



OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

December 2, 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 Government of Guam's Use of  
Coronavirus Relief Fund Proceeds (OIG-CA-25-010)

Please find the attached desk review memorandum<sup>1</sup> on the Government of Guam's (Guam) 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 39 transactions reported in the quarterly Financial Progress Reports (FPR) and identified a combination of unsupported and ineligible questioned costs of \$3,961,769 and \$733 respectively, with total questioned costs across all payment types of \$3,962,502 (see attached schedule of monetary benefits).

Castro determined that the expenditures for Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000,<sup>2</sup> and Aggregate Payments to

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<sup>1</sup> The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) assigned the Department of the Treasury Office of Inspector General with responsibility for compliance monitoring and oversight of the receipt, disbursement, and use of Coronavirus Relief Fund (CRF) payments. The purpose of the desk review is to perform monitoring procedures of the prime recipient's receipt, disbursement, and use of CRF proceeds as reported in the grants portal on a quarterly basis.

<sup>2</sup> Recipients are required to report CRF transactions greater than or equal to \$50,000 in detail in the grants portal. Transactions less than \$50,000 can be reported as an aggregate lump-sum amount by type (contracts, grants, loans, direct payments, and transfers to other government entities).

Individuals<sup>3</sup> did not comply with the CARES Act and Treasury's Guidance. Also, Castro identified grants portal reporting misclassifications related to the Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types, which Castro considered to be noncompliant with Treasury's Guidance. Additionally, Castro determined that Guam's risk of unallowable use of funds is high.

Castro recommends that the Department of the Treasury (Treasury) Office of Inspector General (OIG) follow-up with Guam's management to confirm if the transactions noted as unsupported or ineligible expenditures within the 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 Guam management provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance. Further, based on Guam's responsiveness to Treasury OIG's requests and its ability to provide sufficient documentation and/or replace unsupported and ineligible transactions charged to the CRF with valid expenditures, Castro recommends Treasury OIG determine the feasibility of conducting an audit for the Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types.

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

At the time of fieldwork, Castro noted that Guam had findings in their Single Audit reports for fiscal years 2020 and 2021. Castro recommends that Treasury OIG follow-up with Treasury's Office of Capital Access to ensure that management decision letters are issued on the findings identified by the auditor in the Single Audit reports, which Castro has summarized below.

- Guam's fiscal year 2020 Single Audit report was published on May 29, 2021. In this Single Audit report, the auditor identified \$399,830 in CRF related questioned costs.
- Guam's fiscal year 2021 Single Audit report was published on July 13, 2022. In this Single Audit report, the auditor identified \$732,791 in unsupported CRF related questioned costs.

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<sup>3</sup> Obligations and expenditures for payments made to individuals, regardless of amount, are required to be reported in the aggregate in the grants portal to prevent inappropriate disclosure of personally identifiable information.

Castro recommends Treasury OIG follow-up with Guam to obtain a copy of its fiscal year 2022 Single Audit report as this was not available to Castro at the time of Castro's desk review planning procedures.

Castro also identified other matters throughout the course of the desk review and recommends Treasury OIG follow-up with Guam's management to 1) determine the feasibility of performing additional testing to verify if unsupported disaster relief payment errors identified were isolated errors or if it represents a systemic issue across other disaster relief payments claimed by Guam; and 2) determine the feasibility of performing additional testing on unsupported expenditures paid to hotels for quarantining to determine eligibility and reasonableness.

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 the Government of Guam's use of the CRF proceeds. Castro is responsible for the attached desk review memorandum and the conclusions expressed therein. Our review found no instances in which Castro did not comply in all material respects 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  
David Morley, Director of Data and Reporting, Office of Capital Access, Department of the Treasury  
Wayne Ference, Partner, Castro & Company, LLC  
Krystyna Ilagan, Federal Grants and Compliance Section, Department of Administration, Government of Guam  
Edward M. Birn, Director of Administration, Government of Guam

Attachment

Schedule of Monetary Benefits

According to the Code of Federal Regulations,<sup>4</sup> a questioned cost is a cost that is questioned due to a finding:

- (a) which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds;
- (b) where the costs, at the time of the review, are not supported by adequate documentation; or
- (c) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

Questioned costs are to be recorded in the Department of the Treasury's (Treasury) Joint Audit Management Enterprise System (JAMES).<sup>5</sup> The amount will also be included in the Office of Inspector General (OIG) Semiannual Report to Congress. It is Treasury management's responsibility to report to Congress on the status of the agreed to recommendations with monetary benefits in accordance with 5 USC Section 405.

<u>Recommendation</u>	<u>Questioned Costs</u>
Recommendation No. 1	\$3,962,502

The questioned cost represents amounts provided by Treasury under the Coronavirus Relief Fund. As discussed in the attached desk review, \$3,962,502 is Guam's expenditures reported in the grant-reporting portal that were ineligible or lacked supporting documentation.

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<sup>4</sup> 2 CFR § 200.84 – Questioned Cost

<sup>5</sup> JAMES is Treasury's audit recommendation tracking system.

Desk Review of the Government of Guam

December 2, 2024

OIG-CA-25-010

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

FROM: Wayne Ference  
Partner, Castro & Company, LLC

SUBJECT: Draft Desk Review of the Government of Guam

On September 7, 2023, we initiated a desk review of the Government of Guam's (Guam) use of the Coronavirus Relief Fund (CRF) authorized under Title VI of the Social Security Act, as amended by Title V, Division A of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).<sup>1</sup> The objective of our desk review was to evaluate Guam's documentation supporting its uses of CRF proceeds as reported in the GrantSolutions<sup>2</sup> portal and to assess the risk of unallowable use of funds. The scope of our desk review was limited to obligation and expenditure data for the period of March 1, 2020 through December 31, 2022,<sup>3</sup> as reported in the GrantSolutions portal.

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

- 1) reviewed Guam'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;<sup>4</sup>

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<sup>1</sup> P.L. 116-136 (March 27, 2020).

<sup>2</sup> GrantSolutions, a grant and program management Federal shared service provider under the 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.

<sup>3</sup> Guam 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 Guam's last reporting submission within the GrantSolutions portal.

<sup>4</sup> Coronavirus Relief Fund Guidance as published in the Federal Register (January 15, 2021) [https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register\\_2021-00827.pdf](https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf)

## Desk Review of the Government of Guam

- 3) reviewed Treasury Office of Inspector General's (OIG) *Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping*;<sup>5</sup>
- 4) reviewed Treasury OIG's monitoring checklists<sup>6</sup> of Guam's quarterly FPR submissions for reporting deficiencies;
- 5) reviewed other audit reports issued, such as Single Audit Act reports,<sup>7</sup> 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 Guam'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,<sup>8</sup> and Treasury OIG Office of Counsel input on issues that may pose risk or impact Guam's uses of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying Guam's GrantSolutions portal quarterly FPR submissions, as well as officials responsible for obligating and expending CRF proceeds;
- 8) made a non-statistical selection of Direct Payments, Aggregate Reporting,<sup>9</sup> and Aggregate Payments to Individuals<sup>10</sup> data identified through GrantSolutions portal reporting; and

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<sup>5</sup> Department of the Treasury Office of Inspector General *Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping* OIG-20-028R; March 2, 2021.

<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> 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.

<sup>9</sup> 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).

<sup>10</sup> 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 Government of Guam

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

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

We identified unsupported and ineligible questioned costs of \$3,961,769 and \$733 respectively, with total questioned costs of \$3,962,502. We also determined Guam's risk of unallowable use of funds is high.

Castro recommends that Treasury OIG follow-up with Guam management to confirm the transactions noted as unsupported or ineligible expenditures within the Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$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 Guam's responsiveness to Treasury OIG's requests and its ability to provide sufficient documentation, we recommend Treasury OIG determine the feasibility of conducting an audit for the 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 fieldwork, Castro noted that Guam had findings in their Single Audit reports for fiscal years 2020 and 2021 and Castro recommends that Treasury OIG follow-up with Treasury's Office of Capital Access to ensure that management decision letters are issued on the findings identified by the auditor in the Single Audit report, which we have summarized below.

- Guam's fiscal year 2020 Single Audit report was published on May 29, 2021. In this Single Audit report, the auditor identified \$399,830 in CRF related questioned costs.
- Guam's fiscal year 2021 Single Audit report was published on July 13, 2022. In this Single Audit report, the auditor identified \$732,791 in unsupported CRF related questioned costs.

Additionally, Castro noted that Guam did not provide a fiscal year 2022 Single Audit report during Castro's planning procedures and indicated that this audit was still ongoing. We recommend that Treasury OIG follow-up with Treasury's Office of Capital Access to ensure that the fiscal year 2022 single audit report is filed and management decision letters are completed.

**Non-Statistical Transaction Selection Methodology**

Treasury issued a \$117,968,258 CRF payment to Guam. As of December 31, 2022, Guam expended all of its CRF funds. Guam’s cumulative obligations and expenditures by payment type are summarized below.<sup>11</sup>

Payment Type	Cumulative Obligations	Cumulative Expenditures
Contracts >= \$50,000	\$ -	\$ -
Grants >= \$50,000	\$ -	\$ -
Loans >= \$50,000	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -
Direct Payments >= \$50,000	\$ 25,313,184	\$ 25,313,184
Aggregate Reporting < \$50,000	\$ 53,530,643	\$ 53,530,643
Aggregate Payments to Individuals (in any amount)	\$ 39,124,431	\$ 39,124,431
<b>Totals</b>	<b>\$ 117,968,258</b>	<b>\$ 117,968,258</b>

Castro made a non-statistical selection of payments in the 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 anomalies<sup>12</sup> identified by the Treasury OIG CRF monitoring team, and review of Guam’s FPR submissions. Guam did not obligate or expend CRF proceeds to Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Loans greater than or equal to \$50,000, or Transfers<sup>13</sup> greater than or equal to \$50,000; therefore, we did not make a selection of transactions from these payment types.

The number of transactions (39) we selected to test were based on Guam’s total CRF award amount and Castro’s overall risk assessment of Guam. To allocate the number of transactions (39) by payment type (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 total dollar amounts as

<sup>11</sup> Castro’s review of Guam’s underlying general ledger (GL) detail resulted in identification of reconciling reporting errors that Castro deemed to be misclassifications that did not comply with Treasury’s Guidance. Since Guam had a significant amount of expenditures that should have been reported in a different payment type as of our scope period of December 31, 2022, we subjected Guam’s reported balances from the GL to our transaction selections. See Financial Reporting Controls Issues within the Desk Review Results section below for a summary of these classification changes that Guam made.

<sup>12</sup> 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.

<sup>13</sup> 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 Government of Guam

a percentage of cumulative expenditures as of December 31, 2022. The transactions selected for testing were not selected statistically, and therefore results could not be extrapolated to the total universe of transactions.

### **Background**

The CARES Act appropriated \$150 billion to establish the CRF. Under the CRF, Treasury made payments for specified uses to States and certain local governments; the District of Columbia and U.S. Territories, including the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands; and Tribal governments (collectively referred to as “prime recipients”). Treasury issued a \$117,968,258 CRF payment to Guam. 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.<sup>14</sup>

Section 15011 of the CARES Act required each covered recipient<sup>15</sup> 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<sup>16,17</sup> received from Treasury; (2) the amount of large, covered funds received that were expended or obligated for each project or activity; (3) a detailed list of all projects or activities for which large, covered funds were expended or obligated; and (4) detailed information on any level of sub-contracts or sub-grants awarded by the covered recipient or its sub-recipients.

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<sup>14</sup> 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.

<sup>15</sup> Section 15011 of P.L. 116-136, the CARES Act, defined a covered recipient as any entity that received large, covered funds and included any State, the District of Columbia, and any territory or possession of the United States.

<sup>16</sup> Section 15010 of P.L. 116-136, the CARES Act, defined covered funds as any funds, including loans, that were made available in any form to any non-Federal entity, not including an individual, under Public Laws 116-123, 127, and 136, as well as any other law which primarily made appropriations for Coronavirus response and related activities.

<sup>17</sup> Section 15011 of P.L. 116-136, the CARES Act, defined large, covered funds as covered funds that amounted to more than \$150,000.

## Desk Review of the Government of Guam

The CARES Act assigned Treasury OIG the responsibility for compliance monitoring and oversight of the receipt, disbursement, and use of CRF proceeds. Treasury OIG also has authority to recoup funds in the event that it is determined a 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 Guam's quarterly FPRs through December 31, 2022, and found that Guam timely filed its quarterly FPRs in the GrantSolutions portal in compliance with Treasury OIG's reporting requirements for the period of June 30, 2020 through December 31, 2022.

#### Financial Reporting Control Issues

Castro identified a number of financial reporting control issues detailed below that impacted our desk review of Guam, including significant general ledger (GL) to GrantSolutions portal reconciliation errors, and many GrantSolutions portal payment type classification reporting errors that did not comply with Treasury's Guidance.

### **General Ledger to GrantSolutions Portal Reconciliation Errors**

Castro's review of Guam's underlying GL detail resulted in the identification of a significant number of reconciliation and misclassification errors that Guam made in its GL related to its CRF expenditures after closing out its GrantSolutions portal reporting as of December 31, 2022. When Castro asked Guam officials about the discrepancies, Guam told Castro that it spent far more on COVID-19 related expenditures than it claimed in its GrantSolutions portal submission, and as a result, Guam made significant offline corrections in its GL after closing out its GrantSolutions portal reporting, by replacing erroneous costs with other CRF related expenditures. This resulted in GL population values that significantly varied from the amounts originally reported within Guam's December 31, 2022 GrantSolutions portal FPR submission. See below for a summary of these classification changes made by Guam. Castro noted that these changes did not result in a change to the overall total expenditures Guam claimed in the GrantSolutions portal. Castro utilized Guam's updated Cumulative Expenditures Per GL Detail Population report as of December 31, 2022 for making our transaction selections and completing desk review fieldwork procedures.

**Summary of Payment Type Reconciliation Classification Reporting Errors**

Payment Type	Cumulative Expenditures per FPR	Cumulative Expenditures Per GL Detail Population	Total Reconciliation Misclassification Errors
Direct Payments >= \$50,000	\$ 25,313,184	\$ 23,870,645	\$ 1,442,539
Aggregate Reporting < \$50,000	\$ 53,530,643	\$ 32,870,626	\$ 20,660,017
Aggregate Payments to Individuals (in any amount)	\$ 39,124,431	\$ 61,226,987	\$ (22,102,556)
<b>Totals</b>	<b>\$ 117,968,258</b>	<b>\$ 117,968,258</b>	<b>\$ -</b>

**GrantSolutions Portal Payment Type Testing Classification Errors**

Even after Guam’s GL classification changes noted above, Castro identified an additional significant amount of classification reporting errors as a result of our testing between the GrantSolutions portal payment types that did not comply with Treasury’s Guidance. We identified misclassification testing errors that are presented in the paragraphs immediately below.

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

Castro identified the following misclassifications from our testing that we considered to be reporting errors that did not comply with Treasury’s Guidance:

- Transactions were reported in Direct Payments greater than or equal to \$50,000 that should have been reported in the GrantSolutions portal as 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.
- Guam reported its component unit agencies as the sub-recipient in the GrantSolutions portal. Since the component units were part of the prime recipient's government for GrantSolutions portal reporting purposes, Castro considered reporting expenditures in this manner the same as reporting payments to the prime recipient’s government (which was not allowed). Instead, Guam should have reported the vendor names of underlying transactions incurred by its component unit agencies.

**Aggregate Reporting Less Than \$50,000 Testing Misclassifications**

Castro identified transactions from our testing reported in Aggregate Reporting less than \$50,000 that should have been reported in the GrantSolutions portal as Direct Payments greater than or equal to \$50,000 and Aggregate Payments to Individuals.

**Aggregate Payments to Individuals Testing Misclassifications**

Castro identified transactions from our testing reported in Aggregate Payments to Individuals that should have been reported in the GrantSolutions portal as Contracts greater than or equal to \$50,000.

**Summary of Testing Results**

Castro found that the Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$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. The transactions selected for testing were not selected statistically, and therefore results could not be extrapolated to the total universe of transactions.

Within the table below, we have included a summary of unsupported and ineligible expenditures identified as questioned costs, which did not comply with the CARES Act and Treasury’s Guidance. See the Desk Review Results section below this table for a detailed discussion of questioned costs and other issues identified throughout the course of our desk review.

**Summary of Expenditures Testing and Recommended Results  
As of December 31, 2022**

Payment Type	Cumulative Expenditure GL Detail Population Amount <sup>18</sup>	Cumulative Expenditure Tested Amount	Unsupported Questioned Costs	Ineligible Questioned Costs	Total Questioned Costs
Contracts >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Grants >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Payments >= \$50,000	\$ 23,870,645	\$ 1,280,370	\$ 122,032	\$ 733	\$ 122,765
Aggregate Reporting < \$50,000	\$ 32,870,626	\$ 2,144,877	\$ 2,092,378	\$ -	\$ 2,092,378
Aggregate Payments to Individuals (in any amount)	\$ 61,226,987	\$ 4,400,956	\$ 1,747,359	\$ -	\$ 1,747,359
<b>Totals</b>	<b>\$ 117,968,258</b>	<b>\$ 7,826,203</b>	<b>\$ 3,961,769</b>	<b>\$ 733</b>	<b>\$ 3,962,502</b>

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

We determined Guam’s Direct Payments greater than or equal to \$50,000 did not comply with the CARES Act and Treasury’s Guidance. We tested 14 transactions totaling \$1,280,370 and identified two exceptions. The transactions tested included expenditures for small business assistance grants to reimburse costs of business interruption caused by required closures resulting from COVID-19; a school food program; cleaning and disinfecting supplies; personal protective equipment; janitorial services; air purifiers; and advertising expenses. We identified unsupported and ineligible questioned costs of \$122,032 and \$733 respectively, as detailed below.

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<sup>18</sup> Due to significant misclassification errors, Castro utilized Guam’s updated “Cumulative Expenditures Per GL Detail Population” to make our transaction selections. Guam utilized the GL detail as of as of December 31, 2022, but made the changes offline during Castro’s desk review. See **Financial Reporting Control Issues** section for additional discussion.

**Direct Payment Exception #1 – Small Business Assistance Grants**

Guam claimed \$17,000,000 in expenditures for payments made to the Guam Economic Development Authority for transactions that should have been reported as Grants greater than or equal to \$50,000. Guam claimed these expenditures were for a small business assistance grant to reimburse costs of business interruption caused by required closures resulting from COVID-19. Castro tested transactions totaling \$184,803 related to this grant and questioned a total of \$50,733, which consisted of unsupported questioned costs of \$50,000, and ineligible questioned costs of \$733 respectively, as described below.

For one transaction related to this grant, Castro obtained the Guam Economic Development Authority's grant application, tax documentation such as W-9s,<sup>19</sup> and Guam's calculation of the grant award amount, which we agreed to the expenditure amounts claimed within the GrantSolutions portal. Castro requested that Guam provide external disbursement support, to include electronic funds transfers and cancelled checks, or the equivalent to support the disbursements made by Guam to the small business receiving the grant, but Guam did not timely respond to Castro's requests. Without this disbursement support, Castro was unable to verify the accuracy of the expenditures made using CRF proceeds, as we were unable to confirm Guam paid the small business grant beneficiary as claimed in its CRF quarterly reports. Castro questions \$50,000 in grant payment costs as unsupported.

For an additional transaction of \$733 related to this grant, Castro reviewed the Guam Economic Development Authority's grant application, tax documentation such as W-9s, check payments made to small businesses, and Guam's calculation of the grant award amount, which we agreed to the expenditure amounts claimed within the GrantSolutions portal. To be eligible to receive this grant, Guam compared the average of the tax returns for the 12 months preceding the COVID-19 pandemic to the tax returns from April 2020. Castro noted that Guam provided a grant award to a business that reported \$0 in revenue for the seven months preceding the onset of the COVID-19 pandemic indicating that the business was not operational prior to the start of the pandemic. To verify the eligibility of these payments against Guam's eligibility requirements, Castro requested evidence that the business remained operational and eligible for the small business interruption grant during the covered period despite the absence of reported revenue for the seven months preceding the onset of the pandemic. Other than the Gross Receipts Tax Returns that verified the business reported \$0 in revenue, Guam did not provide any evidence to support the determination that

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<sup>19</sup> A W-9 is a U.S. Internal Revenue Service document utilized to obtain the tax identification number of an individual or business entity and was utilized by Guam for eligibility verification purposes.

## Desk Review of the Government of Guam

this small business grant recipient was eligible for the grant payment. Without this support, Castro was unable to verify that the interruption for this business occurred due to the COVID-19 pandemic as opposed to other factors that were present before the start of the pandemic. Castro questions \$733 in grant payment costs as ineligible due to the determination to pay a business that appeared non-operational prior to the start of the pandemic.

### **Direct Payment Exception #2 – Advertising and Graphic Design Expenditures**

Guam claimed expenditures for payments made to the Guam Waterworks Authority, listed as a sub-recipient within the GrantSolutions portal. We tested nine transactions totaling \$95,567, and Castro questioned a total of \$72,032 in costs as unsupported, as detailed below.

For four out of the nine transactions tested totaling \$8,390 related to the Guam Waterworks Authority, Castro noted that the support provided included expenses related to advertisements and graphic design, but did not contain any final advertising and creative results needed to verify whether the advertisements publicized the resumption of activities and steps taken to ensure a safe experience due to the public health emergency as required by Treasury's Guidance.

Castro reviewed invoices, which we agreed to the expenditure amounts claimed within the GrantSolutions portal. However, without these final advertising results, Castro could not verify whether the expenditures incurred were eligible and related to the COVID-19 pandemic in accordance with Treasury's Guidance.<sup>20</sup> Additionally, Guam did not provide their most recently approved budget as of March 27, 2020; therefore, Castro could not verify whether these expenditures were accounted for prior to the start of the COVID-19 pandemic. Castro questions \$8,390 as unsupported.

For one transaction tested totaling \$35,761, also related to the Guam Waterworks Authority, Guam claimed expenditures for personal protective equipment. Castro requested Guam provide invoices for the items listed in the general ledger detail to support the expenditures claimed. Guam did not provide the requested documentation to sufficiently support the \$35,761 claimed in the GrantSolutions portal, therefore Castro questions this amount as unsupported.

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<sup>20</sup> Coronavirus Relief Fund Guidance as published in the Federal Register (January 15, 2021) [https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register\\_2021-00827.pdf](https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf)  
Treasury FAQ #A.45 May recipients use Fund payments to remarket the recipient's convention facilities and tourism industry? Yes, if the costs of such remarketing satisfy the requirements of the CARES Act. Expenses incurred to publicize the resumption of activities and steps taken to ensure a safe experience may be needed due to the public health emergency.

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For one transaction tested for \$27,881 related to the Guam Waterworks Authority, Guam claimed expenditures related to utility bills charged by the Guam Waterworks Authority to other Guam departments for water and wastewater services. These charges reflected inter-governmental charges for utilities between government entities that were part of Guam's prime recipient government. Castro reviewed invoices paid on the utility statements provided and determined that the total supported expenditure amount of \$16,551 differed from the reported amount of \$27,881 claimed in the GrantSolutions portal, resulting in a variance of \$11,330.

Castro requested additional documentation to support the total amount of \$27,881 such as an agreement between Guam and the Guam Waterworks Authority. Guam indicated that there was no agreement between the Government of Guam and the Guam Waterworks Authority, and instead, that it was the discretion of the Governor as to how to spend these funds and that Guam did not require an agreement. Castro also requested documentation showing Guam's rationale in determining that these transactions were related to the COVID-19 pandemic in accordance with Treasury's Guidance, and Guam's most recently approved budget as of March 27, 2020. Guam did not provide the requested support, therefore Castro questions the full transaction amount of \$27,881 in utility payments as unsupported.

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

We determined Guam's Aggregate Reporting less than \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested 10 transactions totaling \$2,144,877. The transactions tested included expenditures by Guam agencies to absorb credit card fees for the purpose of encouraging its businesses to make online tax payments during the pandemic; payroll expenses for Guam's nursing resources command and public health and safety payroll expenses; quarantine safety payroll; non-congregate shelter relief units for social distance mandates due to COVID-19; and grants awarded under Guam's healthcare system stabilization grant program. We identified unsupported questioned costs of \$2,092,378, as detailed below.

For two transactions tested totaling \$2,040,859, Guam used CRF proceeds to reimburse its departments for amounts paid in credit card fees. Guam encouraged business taxpayers to make tax payments online instead of in person by waiving the 3.4 percent credit card fees. Castro reviewed two journal vouchers (JV) and found that these JV amounts agreed to the expenditure amounts claimed in the GrantSolutions portal. Guam personnel did not provide a listing of waived online taxpayer credit card fee payments or any underlying credit card or tax statements showing detailed credit card fee tax charges that had been waived. Without this information, Castro could not determine whether the credit card fee transactions



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were incurred before or after the covered period that began on March 1, 2020 and ended on December 31, 2021.

Castro met with Guam personnel and explained that we considered JVs alone to be insufficient expenditure support, because it lacked individual transaction detail. Guam management verbally confirmed that they would be able to provide both a population of the underlying credit card fees absorbed by the Guam agencies and disbursement support between Guam and the financial institution responsible for charging these credit card fees to the Guam business taxpayers. Castro requested a copy of the agreement between Guam and the financial institution detailing the terms of this arrangement. Guam management did not provide any additional support prior to the end of fieldwork. Therefore, Castro considered the expenditures for the credit card fees to be unsupported, and questioned \$2,040,859. In addition, Castro noted that the auditor in Guam's fiscal year 2020 Single Audit Act Report questioned \$324,812 out of the \$2,040,859 tested by Castro for the same reasons Castro questioned the amount above. The finding also repeated in Guam's fiscal year 2021 Single Audit Act Report.

For four transactions tested totaling \$14,236, Guam claimed payroll expenses for non-public health and safety personnel from the Guam Department of Chamorro Affairs, Guam Department of Parks and Recreation, Guam Election Commission, and Guam's Office of the Governor. Castro requested payroll documentation from Guam to recalculate the overtime/hazard pay amounts, however adequate support was not provided. Without this information, Castro could not determine whether the work performed was necessary due to COVID-19, and if the amounts paid out could be accurately re-calculated. Therefore, Castro questions the \$14,236 in expenditures as unsupported.

For one transaction tested for \$37,283, Guam claimed expenditures for grants awarded under Guam's healthcare system stabilization grant program to provide direct assistance to healthcare facility medical providers. This direct assistance was designed to assist the entities in offsetting financial hardship they had incurred as a result of the COVID-19 pandemic. Castro reviewed a JV summarizing hardship and check payments made to individual grant recipients, which we agreed to the expenditure amounts claimed within the GrantSolutions portal. Guam did not provide documentation necessary to verify eligibility of these payments against Guam's eligibility requirements, such as completed grant applications and other documentation reviewed by Guam to confirm eligibility of the grant applicant and of this expenditure. Therefore, Castro questions \$37,283 in costs as unsupported.

## 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.<sup>21</sup> Prime recipients may or may not have claimed all of these types of expenditures.

- **Public Health and Safety Payroll**<sup>22</sup> – consisted of payroll costs for public health and safety department personnel.
- **Substantially Dedicated Payroll**<sup>23</sup> – 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**<sup>24</sup> – 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.

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<sup>21</sup> Coronavirus Relief Fund Guidance as published in the Federal Register (January 15, 2021) [https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register\\_2021-00827.pdf](https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf)

<sup>22</sup> 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."

<sup>23</sup> 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 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."

<sup>24</sup> 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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Guam's Aggregate Payments to Individuals balance consisted of the following types of claimed costs.

Aggregate Payments to Individuals Category Types <sup>25</sup>	Total Expenses Claimed
Public Health and Safety Payroll	\$ 7,968,015
Substantially Dedicated Payroll	\$ 561,447
Non-Payroll Expenditures <sup>26</sup>	\$ 15,352,869
Misclassifications: Hotel Quarantine Expenditures	\$ 37,344,656
<b>Totals</b>	<b>\$ 61,226,987</b>

Castro noted that public health and safety payroll transactions were subject to Treasury's administrative accommodation,<sup>27</sup> and therefore, were subject to less detailed documentation requirements. Castro tested public health and safety payroll transactions by reviewing itemized payroll distribution reports to support these balances. Substantially dedicated payroll balances were not subject to this administrative accommodation, and therefore, Castro tested these transactions by reviewing the prime recipient's documentation of the "substantially dedicated" conclusion with respect to its employees and payroll distribution files, and by performing tests over specific employee timesheet submissions.

We determined Guam's Aggregate Payments to Individuals did not comply with the CARES Act and Treasury's Guidance. We tested 15 transactions totaling \$4,400,956. The transactions tested included expenditures related to Guam's Disaster Relief program, public health and safety payroll transactions, substantially dedicated payroll transactions, and hotel quarantine expenses incurred by Guam. Castro tested all public health and safety payroll transactions without exception; however, we identified unsupported expenditure questioned costs of \$1,747,359 within each of the remaining categories of Aggregate Payments to Individuals provided within Guam's GL detail. See summary of total

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<sup>25</sup> Guam did not report any non-substantially dedicated payroll within its Aggregate Payments to Individuals payment type, and so these were not included within the Aggregate Payments to Individuals Category Types.

<sup>26</sup> Guam's non-payroll expenditures consisted primarily of disaster relief hardship payments to citizens.

<sup>27</sup> Treasury's Federal Register guidance indicated 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."

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tested values per GL detail, total questioned costs, and amounts reviewed without exception within the table below.

Aggregate Payments to Individuals Exceptions by Category Type	Cumulative Tested Expenditure Amount	Total Unsupported Questioned Costs	Amount Reviewed Without Exception
Public Health & Safety Payroll	\$ 2,402,304	\$ -	\$ 2,402,304
Substantially Dedicated Payroll	\$ 47,636	\$ 4,534	\$ 43,102
Non-Payroll Expenditures: Disaster Relief Programs	\$ 3,300	\$ 3,300	\$ -
Misclassifications: Expenditures: Hotel Quarantine Expenditures	\$ 1,947,716	\$ 1,739,525	\$ 208,191
<b>Totals</b>	<b>\$ 4,400,956</b>	<b>\$ 1,747,359</b>	<b>\$ 2,653,597</b>

### **Hotel Quarantining Expenditures Incurred**

#### Background

Castro tested transactions totaling \$1,947,716, for the procurement of rooms at five different hotels to provide a safe place for people to quarantine during the COVID-19 pandemic. Castro noted that in Guam's fiscal year 2020 and 2021 Single Audit Act reports, the auditor also tested CRF hotel quarantining expenditures stating that, "there were no Guam monitoring efforts and analytics to more accurately project the required number of room reservations and to minimize costs for unoccupied rooms as experience with the pandemic progressed." Castro requested a vacancy analysis from Guam to determine the extent of any monitoring efforts that Guam may have performed over these hotel transaction balances; however, Guam personnel indicated that they did not perform a room vacancy analysis over any of these hotel transaction balances. For the below transactions tested, Castro noted that we weren't provided the overall timeframe that Guam reserved these hotels, the purchase orders provided did not contain information about any hotel specific COVID-19 requirements for reserving the rooms, or sufficient explanations for why some hotels had a very high or 100% vacancy rate. As a result, Castro noted that Guam did not provide enough information to determine whether the hotel expenses claimed were reasonable. Guam management stated that there were COVID-19 specific hotel requirements such as reserving blocks of hotel rooms to prevent cross-contamination, but we did not receive documentation to corroborate these responses. Without this information, we couldn't make a determination on the reasonableness of these expenses.

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### Hotel Quarantining Testing Results

Castro reviewed invoices for the four hotel transaction selections, which we were able to agree to expenditures claimed in the GrantSolutions portal. Castro reviewed the occupied and vacant hotel rooms on the invoices provided and noted that the vacancy percentages for each of these hotel rooms appeared to be unreasonably high, and we have included detailed calculations within the table below. Castro questions the full transaction selection amounts tested of \$337,714 as unsupported because Guam did not provide sufficient documentation for us to make a determination whether these expenses were reasonable. See detailed calculations within the table below:

#### **Hotel Vacancy Calculations**

<b>Hotel</b>	<b>A Occupied Rooms</b>	<b>B Vacant Rooms</b>	<b>C Total Rooms</b>	<b>D = (B/C) % Vacancy</b>
Hotel A	92	718	810	89%
Hotel A	150	300	450	67%
Hotel A	100	710	810	88%
Hotel B	117	332	449	74%

For two of the hotel transaction selections where Guam reserved rooms for quarantine at one hotel totaling \$164,450, Castro reviewed hotel invoices, which we were able to agree to expenditures claimed in the GrantSolutions portal. Castro reviewed the occupied and vacant hotel rooms on the invoices provided and noted that the vacancy percentages for these two hotel expenditure claims were 100 percent and 42 percent, as detailed within the table below.

#### **Hotel Vacancy Calculations**

<b>Hotel</b>	<b>A Occupied Rooms</b>	<b>B Vacant Rooms</b>	<b>C Total Rooms</b>	<b>D = (B/C) % Vacancy</b>
Hotel C	0	1,152	1,152	100%
Hotel C	1,934	1,378	3,312	42%

This resulted in what appeared to be an unusually high vacancy rate. Additionally, Guam provided only two out of four of the related invoices for these hotel transactions. With only two out of four data points, Castro could not perform a full vacancy analysis assessment. Guam personnel indicated that they did not perform a vacancy analysis over any of these hotel transaction balances and that the hotels required a certain number of rooms to be reserved to prevent cross contamination. Castro questions the full transaction tested selection amounts of \$164,450 as unsupported, because we did not receive sufficient responses to determine if the costs were reasonable.

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For three hotel transaction selections totaling \$1,001,800 where Guam reserved rooms for quarantine at two hotels, Castro reviewed invoices, which we were able to agree to expenditures claimed in the GrantSolutions portal. However, the invoices provided did not include sufficient details over the occupied and vacant rooms for Castro to determine the vacancy rate of the rooms. Castro requested a vacancy analysis from Guam to determine the extent of any monitoring efforts that Guam may have performed over these hotel transaction balances; however, Guam personnel indicated that they did not perform a vacancy analysis over any of these hotel transaction balances or provide evidence of hotel requirements to reserve blocks of rooms to prevent cross contamination. Castro questions \$1,001,800 as unsupported because we did not receive sufficient responses to determine if the costs were reasonable.

For one hotel transaction selection from Guam's general ledger detail totaling \$235,561 Guam reserved rooms for quarantine at a hotel and did not provide any documentation to support the expenditures claimed within the GrantSolutions portal. Castro questions \$235,561 in expenditures as unsupported.

### **Other Matter for Treasury OIG Consideration – Additional Potential Unsupported Hotel Quarantining Transaction Costs**

Castro identified \$37,344,657 in total hotel quarantining transactions; of this balance, we tested \$1,947,716 in hotel expenses, with a remaining \$35,396,941 in hotel expenses that we identified but which we did not subject to testing. We recommend Treasury OIG determine if the hotel transaction exceptions identified were an isolated instance or if this represented a systemic issue across other hotel payments claimed by Guam.

### **Non-Payroll Expenditures Incurred (Disaster Relief Hardships)**

Castro tested non-payroll expenditures totaling \$3,300 where Guam issued disaster relief hardship payments to its citizens. For all disaster relief hardship transactions tested, Castro reviewed a JV summarizing hardship and check payments made to individual disaster relief hardship recipients, which we agreed to the expenditure amounts claimed within the GrantSolutions portal. Guam indicated that disaster relief hardship recipients were not required to complete a hardship application, and that Guam personnel automatically awarded hardship payments to individuals who were receiving welfare assistance. To verify eligibility of these payments against Guam's eligibility requirements, Castro requested evidence that these disaster relief hardship recipients were receiving welfare. Guam provided an Executive Order detailing the eligibility requirements to receive the disaster/hardship payments, including:

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- Identifying victims of the disaster who shall be defined as those households whose gross monthly income was equal to or less than 165 percent of the federal poverty level.
- Ensured that every eligible household shall receive an amount equal to \$300 per eligible person not to exceed \$1,200.
- Provided a system of reporting, to include auditable certification, to ensure accountability.
- Allowed for application by victims until May 15, 2020.

Guam did not provide any additional evidence that these disaster relief hardship recipients were receiving welfare. Without this support, Castro was unable to verify the eligibility of the recipients. Castro questions \$3,300 in disaster relief hardship payments costs as unsupported.

### **Other Matter for Treasury OIG Consideration – Additional Potential Unsupported Non-Payroll CRF Disaster Relief Program Costs**

Castro identified 22,582 transactions totaling \$16,094,100 in CRF disaster relief program payments claimed by Guam; out of this balance, we tested \$3,300 in disaster relief hardship payments. We recommend Treasury OIG determine if the remaining \$16,090,800 in disaster relief payments that we did not subject to testing are also unsupported.

### **Payroll Expenditures Incurred**

Castro tested five substantially dedicated payroll transactions totaling \$3,664 for employees who worked within the Guam Department of Revenue and Taxation. Castro reviewed timesheets, which we were able to agree to the claimed amounts. However, Guam did not provide documentation of the substantially dedicated conclusion with respect to its employees,<sup>28</sup> any timesheet comments, activity logs or any documentation to verify that the work performed was substantially dedicated to performing COVID-19 related tasks. As Guam did not provide sufficient evidence to support these tasks as relating to COVID-19, Castro questions \$3,664 as unsupported.

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<sup>28</sup> 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."

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For one substantially dedicated payroll transaction tested, totaling \$5,946, the transaction was for an employee who worked in Guam's Office of the Governor, Castro reviewed timesheets and recalculated overtime costs by multiplying the hourly rate by 1.5 (to represent overtime pay rate) and then multiplying overtime hours claimed. Castro's recalculated overtime costs did not agree to the amounts claimed in the GrantSolutions portal and Guam did not provide sufficient documentation to support the claimed amounts. Guam claimed \$5,946, but only provided support for \$5,077. Castro questions the remaining \$870 as unsupported.

### **Conclusion**

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

We identified unsupported and ineligible questioned costs of \$3,961,769 and \$733 respectively, with total questioned costs across all payment types of \$3,962,502. Also, we identified GrantSolutions portal reporting misclassifications related to the Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types, which we considered to be noncompliant with Treasury's Guidance.

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

- Confirm if the transactions noted as unsupported or ineligible expenditures within the 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 Guam management provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance. Further, based on Guam's responsiveness to Treasury OIG's requests and its ability to provide sufficient documentation and/or replace unsupported and ineligible transactions charged to the CRF with valid expenditures, we recommend Treasury OIG determine the feasibility of conducting an audit for the 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 fieldwork, Castro noted that Guam had findings in their Single Audit reports for fiscal years 2020 and 2021. Castro recommends that Treasury OIG follow-up with Treasury's Office of Capital Access to



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ensure that management decision letters are issued on the findings identified by the auditor in the Single Audit report, which we have summarized below.

- Guam's fiscal year 2020 Single Audit report was published on May 29, 2021. In this Single Audit report, the auditor identified \$399,830 in CRF related questioned costs.
- Guam's fiscal year 2021 Single Audit report was published on July 13, 2022. In this Single Audit report, the auditor identified \$732,791 in unsupported CRF related questioned costs.
- We recommend Treasury OIG follow-up with Guam to obtain a copy of its fiscal year 2022 Single Audit report as this was not available to Castro at the time of our desk review planning procedures.

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

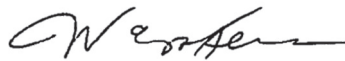
- Determine the feasibility of performing additional testing to verify if unsupported disaster relief payment errors identified were an isolated instance or if this represented a systemic issue across other disaster relief payments claimed by Guam.
- Determine the feasibility of performing additional testing on the unsupported hotel quarantining transactions to determine eligibility and reasonableness.

## Desk Review of the Government of Guam

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All work completed with this letter complies with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Federal Offices of Inspectors General*, which require that the work adheres to the professional standards of independence, due professional care, and quality assurance to ensure the accuracy of the information presented.<sup>29</sup> We appreciate the courtesies and cooperation provided to our staff during the desk review.

Sincerely,



Wayne Ference  
Partner, Castro & Company, LLC

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<sup>29</sup> <https://www.ignet.gov/sites/default/files/files/Silver%20Book%20Revision%20-%208-20-12r.pdf>