



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 12, 2024

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

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

SUBJECT: Desk Review of the State of Mississippi's Use of
Coronavirus Relief Fund Proceeds
(OIG-CA-25-015)

Please find the attached desk review memorandum¹ on the State of Mississippi's (Mississippi) 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 30 transactions reported in the quarterly Financial Progress Reports (FPR) and identified total unsupported questioned costs for Direct Payments greater than or equal to \$50,000 and Aggregate Payments to Individuals² payment types of \$1,324,066 (see attached schedule of monetary benefits).

Castro determined that the expenditures related to Contracts greater than or equal to \$50,000 and Grants greater than or equal to \$50,000 payment types complied

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

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

with the CARES Act and the Department of the Treasury's (Treasury) Guidance. Additionally, Castro found that the Aggregate Reporting less than \$50,000³ payment type complied with the CARES Act, but did not comply with Treasury Guidance. Further, Castro determined that the expenditures related to the Direct Payments greater than or equal to \$50,000 and Aggregate Payments to Individuals⁴ payment types did not comply with the CARES Act and Treasury's Guidance. Castro determined that Mississippi's risk of unallowable use of funds is moderate.

Castro recommends that Treasury Office of Inspector General (OIG) follow-up with Mississippi's management to confirm the \$1,324,066 of transactions noted as unsupported expenditures within Direct Payments greater than or equal to \$50,000 and Aggregate Payments to Individuals can be supported. If support is not provided, Treasury OIG should recoup the funds or request Mississippi management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance.

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

Castro also noted that Mississippi had findings in their Single Audit Act report for fiscal year 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 Act reports, which are summarized below.

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

⁴ Obligations and expenditures for payments made to individuals, regardless of amount, were required to be reported in the aggregate in the grant-reporting portal to prevent inappropriate disclosure of personally identifiable information.

- 1) Mississippi's fiscal year 2020 Single Audit Act report was published on July 28, 2021, and the auditor did not identify any CRF related questioned costs.
- 2) Mississippi's fiscal year 2021 Single Audit Act report was published on November 11, 2022, and the auditor determined unsupported questioned costs specific to the CRF in the amount of \$5,910,417.
- 3) Mississippi's fiscal year 2022 Single Audit Act report was published on July 31, 2022, and the auditor did not identify any CRF related questioned costs.

Castro recommends Treasury OIG follow-up on the CRF-specific questioned costs reported in the fiscal year 2021 report.

Additionally, Castro identified other matters throughout the course of the desk review that warrant Treasury OIG's attention relating to Mississippi's Unemployment Insurance Trust Fund. Castro noted potential unemployment overpayments were reported by Mississippi's State Auditors. The Mississippi Department of Employment Security asserted that the potential overpayments were estimates that were extrapolated from Single Audit Act testing associated with a prior year finding. In addition, they explained that the actual known overpayment was related to the testing of the prior year finding. Given this information, Castro was unable to determine whether the potential fraudulent claims noted by the State Auditors were reimbursed with CRF proceeds. Castro recommends Treasury OIG follow-up with Mississippi to determine the feasibility of conducting a limited scope review of its unemployment expenditures.

Mississippi management opted to forgo meeting with Treasury OIG and Castro to further discuss the report. Mississippi will collect the documentation needed to support the questioned costs and provide the support to Treasury OIG during their follow-up review in 2025.

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 Mississippi'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
Jason Quon, Division Deputy, Mississippi Department of Finance and Administration
Liz Welch, Executive Director, Mississippi Department of Finance and Administration
Reginald Welch, Fiscal Analyst, Mississippi Department of Finance and Administration
Wayne Ference, Partner, Castro & Company, LLC

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.

Recommendation

Recommendation No. 1

Questioned Costs

\$1,324,066

The questioned cost represents amounts provided by Treasury under the Coronavirus Relief Fund. As discussed in the attached desk review, \$1,324,066 is Mississippi'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 State of Mississippi

December 12, 2024

OIG-CA-25-015

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

FROM: Wayne Ference
Partner, Castro & Company, LLC

SUBJECT: Desk Review of the State of Mississippi

On April 9, 2024, we initiated a desk review of the State of Mississippi's (Mississippi) 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 Mississippi'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 Mississippi'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 Mississippi 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 Mississippi's last reporting submission within the GrantSolutions portal.

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

Desk Review of the State of Mississippi

- 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 Mississippi'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 Mississippi'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 Mississippi's use of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying Mississippi'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, Direct Payments, Aggregate Reporting,⁹ and Aggregate Payments to Individuals¹⁰ data identified through GrantSolutions portal reporting; and

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

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

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

⁸ Section 15010 of P.L. 116-136 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 State of Mississippi

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

Based on our review of Mississippi'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 and Grants greater than or equal to \$50,000 payment types complied with the CARES Act and Treasury's Guidance. Additionally, we found that the Aggregate Reporting less than \$50,000 payment type complied with the CARES Act, but did not comply with Treasury Guidance. Further, we determined that the expenditures related to the Direct Payments greater than or equal to \$50,000 and Aggregate Payments to Individuals payment types did not comply with the CARES Act and Treasury's Guidance.

We identified total unsupported questioned costs of \$1,324,066. Further, we determined that Mississippi's risk of unallowable use of funds is moderate.

Castro recommends that Treasury OIG follow-up with Mississippi's management to confirm if the \$1,324,066 noted as unsupported expenditures within the Direct Payments greater than or equal to \$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 Mississippi management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance.

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

At the time of our fieldwork, Castro noted that Mississippi had findings in their Single Audit report for fiscal year 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 we have summarized below.

- Mississippi's fiscal year 2020 Single Audit report was published on July 28, 2021, and the auditor did not identify any CRF related questioned costs.
- Mississippi's fiscal year 2021 Single Audit report was published on

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November 11, 2022, and the auditor found unsupported questioned costs specific to the CRF in the amount of \$5,910,417.

- Mississippi's fiscal year 2022 Single Audit report was published on July 31, 2023, and the auditor did not identify any CRF related questioned costs.

We recommend Treasury OIG follow-up on any CRF specific questioned costs reported in the fiscal year 2021 report.

Non-Statistical Transaction Selection Methodology

Treasury issued a \$1,250,000,000 CRF payment to Mississippi. As of September 30, 2022, Mississippi expended all its CRF funds. Mississippi's cumulative obligations and expenditures by payment type are summarized below.

Payment Type	Cumulative Obligations	Cumulative Expenditures
Contracts >= \$50,000	\$ 16,290,119	\$ 16,290,119
Grants >= \$50,000	\$ 485,560,392	\$ 485,560,392
Loans >= \$50,000	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -
Direct Payments >= \$50,000	\$ 138,359,475	\$ 138,359,475
Aggregate Reporting < \$50,000	\$ 168,436,790	\$ 168,436,790
Aggregate Payments to Individuals (in any amount)	\$ 441,353,224	\$ 441,353,224
Totals	\$ 1,250,000,000	\$ 1,250,000,000

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

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

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

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The number of transactions (30) we selected to test was based on Mississippi's total CRF award amount and Castro's overall risk assessment of Mississippi. To allocate the number transactions (30) by payment type (Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals), we compared the 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.

Additionally, Treasury OIG provided information on anomalies identified for Mississippi. We selected 17 anomalies within our original transaction selections. Treasury OIG also identified additional anomalies in the form of potential duplicate transactions which had not already been included within our transaction selections, from which we selected three potential duplicates. We performed limited testing on these three potential duplicate payments. We identified exceptions within our testing of potential duplicate transactions. See **Direct Payments – Mississippi Emergency Management Agency's Duplicated Costs in the GrantSolutions Portal** section below for further discussion.

Background

The CARES Act appropriated \$150 billion to establish the CRF. Under the CRF, Treasury made payments for specified uses to States and certain local governments; the District of Columbia and U.S. Territories, including the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands; and Tribal governments (collectively referred to as "prime recipients"). Treasury issued a \$1,250,000,000 CRF payment to Mississippi. 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

Desk Review of the State of Mississippi

(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)).

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.

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Desk Review Results

Financial Progress Reports

We reviewed Mississippi's quarterly FPRs through September 30, 2022, and found that Mississippi timely filed quarterly FPRs in the GrantSolutions portal in compliance with Treasury OIG's reporting requirements for the periods ending June 30, 2020 through September 30, 2022.

Population Reconciling and Financial Reporting Control Issues

Castro's review of Mississippi's GrantSolutions portal reported expenditures as of September 30, 2022 as compared to the underlying general ledger (GL) details, resulted in the identification of reconciling reporting errors. Castro determined that Mississippi did not have effective controls over its procedures to reconcile its GrantSolutions reported amounts to its GL population. Mississippi's management confirmed they did not make current quarter adjustments to reconcile payment types. In addition, Mississippi obtained financial data from multiple departments and agencies and due to time constraints, they were unable to complete the reconciliation. We identified the following reconciliation errors:

Payment Type	Cumulative Expenditures per FPR	Cumulative Expenditures Per GL Detail Population	Difference
Contracts >= \$50,000	\$ 16,290,119	\$ 23,739,785	\$ 7,449,666
Grants >= \$50,000	\$ 485,560,392	\$ 491,869,889	\$ 6,309,497
Loans >= \$50,000	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -	\$ -
Direct Payments >= \$50,000	\$ 138,359,475	\$ 137,352,662	\$ (1,006,813)
Aggregate Reporting < \$50,000	\$ 168,436,790	\$ 171,665,040	\$ 3,228,250
Aggregate Payments to Individuals (in any amounts)	\$ 441,353,224	\$ 425,372,624	\$ (15,980,600)
Totals	\$ 1,250,000,000	\$ 1,250,000,000	\$ -

Castro noted that these classification errors between the GrantSolutions portal reported expenditures by payment types in comparison to the GL detail populations did not result in a change to the total expenditures claimed. However, we considered these reporting errors to be non-compliant with Treasury's Guidance. Castro made transaction selections for testing using a combination of FPR and GL detail.

Desk Review of the State of Mississippi

Summary of Testing Results

We found that the Contracts greater than or equal to \$50,000 and Grants greater than or equal to \$50,000 payment types complied with the CARES Act and Treasury's Guidance. Additionally, we found that Aggregate Reporting less than \$50,000 complied with the CARES Act, but did not comply with Treasury Guidance. Further, we found that the Direct Payments greater than or equal to \$50,000 and Aggregate Payments to Individuals payment types did not comply with the CARES Act and Treasury's Guidance because we were unable to determine if all tested expenditures were necessary due to the COVID-19 public health emergency, were not accounted for in the budget most recently approved as of March 27, 2020, and were incurred during the covered period. The transactions selected for testing were not selected statistically, and therefore results could not be extrapolated to the total universe of transactions.

Within Table 1 below, we have included a summary of \$4,066 in unsupported 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 \$1,320,000 identified separately from our detailed transaction testing to account for total questioned costs of \$1,324,066. See the Desk Review Results section below Table 2 for a detailed discussion of questioned costs and other issues identified throughout the course of our desk review.

Desk Review of the State of Mississippi

**Table 1 - Summary of Expenditures Testing and Recommended Results
As of September 30, 2022¹⁷**

Payment Type	Cumulative Expenditure GL Population Amount	Cumulative Expenditure Tested Amount	Unsupported Tested Questioned Costs	Ineligible Tested Questioned Costs	Total Tested Questioned Costs
Contracts >= \$50,000	\$ 23,739,785	\$ 1,700,734	\$ -	\$ -	\$ -
Grants >= \$50,000	\$ 491,869,889	\$ 32,699,175	\$ -	\$ -	\$ -
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Payments >= \$50,000	\$ 137,352,662	\$ 12,624,382	\$ -	\$ -	\$ -
Aggregate Reporting < \$50,000	\$ 171,665,040	\$ 122,874	\$ -	\$ -	\$ -
Aggregate Payments to Individuals (in any amount)	\$ 425,372,624	\$ 207,537,373	\$ 4,066	\$ -	\$ 4,066
Totals	\$ 1,250,000,000	\$ 254,684,538	\$ 4,066	\$ -	\$ 4,066

¹⁷ Castro identified reporting misclassifications between all payment types when comparing Mississippi's GrantSolutions portal data to the GL details as of September 30, 2022. We considered this a reporting error that did not comply with Treasury's Guidance. We presented the corrected GL population amount above to demonstrate the costs charged to Mississippi's GL per payment type. Our transaction selections were made as of September 30, 2022, using a combination of FPR and GL details. See Desk Review Results Section - Population Reconciling and Financial Reporting Control Issues above for more information.

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**Table 2 – Summary of Expenditures Testing and Other Matters and Recommended Results
As of September 30, 2022**

Payment Type	(A) Unsupported Questioned Costs (Tested)	(B) Unsupported Questioned Costs (Other Matters)	(C=A+B) Total Unsupported Questioned Costs	(D) Ineligible Questioned Costs (Tested)	(E) Ineligible Questioned Costs (Other Matters)	(F=D+E) Total Ineligible Questioned Costs	(G=C+F) Total Questioned Costs
Contracts >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Payments >= \$50,000	\$ -	\$ 1,320,000	\$ 1,320,000	\$ -	\$ -	\$ -	\$ 1,320,000
Aggregate Reporting < \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate Payments to Individuals (in any amount)	\$ 4,066	\$ -	\$ 4,066	\$ -	\$ -	\$ -	\$ 4,066
Totals	\$ 4,066	\$ 1,320,000	\$ 1,324,066	\$ -	\$ -	\$ -	\$ 1,324,066

Desk Review of the State of Mississippi

Contracts Greater Than or Equal to \$50,000

We determined Mississippi's Contracts greater than or equal to \$50,000 complied with the CARES Act and Treasury's Guidance. We tested three contracts totaling \$1,700,734 and identified no exceptions. The contracts tested included expenditures for the implementation of an Artificial Intelligence Camera Surveillance System to track social contact and reduce in-person contact to limit the spread of COVID-19 within a prison facility; contract consulting services to administer the Back to Business Mississippi Grant Program (a program designed to provide grants to eligible small businesses that suffered an interruption to their regular business operations due to COVID-19); and construction costs for the expansion of a parking lot for the Mississippi Emergency Management Agency State Emergency Logistical Operations Center to facilitate distribution of personal protective equipment.

Grants Greater Than or Equal to \$50,000

We determined Mississippi's Grants greater than or equal to \$50,000 complied with the CARES Act and Treasury's Guidance. We tested transaction expenditures totaling \$32,699,175 for 12 grants and identified no exceptions. The grants tested included expenditures related to reimbursements for the public-school education system and students; training programs for displaced employees due to the pandemic; broadband expansion for increased telework capabilities; reimbursement to medical facilities for payroll and non-payroll expenses; and public health expenses for city facilities.

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

We determined Mississippi's Direct Payments greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested transaction expenditures totaling \$12,624,382 for four direct payments and identified no testing exceptions. The direct payments tested included expenditures related to upgrades for the Mississippi Wireless Information Network related to communication needs due to the COVID-19 pandemic; purchase of masks; COVID-19 project related payroll costs for a County; and enhancements to strengthen facility capabilities for medical centers to receive COVID-19 patients.

We identified one transaction that was considered misclassified under Direct Payments greater than or equal to \$50,000 instead of Aggregate Payments to Individuals in the GrantSolutions portal, resulting in non-compliance with Treasury's Guidance. We reviewed the supporting documentation and determined the payroll related costs were eligible and did not result in any questioned costs.

Desk Review of the State of Mississippi

We also reviewed three additional direct payment transactions identified as potential duplicate payments by Treasury OIG totaling \$3,960,000. We identified other matter unsupported questioned costs of \$1,320,000 related to one of these transactions, as detailed below.

Mississippi Emergency Management Agency's Duplicated Costs in the GrantSolutions Portal

The Mississippi Emergency Management Agency purchased 400,000 units of masks from a third-party vendor totaling \$1,320,000. We determined Mississippi erroneously duplicated a previous expenditure claimed in the GrantSolutions portal as of September 30, 2022, resulting in other matter unsupported questioned costs of \$1,320,000. Based on the supporting documentation provided, Mississippi reversed out the initial purchase of the masks for the amount of \$1,320,000 in the GL but failed to adjust the expenditures to decrease the amount claimed in the GrantSolutions portal by \$1,320,000, resulting in an overstatement of Direct Payments greater than or equal to \$50,000.

Aggregate Reporting Less Than \$50,000

We determined Mississippi's Aggregate Reporting less than \$50,000 complied with the CARES Act, but not Treasury's Guidance. We tested three transactions totaling \$122,874 and identified no exceptions. The transactions tested included professional services for emergency management technical assistance to Mississippi Emergency Management Agency personnel with the COVID-19 response efforts; financial assistance provided to commodity producers for losses incurred during the COVID-19 pandemic; and one-time, individual hazard duty payments to agency-identified sworn law enforcement officers that performed hazardous duty work in December 2021 during the COVID-19 pandemic covered period.

We identified one transaction that was considered misclassified under Aggregate Direct Payments less than \$50,000 instead of Aggregate Payments to Individuals in the GrantSolutions portal, resulting in non-compliance with Treasury's Guidance. We reviewed the supporting documentation and determined the payroll related costs were eligible and did not result in any questioned costs.

Desk Review of the State of Mississippi

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.¹⁸ Prime recipients may or may not have claimed all these types of expenditures.

- **Public Health and Safety Payroll**¹⁹ – consisted of payroll costs for public health and safety department personnel.
- **Substantially Dedicated Payroll**²⁰ – 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**²¹ – consisted of payroll costs for personnel who performed COVID-19 related tasks on a part-time basis.
- **Non-Payroll Expenditures** – consisted of financial assistance payments to citizens due to hardship or loss of income, unemployment claims, and other non-payroll related expenditures made to individuals.

¹⁸ 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

¹⁹ 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."

²⁰ Substantially dedicated payroll costs meant that personnel must have dedicated over 50 percent of their time to responding or mitigating COVID-19. Treasury's Federal Register guidance stated: "The full amount of payroll and benefits expenses of substantially dedicated employees may be covered using payments from the Fund. Treasury has not developed a precise definition of what "substantially dedicated" means given that there is not a precise way to define this term across different employment types. The relevant unit of government should maintain documentation of the "substantially dedicated" conclusion with respect to its employees."

²¹ Payroll costs that were not substantially dedicated were payroll costs that were not for 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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The Mississippi Aggregate Payments to Individuals balance consisted of payroll and other transactions from the following types of claimed costs.

Aggregate Payments to Individuals Category Types ²²	Total Expenses Claimed
Public Health and Safety Payroll	\$ 9,562,310
Substantially Dedicated Payroll	\$ 123,393
Non-Substantially Dedicated Payroll	\$ 1,132,446
Non-Payroll Expenditures ²³	\$ 414,554,475
Totals	\$ 425,372,624

Castro noted that public health and safety payroll transactions were subject to Treasury’s administrative accommodation,²⁴ 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. Non-Payroll expenditure balances were also not subject to this administrative accommodation, and therefore, Castro tested these transactions by reviewing the program requirements, and requested specific supporting documentation to determine eligibility and allowable use.

²² We obtained and reviewed Mississippi’s prepared Aggregate Payments to Individuals Analysis that totaled \$425,372,624. We confirmed the total amount reconciled to the GL level details. See Population Reconciling and Financial Reporting Control Issues above.

²³ As demonstrated in the table above, Mississippi expended approximately 97 percent of their Aggregate Payments to Individuals CRF proceeds within Non-Payroll Expenditures. Of the \$414.6 million reported, \$392.4 million was used for unemployment-related expenditures. Refer to the Unemployment Replenishment Analysis section below.

²⁴ Treasury’s Federal Register guidance stated the following regarding an administrative accommodation: “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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We determined Mississippi's Aggregate Payments to Individuals did not comply with the CARES Act and Treasury's Guidance. We tested expenditures totaling \$207,537,373 for eight Aggregate Payments to Individuals transactions. We tested transactions related to unemployment insurance expenditures, public health and safety payroll, substantially dedicated and non-substantially dedicated payroll, and reimbursement costs to a corrections facility for social distancing and sanitation measures. We identified exceptions related to one transaction, resulting in unsupported questioned costs of \$4,066, as detailed below.

Additionally, we identified a reporting misclassification that was non-compliant with Treasury's Guidance under the payment type Aggregate Payments to Individuals, where we determined that Mississippi should have correctly reported these costs under the Aggregate Reporting less than \$50,000 payment type.

Aggregate Payments to Individuals Exception – Alcorn County Corrections Facility Non-Payroll Costs

The Mississippi Department of Corrections (MDOC) claimed, and we tested \$48,523 in CRF proceeds for Regional Correctional Facilities as part of their mitigation efforts in response to the COVID-19 pandemic. For this specific transaction, Alcorn County Regional Correctional Facility was reimbursed for social distancing and sanitation measures expenditures.

We inspected Alcorn County's reimbursement request, which consisted of invoices, purchase orders, and payment vouchers, and determined they were necessary in response to the COVID-19 pandemic. However, one transaction purchase for a medical cart for \$4,066 was submitted with the reimbursement request, but Mississippi confirmed the medical cart was not received and no remittance was made by Alcorn. Mississippi personnel stated, "...MDOC does not have payment support for the medical cart. Per Alcorn County, the medical cart order was cancelled and was never received."

Based on this response, we determined the claimed expenditures did not comply with the CARES Act and Treasury's Guidance resulting in unsupported questioned costs of \$4,066. Additionally, we identified a reporting misclassification that was non-compliant with Treasury's Guidance under payment type Aggregate Payments to Individuals, where we determined that Mississippi should have correctly reported these costs under the Aggregate Reporting less than \$50,000 payment type.

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Non-Payroll Expenditures: Unemployment Replenishment Analysis

The Unemployment Insurance (UI) Trust Fund²⁵ is a reserve funded by state taxes, primarily on employers, and used only to pay state unemployment benefits. The balance in the reserve fund can decline during a prolonged period of high unemployment, such as the COVID-19 pandemic. The fund's activity is demonstrated by inflows and outflows of the account based on contributions from state taxes or employers and reduced by issuance of unemployment benefit claims. Due to the COVID-19 pandemic, Mississippi experienced significant increases in unemployment claims, which decreased the reserve fund balance and increased the risk of insolvency.

Mississippi experienced a significant decline in the UI Trust Fund balance from February 29, 2020 through July 31, 2020, of \$362,006,348. Upon inspection of Mississippi's unemployment claims analysis, which summarized the inflows and outflows of the UI Trust Fund balance during the covered period, Castro noted Mississippi management was able to track paid unemployment claims that were specific to COVID-19, which totaled \$526,363,300. Mississippi used CRF proceeds in the amount of \$392,351,450 to replenish the UI Trust Fund balance. The increase in unemployment benefits claimed directly impacted Mississippi's UI Trust Fund balance, which increased the risk of potential insolvency. Castro also obtained a written confirmation from the Mississippi personnel responsible for managing the UI Trust Fund, which stated that Mississippi utilized other federal funding sources to reimburse unemployment related expenditures; however, Castro accounted for those in our analysis and noted that Mississippi's UI Trust Fund balance decreased by more than the amount of other federal funding sources used.

Castro concluded Mississippi's CRF payment to the Mississippi UI Trust Fund was a replenishment payment and not an augmentation to the UI 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.

Mississippi claimed \$392,351,450 in expenditures for unemployment claims and benefits payments managed by the Mississippi Department of Employment Security issued to residents who were unemployed during the COVID-19

²⁵ The UI Trust Fund finances the costs of administering unemployment insurance programs, federal loans made to state unemployment insurance funds, and extended benefits during periods of high unemployment. As it pertains to the COVID-19 pandemic, Mississippi replenished the UI Trust Fund balance with CRF proceeds for eligible claimants receiving unemployment benefit payments.

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pandemic. We tested two transactions claimed within the Aggregate Payments to Individuals payment type totaling \$206,782,674 without any exceptions noted.

As mentioned in the Unemployment Replenishment Analysis above, we noted Mississippi had more eligible unemployment claim expenditures than reimbursed with CRF proceeds; however, we identified potential unemployment overpayments of \$474 million reported by Mississippi's State Auditors. We obtained and reviewed the Mississippi State Auditor's report entitled, "Historic Unemployment Fraud" dated September 2023, where the State Auditor estimated at least \$590 million of federal funds for unemployment related expenditures were misspent between fiscal years 2020 and 2021. The Mississippi Department of Employment Security asserted the potential overpayments were estimates that were extrapolated from single audit testing associated with a prior year finding. In addition, they explained the actual known overpayment was related to the testing of the prior year finding totaling \$62,434,776. Given this information, we were unable to determine whether any of the potential overpayments noted by the State Auditors were reimbursed with CRF proceeds. As a result, we recommend Treasury OIG follow-up with Mississippi to determine the feasibility of conducting a limited scope review of unemployment expenditures.

Conclusion

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

We identified total unsupported questioned costs of \$1,324,066. Also, we identified GrantSolutions portal reporting misclassification issues which were non-compliant with Treasury's Guidance. Additionally, Mississippi's risk of unallowable use of funds is **moderate**.

Castro recommends that Treasury OIG follow-up with Mississippi's management to confirm if the \$1,324,066 noted as unsupported expenditures within the Direct Payments greater than or equal to \$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 Mississippi management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance.

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

At the time of our fieldwork, Castro noted that Mississippi had findings in their Single Audit report for fiscal year 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 we have summarized below.

- Mississippi's fiscal year 2020 Single Audit report was published on July 28, 2021, and the auditor did not identify any CRF related questioned costs.
- Mississippi's fiscal year 2021 Single Audit report was published on November 11, 2022, and the auditor found unsupported questioned costs specific to the CRF in the amount of \$5,910,417.
- Mississippi's fiscal year 2022 Single Audit report was published on July 31, 2022, and the auditor did not identify any CRF related questioned costs.

We recommend Treasury OIG follow-up on any CRF specific questioned costs reported in the fiscal year 2021 report.

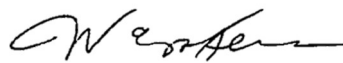
Castro also identified the following other matter throughout the course of our desk review, which warrants a recommendation to Treasury OIG for additional action:

- As mentioned in the Unemployment Insurance Trust Fund Replenishment Analysis, we noted potential unemployment overpayments related to fraud reported by Mississippi's State Auditors. The Mississippi Department of Employment Security asserted the potential overpayments were estimates that were extrapolated from single audit testing associated with a prior year finding. In addition, they explained that the actual known overpayment was related to the testing of the prior year finding. Given this information, we were unable to determine whether the potential fraudulent claims noted by the State Auditors were reimbursed with CRF proceeds. As a result, we recommend Treasury OIG follow-up with Mississippi to determine the feasibility of conducting a limited scope review of its unemployment expenditures.

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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.²⁶ We appreciate the courtesies and cooperation provided to our staff during the desk review.

Sincerely,



Wayne Ference
Partner, Castro & Company, LLC

²⁶ <https://www.ignet.gov/sites/default/files/files/Silver%20Book%20Revision%20-%208-20-12r.pdf>