemployment claims paid) occurred due to the COVID-19 pandemic and not due to unemployment claims that would have been paid regardless of the pandemic.

Castro obtained and inspected the bank statements/Fund Balance with Treasury statements to support key Unemployment Insurance Trust Fund balances included within DC's unemployment replenishment trend analyses and which were needed to justify the eligibility of unemployment expenditures claimed as CRF expenditures. Castro also obtained a written confirmation from the DC DOL personnel responsible for managing the Unemployment Insurance Trust Fund, which stated that DC did not claim unemployment claims for reimbursement under any other Federal program.

Castro determined this replenishment payment to be reasonable and allowable. Castro concluded that DC's CRF replenishment payment consisted of an Unemployment Insurance Trust Fund replenishment payment and not an augmentation to the Unemployment Insurance Trust Fund. Additionally, Castro determined these payments were necessary due to the COVID-19 pandemic and did not represent unemployment claims that would have been paid regardless of the pandemic.

Conclusion

We determined that the expenditures related to the Contracts greater than or equal to \$50,000, Grants 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. Also, we determined that the expenditures related to the Aggregate Reporting less than \$50,000 payment type complied with the CARES Act and Treasury's Guidance.

Additionally, we determined that DC did not comply with the reporting timeline as required under Treasury's OIG's Guidance OIG-CA-20-021, Coronavirus Relief Fund Reporting and Record Retention Requirements. Also, we identified GrantSolutions portal reporting misclassification issues related to Contracts

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greater than or equal to \$50,000 and Grants greater than or equal to \$50,000, which we considered to be non-compliant with Treasury's Guidance.

We identified unsupported and ineligible questioned costs of \$93,752 and \$27,388,154, respectively, resulting in total questioned costs of \$27,481,906.

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

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

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

- Follow-up with DC management to obtain DC's completed reconciliation of GL details to the GrantSolutions portal amounts to ensure the unreconciled balances of \$154,210,707 and \$103,198,232 for the Contracts greater than or equal to \$50,000 and Grants greater than or equal to \$50,000 payment types, respectively, were properly supported.
- Based on DC management's ability to respond to Treasury OIG's requests related to the comprehensive COVID-19 related health care services contract's ineligible costs, we recommend Treasury OIG request the details on the remainder of the contract balance. If DC management is unable to itemize the portion of the medical expenses that were COVID-19 related, we recommend Treasury OIG determine if the remaining contract balance was similarly ineligible and should be recouped or replaced by other eligible expenditures, not previously charged to CRF, that were incurred during the period of performance.
- We found the DC DHS ERAP program in Grant Exception #2 was designed with a grant application question that asked about whether the emergency rental assistance applicant experienced a hardship due to the COVID-19 pandemic. However, in both instances we tested, we found that

the grant applications did not include valid justifications that were necessary as a result of the COVID-19 pandemic. We determined that there is a risk that there may be other claimed CRF expenses in the DC DHS ERAP program that also did not represent eligible expenses that were necessary as a result of the pandemic. After excluding \$26,744 in costs already questioned as ineligible costs within our beneficiary payment testing above from the total award amount of \$875,000, we recommend Treasury OIG review the remaining balance of \$848,256 to determine if there were other similarly ineligible expenses.

- Castro noted that the overall Housing Stabilization Grant Program amount reported in Grant Exception #3 was \$10,337,093. Based on the lack of support for tenant payments noted in our testing, we recommend that Treasury OIG follow-up with DC management to determine if the remaining grant balance was similarly unsupported and should be recouped or replaced by other eligible expenditures, not previously charged to CRF, that were incurred during the period of performance.
- Based on the lack of support for business grants related to our testing, we recommend that Treasury OIG determine the feasibility of performing additional testing over portions of the remaining Grant Exception #4 balance, which was \$5,750,000 including Castro's transactions tested. If DC is unable to provide missing grant applicant level support to evidence that the grant program administered through the bank was paid to applicants with demonstrated COVID-19 related hardships, Treasury OIG should recoup the funds or request that DC management provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance.
- Castro noted that DC reported a total of \$10,339,026 in substantially dedicated payroll costs within the Aggregate Payments to Individuals payment type in its September 30, 2022 FPR submission. Based on DC's ability to respond to Treasury OIG's follow-up requests related to the unsupported substantially dedicated employees tested related to the finding above, we recommend Treasury OIG determine the feasibility of performing testing related to the remaining substantially dedicated Aggregate Payments to Individuals payment type balance. If DC is unable to provide missing substantially dedicated payroll costs and DC's substantially dedicated conclusion with respect to its employees to evidence that these payroll claims were related to COVID-19, we recommend Treasury OIG determine if the remaining substantially dedicated Aggregate Payments to Individuals balance was similarly unsupported and are recouped or replaced by other eligible expenditures, not previously charged to CRF, that were incurred during the period of performance.

Desk Review of the District of Columbia

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.³³ We appreciate the courtesies and cooperation provided to our staff during the desk review.

Sincerely,



Wayne Ference
Partner, Castro & Company, LLC

³³ <https://www.ignet.gov/sites/default/files/files/Silver%20Book%20Revision%20-%208-20-12r.pdf>