



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 18, 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 New Hampshire's Use of
Coronavirus Relief Fund Proceeds (OIG-CA-25-021)

Please find the attached desk review memorandum¹ on the State of New Hampshire's (New Hampshire) 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 a combination of unsupported and ineligible questioned costs of \$14,027,288 and \$2,397,551, respectively, resulting in total questioned costs of \$16,424,839 (see attached schedule of monetary benefits).

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

Castro determined that the expenditures related to the Transfers greater than or equal to \$50,000,² Aggregate Reporting less than \$50,000,³ and Aggregate Payments to Individuals⁴ payment types complied with the CARES Act and the Department of the Treasury's (Treasury) Guidance. Also, we determined that the expenditures related to the Contracts greater than or equal to \$50,000 payment type complied with the CARES Act but did not comply with Treasury's Guidance. In addition, we determined that the expenditures related to the Grants greater than or equal to \$50,000 and Direct Payments greater than or equal to \$50,000 payment types did not comply with the CARES Act and Treasury's Guidance. Additionally, Castro determined that New Hampshire's risk of unallowable use of funds is moderate.

Castro recommends that Treasury Office of Inspector General (OIG) follow-up with New Hampshire's management to confirm if the \$14,027,288 noted as unsupported expenditures within the Direct Payments greater than or equal to \$50,000 payment type can be supported. If support is not provided, Treasury OIG should recoup the funds or request New Hampshire management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance.

In addition, Castro recommends that Treasury OIG request New Hampshire management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance for the \$2,397,551 of ineligible costs charged to the Grants greater than or equal to \$50,000 payment type. If support is not provided, Treasury OIG should recoup the funds.

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

² A transfer to another government entity is a disbursement or payment to a government entity that is legally distinct from the prime recipient.

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.

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

- Follow-up with New Hampshire management and request that they perform an analysis over all of their grant-reporting portal balances to determine if there were other instances of subscription costs, separate from those identified by Castro, included in the CRF reported expenditures and review those expenditures to determine if the subscription costs extended past September 30, 2022.
- Determine the feasibility of performing additional follow-up with New Hampshire to determine if there were other instances, separate from those identified by Castro, of unsupported balances within the Direct Payments greater than or equal to \$50,000 grant programs (Emergency Healthcare System Relief Fund, Non-Profit Emergency Relief Fund, Self Employed Livelihood Fund, and COVID-19 Business Expense Relief) for pandemic- related revenue loss and defrayed operating costs.

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

In connection with our contract with Castro, we reviewed Castro's desk review memorandum and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with generally accepted government auditing standards, was not intended to enable us to express an opinion on New Hampshire'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 the *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.

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cc: Michelle A. Dickerman, Deputy Assistant General Counsel, Department of the Treasury
Danielle Christensen, Deputy Chief Program Officer, Office of Capital Access, Department of the Treasury
Wayne Ference, Partner, Castro & Company, LLC
Steven Giovinelli, Federal Financial Reporting Administrator/Finance Director, State of New Hampshire

Attachment

Schedule of Monetary Benefits

According to the Code of Federal Regulations,⁵ a questioned cost is a cost that is questioned due to a finding:

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

Questioned costs are to be recorded in the Department of the Treasury's (Treasury) Joint Audit Management Enterprise System (JAMES).⁶ The amount will also be included in the Office of Inspector General (OIG) Semiannual Report to Congress. It is Treasury management's responsibility to report to Congress on the status of the agreed to recommendations with monetary benefits in accordance with 5 USC Section 405.

<u>Recommendation</u>	<u>Questioned Costs</u>
Recommendation No. 1	\$16,424,839

The questioned cost represents amounts provided by Treasury under the Coronavirus Relief Fund. As discussed in the attached desk review, \$16,424,839 is New Hampshire'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 New Hampshire

December 18, 2024

OIG-CA-25-021

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

FROM: Wayne Ference
Partner, Castro & Company, LLC

SUBJECT: Desk Review of the State of New Hampshire

On April 16, 2024, we initiated a desk review of the State of New Hampshire's (New Hampshire) 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 New Hampshire'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, 2023,³ as reported in the GrantSolutions portal.

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

- 1) reviewed New Hampshire's quarterly Financial Progress Reports (FPRs) submitted in the GrantSolutions portal through September 30, 2023;
- 2) reviewed the *Department of the Treasury's (Treasury) Coronavirus Relief Fund Guidance* as published in the Federal Register on January 15, 2021;⁴

¹ P.L. 116-136 (March 27, 2020).

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

³ New Hampshire fully expended their total CRF proceeds as of September 30, 2023. Castro set the scope end date to September 30, 2023, which was the date of New Hampshire'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 New Hampshire

- 3) reviewed Treasury's Office of Inspector General (OIG) *Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping*;⁵
- 4) reviewed Treasury OIG's monitoring checklists⁶ of New Hampshire'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 New Hampshire'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 New Hampshire's uses of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying New Hampshire's GrantSolutions portal quarterly FPR submissions, as well as officials responsible for obligating and expending CRF proceeds;

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

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

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

⁸ Section 15010 of P.L. 116-136, the CARES Act, established the Pandemic Response Accountability Committee within the Council of the Inspectors General on Integrity and Efficiency to promote transparency and conduct and support oversight of covered funds (See Footnote 15 for a definition of covered funds) and the coronavirus response to (1) prevent and detect fraud, waste, abuse, and mismanagement; and (2) mitigate major risks that cut across program and agency boundaries.

Desk Review of the State of New Hampshire

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

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

We identified unsupported and ineligible questioned costs of \$14,027,288, and \$2,397,551, respectively, with total questioned costs of \$16,424,839. We also determined New Hampshire's risk of unallowable use of funds is moderate.

Castro recommends that Treasury OIG follow-up with New Hampshire's management to confirm if the \$14,027,288 noted as unsupported expenditures within the Direct Payments greater than or equal to \$50,000 payment type can be supported. If support is not provided, Treasury OIG should recoup the funds or request New Hampshire management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance.

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

¹⁰ Prime recipients were required to report CRF transactions greater than or equal to \$50,000 in detail in the GrantSolutions portal. Transactions less than \$50,000 could be reported as an aggregate lump-sum amount by type (contracts, grants, loans, direct payments, and transfers to other government entities).

¹¹ Obligations and expenditures for payments made to individuals, regardless of amount, were required to be reported in the aggregate in the GrantSolutions portal to prevent inappropriate disclosure of personally identifiable information.

Desk Review of the State of New Hampshire

In addition, Castro recommends that Treasury OIG request New Hampshire management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance for the \$2,397,551 of ineligible costs charged to the Grants greater than or equal to \$50,000 payment type. If support is not provided, Treasury OIG should recoup the funds.

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

Non-Statistical Transaction Selection Methodology

Treasury issued a \$1,250,000,000 CRF payment to New Hampshire. As of September 30, 2023, New Hampshire's cumulative obligations and expenditures were both \$1,249,214,018. New Hampshire returned a total of \$785,982 in CRF proceeds to Treasury. New Hampshire's cumulative obligations and expenditures by payment type are summarized below.

Payment Type	Cumulative Obligations	Cumulative Expenditures
Contracts >= \$50,000	\$ 126,657,177	\$ 126,657,177
Grants >= \$50,000	\$ 171,220,337	\$ 171,220,337
Loans >= \$50,000	\$ -	\$ -
Transfers >= \$50,000	\$ 122,523,320	\$ 122,523,320
Direct Payments >= \$50,000	\$ 687,484,566	\$ 687,484,566
Aggregate Reporting < \$50,000	\$ 123,264,170	\$ 123,264,170
Aggregate Payments to Individuals (in any amount)	\$ 18,064,448	\$ 18,064,448
Totals	\$ 1,249,214,018	\$ 1,249,214,018

Castro made a non-statistical selection of Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types. Selections were made using auditor judgment based on information and risks identified in reviewing audit reports, the GrantSolutions portal reporting

Desk Review of the State of New Hampshire

anomalies¹² identified by the Treasury OIG CRF monitoring team, and review of New Hampshire's FPR submissions.

The number of transactions (30) we selected to test was based on New Hampshire's total CRF award amount and our overall risk assessment of New Hampshire. To allocate the number of transactions (30) by payment type (Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals), we compared the payment type dollar amounts as a percentage of cumulative expenditures as of September 30, 2023. 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 \$1,250,000,000 CRF payment to New Hampshire. The CARES Act stipulates that a prime recipient may only use the funds to cover costs that—

- (1) were necessary expenditures incurred due to the public health emergency with respect to the coronavirus disease 2019 (COVID-19);
- (2) were not accounted for in the budget most recently approved as of March 27, 2020; and
- (3) were incurred during the covered period between March 1, 2020 and December 31, 2021.¹³

¹² Treasury OIG had a pre-defined list of risk indicators that were triggered based on data submitted by prime recipients in the FPR submissions that met certain criteria. Castro reviewed these results provided by Treasury OIG for the prime recipient.

¹³ 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.

Desk Review of the State of New Hampshire

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 that it is determined a recipient failed to comply with requirements of subsection 601(d) of the Social Security Act, as amended, (42 U.S.C. 801(d)).

Desk Review Results

Financial Progress Reports

We reviewed New Hampshire's quarterly FPRs through September 30, 2023, and found that New Hampshire completed quarterly FPRs for the reporting periods ending June 30, 2020 through September 30, 2023, except New Hampshire failed to submit a quarterly FPR in the GrantSolutions portal for the reporting period ending June 30, 2023, resulting in non-compliance with Treasury OIG's reporting requirements for that reporting period.

Summary of Testing Results

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

¹⁴ Section 15011 of P.L. 116-136, the CARES Act, defined a covered recipient as any entity that received large, covered funds and included any State, the District of Columbia, and any territory or possession of the United States.

¹⁵ Section 15010 of P.L. 116-136, the CARES Act, defined covered funds as any funds, including loans, that were made available in any form to any non-Federal entity, not including an individual, under Public Laws 116-123, 127, and 136, as well as any other law which primarily made appropriations for Coronavirus response and related activities.

¹⁶ Section 15011 of P.L. 116-136 defined large, covered funds as covered funds that amounted to more than \$150,000.

Desk Review of the State of New Hampshire

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 September 30, 2023

Payment Type	Cumulative Expenditure Population Amount	Cumulative Expenditure Tested Amount	Unsupported Questioned Costs	Ineligible Questioned Costs	Total Questioned Costs
Contracts >= \$50,000	\$ 126,657,177	\$ 6,341,427	\$ -	\$ -	\$ -
Grants >= \$50,000	\$ 171,220,337	\$ 21,364,991	\$ -	\$ 2,397,551	\$ 2,397,551
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ 122,523,320	\$ 110,624,370	\$ -	\$ -	\$ -
Direct Payments >= \$50,000	\$ 687,484,566	\$ 41,729,499	\$ 14,027,288	\$ -	\$ 14,027,288
Aggregate Reporting < \$50,000	\$ 123,264,170	\$ 63,547	\$ -	\$ -	\$ -
Aggregate Payments to Individuals (in any amount)	\$ 18,064,448	\$ 271,958	\$ -	\$ -	\$ -
Totals	\$ 1,249,214,018	\$ 180,395,792	\$ 14,027,288	\$ 2,397,551	\$ 16,424,839

Desk Review of the State of New Hampshire

Contracts Greater Than or Equal to \$50,000

We determined New Hampshire's Contracts greater than or equal to \$50,000 complied with the CARES Act, but not Treasury's Guidance due to the misclassifications of two transactions. We tested four contracts totaling \$6,341,427 and identified no exceptions. The contracts tested included expenditures for hazard payroll stipends to incentivize public health and safety¹⁷ frontline workers to remain in or rejoin the workforce during the pandemic; the costs of acquisition, installation, and configuration of New Hampshire's Statewide Interoperability System to securely communicate and enable rapid monitoring, coordination, and response among first responders and emergency management agencies during the pandemic; an increase in the efforts to address alcohol addiction and related issues which increased during the COVID-19 pandemic; and to allow more accessible at-home COVID-19 tests to be ordered by individuals through a vendor's portal and to receive the tests directly at the individuals' residence.

We identified two transactions that were considered misclassified under Contracts greater than or equal to \$50,000 instead of Grants greater than or equal to \$50,000 in the GrantSolutions portal, resulting in non-compliance with Treasury's Guidance.

Grants Greater Than or Equal to \$50,000

We determined New Hampshire's Grants greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested four grants totaling \$21,364,991. The grants tested included expenditures related to reimbursements for universities to enable remote, online learning and degree programs, and provide COVID-19 testing and contact tracing for students, faculty and staff; eviction prevention and to disperse resources into the community for individuals in need of financial support due to the increased expenses directly related to COVID-19; support for healthcare providers to maintain treatment capacity during the pandemic; and assistance to shelter facilities to cover operating costs and modifications to adapt the spaces with social distancing measures in order to comply with the COVID-19 related prevention and mitigation guidelines. We identified exceptions related to one grant, resulting in ineligible questioned costs of \$2,397,551, as detailed below.

Grants Exception - Enhanced Data Security for Remote Learning License Subscription Costs

The State of New Hampshire and its sub-recipient, the University of New Hampshire, entered into a \$33 million grant agreement to provide funds for COVID-19 testing, contact tracing, personal protective equipment, increased utility costs, and enhanced data security infrastructure for remote students. These programs were critical for the University of New Hampshire's ability to open campuses to ensure resumption of classes, research, and other programming. We tested two transactions totaling \$4,061,403 out of the \$33 million claimed, and identified ineligible questioned costs related to one transaction, as detailed below.

For one transaction tested, we noted New Hampshire purchased enhanced data security support for remote operations (cybersecurity). We reviewed the purchase order and invoice and noted that the \$2,934,552 license subscription was purchased for the period of December 2, 2021 through November 2, 2026.

Castro noted that the subscription would be active through 2026, which a portion was outside of Treasury's final period for New Hampshire to expend obligated funds from the CRF, September 30, 2022.¹⁸ For each subscription, we determined the amount of time that would occur after September 30, 2022, and utilized this to calculate the dollar amount associated with the portion of these prepaid subscriptions that were not fully expended prior to September 30, 2022. Castro questioned \$2,397,551 as ineligible expenditures related to prepaid subscription costs outside of Treasury's period to expend funds received from the CRF.

¹⁷ 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."

¹⁸ Coronavirus Relief Fund Guidance as published in the Federal Register (December 14, 2021) states: "Costs incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. The CARES Act provides that payments from the Fund may only be used to cover costs that were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021 (the "covered period"). A cost associated with a necessary expenditure incurred due to the public health emergency is considered to have been incurred by December 31, 2021, if the recipient has incurred an obligation with respect to such cost by December 31, 2021. Treasury defines obligation for this purpose as an order placed for property and services and entry into contracts, subawards, and similar transactions that require payment. Recipients are required to expend their funds received from the CRF to cover these obligations by September 30, 2022."

Desk Review of the State of New Hampshire

Since Castro identified ineligible questioned costs related to subscriptions in the GrantSolutions portal, we recommend Treasury OIG follow-up with New Hampshire to identify if there were other instances of subscription costs that extended past September 30, 2022.

Transfers Greater Than or Equal to \$50,000

We determined New Hampshire's Transfers greater than or equal to \$50,000 complied with the CARES Act and Treasury's Guidance. We tested four transfers totaling \$110,624,370 and identified no exceptions. The transfers tested included expenditures for reimbursement of New Hampshire's Department of Employment Security Unemployment Insurance Trust Fund Balance,¹⁹ and for the Audit Set Aside Fund,²⁰ which was used to pay for financial and compliance audits as required by the Federal government or by State statute.

Unemployment Insurance Replenishment Analysis

The unemployment transactions reviewed consisted of \$109,383,334 in payments from March 2020 through September 2022 to replenish New Hampshire's Unemployment Insurance Trust Fund. In conjunction with the transactions tested, New Hampshire provided the New Hampshire Department of Employment Security unemployment claims analysis supporting how the state determined that the change in this balance (unemployment claims paid) occurred due to the COVID-19 pandemic and not due to unemployment claims that would have been paid regardless of the pandemic.

New Hampshire experienced a significant decline of \$223,880,703 in the Unemployment Insurance Trust Fund balance from March 2020 through October 2020. New Hampshire's unemployment claims analysis summarized the inflows and outflows of the Unemployment Insurance Trust Fund balance during the covered period. Upon inspection of New Hampshire's unemployment claims analysis, we noted actual COVID-19 unemployment benefits expenditures were \$429,757,887. The increase in unemployment benefits claimed directly impacted New Hampshire's Unemployment Insurance Trust Fund balance, which increased the risk of potential insolvency. Castro also obtained a written confirmation from

¹⁹ The federal Unemployment Insurance 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 pertained to the COVID-19 pandemic, New Hampshire replenished the Unemployment Insurance Trust Fund balance with CRF proceeds for eligible claimants receiving unemployment benefit payments.

²⁰ The audit set aside fund is a pool of restricted monies applied to the total appropriated federal program revenue to cover professional audit services related to financial statement and uniform guidance (compliance audits) costs based on a specified percentage threshold determined by a state government in conjunction with federal laws, regulations, and policies.

Desk Review of the State of New Hampshire

the New Hampshire personnel responsible for managing the Unemployment Insurance Trust Fund, which stated that New Hampshire utilized other federal funding sources to reimburse unemployment related expenditures; however, Castro accounted for those in our analysis and noted that New Hampshire's Unemployment Insurance Trust Fund balance decreased by more than the amount of other federal funding sources used.

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

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

We determined New Hampshire's Direct Payments greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested 14 direct payments totaling \$41,729,499. The direct payments tested included expenditures for:

- emergency financial relief through different grant programs to eligible hospitals, healthcare providers, local school districts, self-employed individuals, nonprofits, and for-profit businesses;
- support provided for increased operational costs due to closures and reduced enrollment as recovery and stabilization efforts to programs;
- consulting services to upgrade the New Hampshire Department of Health and Human Services New Heights System, which increased the capacity and efficiency to respond to COVID-19 related issues such as demand for integrated software to track individuals who contracted COVID-19;
- and to implement modifications and strengthen fraud prevention/detection in the Pandemic Unemployment Assistance and Pandemic Emergency Unemployment Compensation benefit payment processes.

We identified exceptions related to six direct payments, resulting in unsupported questioned costs of \$14,027,288, as detailed below. Additionally, we identified nine of the 14 direct payment transactions tested were misclassified and should have been correctly reported under the Grants greater than or equal to \$50,000 payment type, resulting in non-compliance with Treasury's Guidance.

**Direct Payment Revenue Loss and Defrayed Operating Costs Grant Programs
Exceptions Summary**

During our review of New Hampshire's Direct Payments greater than or equal to \$50,000 payment type, we noted the Governor issued executive orders to establish the following pandemic related grant programs: Emergency Healthcare System Relief Fund (EHSRF), Non-Profit Emergency Relief Fund (NERF), Self Employed Livelihood Fund (SELF), and COVID-19 Business Expense Relief for expenditures related to pandemic related revenue loss and defrayed operating costs. We obtained and reviewed the grant program requirements to determine an applicant's eligibility and allowability. Upon inspection of the grant program requirements, we noted grant applicants were required to maintain supporting documentation to evidence the actual revenue loss in fiscal year (FY) 2020 in comparison to gross receipts from FY 2019.

When grantees completed the grant application and agreement, they utilized the projected or estimated FY 2020 gross receipts. Given this information, the New Hampshire Governor's Office of Emergency Relief and Recovery (GOFERR) performed a financial recoupment analysis to determine whether the grantee's actual FY 2020 gross receipts were less than the FY 2019 revenues. As a provision to lack of revenue loss, GOFERR allowed grantees to maintain eligible expenditures to be reimbursed with the award. If the grantee did not experience revenue loss and did not have evidence of eligible expenditures, the excess of the award was required to be recouped and reallocated for other purposes. We identified exceptions related to six direct payments tested resulting in unsupported questioned costs of \$14,027,288, included in the below table. Additionally, for six of the direct payments tested we noted these transactions were misclassified and should have been correctly reported under Grants greater than or equal to \$50,000.

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Direct Payment Exception Number ²¹	Project Name and Description	Amount Tested	Questioned Costs
Direct Payment Exception #1	EHSRF Project: Provided financial relief assistance to eligible healthcare providers for the expenses incurred and revenue losses as a result of the COVID-19 public health emergency.	\$ 7,000,000	\$ 7,000,000
Direct Payment Exception #2	NERF Project: Provided financial assistance to New Hampshire non-profit businesses due to the economic disruption caused by the COVID-19 pandemic.	\$ 52,500	\$ 52,500
Direct Payment Exception #3	SELF Project: Provided financial assistance to self-employed businesses as emergency financial relief due to the economic disruption caused by COVID-19.	\$ 50,000	\$ 50,000
Direct Payment Exception #4	EHSRF Project: Provided financial relief assistance to eligible healthcare providers for the expenses incurred and revenue losses as a result of the COVID-19 public health emergency.	\$ 3,719,059	\$ 3,719,059
Direct Payment Exception #5	EHSRF Project: Provided financial relief assistance to eligible healthcare providers for the expenses incurred and revenue losses as a result of the COVID-19 public health emergency.	\$ 5,000,000	\$ 3,154,389
Direct Payment Exception #6	COVID-19 Business Expense Relief Program Project: Provided financial assistance designed to reimburse New Hampshire for-profit businesses for unmet COVID-19 related expenses.	\$ 51,340	\$ 51,340
Total		\$ 15,872,899	\$ 14,027,288

Direct Payments 1 through 3

For Direct Payments Exception numbers 1 through 3, we requested that New Hampshire management provide the supporting documentation to substantiate the revenue loss and eligible expenditures included in the supplemental grant award files. However, management did not provide sufficient documentation to substantiate the figures and details in the submitted grant award documents (such as revenues from the income statements, general ledger expense details, and vendor invoices). Without adequate underlying documents, we were unable to

²¹ For Direct Payments Exception #'s 1 through 5, according to the grant agreement, the grantee was required to (1) submit a final grant report demonstrating all necessary business expenditures incurred with respect to the COVID-19 pandemic between March 1, 2020 through December 30, 2020 and (2) supporting documentation to evidence the actual revenue loss in FY 2020 in comparison to gross receipts from FY 2019.

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confirm the amount of actual revenue loss or eligible expenditures, resulting in unsupported questioned costs as follows:

- Direct Payment Exception 1 - \$7,000,000
- Direct Payment Exception 2 - \$52,500
- Direct Payment Exception 3 - \$50,000

Direct Payments Exception 4

For the Direct Payment Exception 4 totaling \$3,719,059, we noted New Hampshire management failed to provide FY 2019 and FY 2020 income statements, and FY 2020 general ledger expense details to substantiate the eligible healthcare providers experienced revenue loss or used the CRF proceeds to defray the increased operating costs. We questioned \$3,719,059 as unsupported costs because we were unable to confirm the actual revenue loss or eligible expenditures.

Direct Payments Exception 5

For the Direct Payment 5 totaling \$5,000,000, New Hampshire management provided general ledger details of \$1,845,611 to partially support the total \$5,000,000 award amount. Within the documentation, we identified general ledger support that reconciled back to the figures presented in the grant award documents in the amount of \$1,845,611. However, New Hampshire management failed to provide FY 2019 and FY 2020 income statements to substantiate the eligible healthcare providers experienced revenue loss. We concluded that without adequate underlying documents, we questioned \$3,154,389 as unsupported costs because we were unable to confirm the actual revenue loss.

Direct Payment Exception 6

GOFERR transferred an additional \$10,000,000 in CRF proceeds for the purpose of facilitating the COVID-19 Business Expense Relief Program, which was designed to reimburse New Hampshire for-profit businesses for their unmet COVID-19 related expenses. GOFERR reported a total of \$8,397,446 in CRF proceeds to this project. The transactions selected for testing totaled \$51,340.

The COVID-19 Business Expense Relief Program provided a pro rata, capped reimbursement of qualified COVID-19 related business expenses. Eligible businesses received reimbursement for costs incurred while closed due to COVID-19 such as prorated rent, mortgage payments, and utilities; costs incurred as a result of reopening after COVID-19 related closure such as personal protective equipment, workforce safety training, and installation of physical measures; and

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increased costs of doing business as a result of COVID-19 such as heating, ventilation and air conditioning improvements, and increased costs due to supply chain shortages.

New Hampshire was unable to provide sufficient supporting documentation to evidence the reimbursement of expenditures. The recipient of the tested grant reported using CRF for rent expenses and costs for the purchase of equipment. Castro requested the rent agreement and other related invoices for the purchase of equipment to substantiate the amounts reimbursed under the program. New Hampshire was unable to provide relevant and appropriate supporting documentation to substantiate the expenditures reimbursed under the program. As a result, we identified unsupported questioned costs of \$51,340.

Castro tested \$15,872,899 out of \$109,697,391 of the program expenditures discussed above and identified unsupported questioned costs of \$14,027,288. Listed in the table below is the untested costs related to these programs. Castro recommends Treasury OIG determine the feasibility of following up on the remaining untested portion of this balance of \$93,824,492 to determine if the remaining balance may be similarly unsupported.

Direct Payment Exception - Program Name ²²	Amount Untested
Direct Payment Exception 1 - EHSRF Project	\$ 32,186,993
Direct Payment Exception 2 – NERF Project	\$ 33,435,815
Direct Payment Exception 3 - SELF Project	\$ 4,550,000
Direct Payment Exception 4 & 5 – EHSRF Project	\$ 15,305,578
Direct Payment Exception 6 – COVID-19 Business Expense Relief Program Project	\$ 8,346,106
Total Untested Amount	\$ 93,824,492

Aggregate Reporting Less Than \$50,000

We determined New Hampshire’s Aggregate Reporting less than \$50,000 complied with the CARES Act and Treasury’s Guidance. We tested two transactions totaling \$63,547 and identified no exceptions. The transactions tested included promotion and marketing expenses related to COVID-19 safety measures and precautions, and reimbursements of costs due to business interruption in support of performance venues that were facing revenue losses due to COVID-19.

²² As noted in the table above, the program name associated with Exceptions #'s (1, and 4-6) were given the same project name by New Hampshire; however, they assigned different program numbers as agreements were amended or modified during the covered period.

Aggregate Payments to Individuals

CRF payments made to individuals, regardless of amount, were required to be reported in the aggregate in the GrantSolutions portal to prevent inappropriate disclosure of personally identifiable information. Castro notes that Aggregate Payments to Individuals consisted of the following broad types of potential costs which we have defined from Treasury's guidance as published in the Federal Register,²³ where applicable. Prime recipients may or may not have claimed all of these types of expenditures.

- **Public Safety/Health Payroll** – consisted of payroll costs for public health and safety department personnel.
- **Substantially Dedicated Payroll**²⁴ – consisted of payroll costs for non-public health and safety personnel who were substantially dedicated to mitigating or responding to the COVID-19 public health emergency.
- **Non-Substantially Dedicated Payroll**²⁵ – consisted of payroll costs for personnel who performed COVID-19 related tasks on a part-time basis.
- **Non-Payroll Expenditures** – consisted of financial assistance payments to citizens due to hardship or loss of income, unemployment claims, and other non-payroll related expenditures made to individuals.

²³ 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

²⁴ Substantially dedicated payroll costs means that personnel must have dedicated over 50 percent of their time to responding or mitigating COVID-19. Treasury's Federal Register guidance states that: "The full amount of payroll and benefits expenses of substantially dedicated employees may be covered using payments from the Fund. Treasury has not developed a precise definition of what "substantially dedicated" means given that there is not a precise way to define this term across different employment types. The relevant unit of government should maintain documentation of the "substantially dedicated" conclusion with respect to its employees."

²⁵ Payroll costs that are not substantially dedicated means payroll costs that are not public health and safety, and which are not substantially dedicated to performing COVID-19 related tasks. Treasury's Federal Register guidance defines more stringent tracking requirements for these types of payroll costs. Specifically, the Federal Register states that agencies must: "track time spent by employees related to COVID-19 and apply Fund payments on that basis but would need to do so consistently within the relevant agency or department. This means, for example, that a government could cover payroll expenses allocated on an hourly basis to employees' time dedicated to mitigating or responding to the COVID-19 public health emergency."

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The New Hampshire Aggregate Payments to Individuals balance consisted of payroll and other transactions from the following categories of reported costs.

Aggregate Payments to Individuals Category Types	Total Expenses Reported
Public Health and Safety Payroll	\$ 6,271,866
Substantially Dedicated Payroll	\$ 3,044,084
Non-Substantially Dedicated Payroll	\$ 8,447,159
Non-Payroll Expenditures	\$ 271,856
Uncategorized Costs Charged to API ²⁶	\$ 29,483
Totals	\$ 18,064,448

Castro noted that public health and safety payroll transactions were subject to Treasury's administrative accommodation,²⁷ 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. Non-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.

We determined New Hampshire's Aggregate Payments to Individuals complied with the CARES Act and Treasury's Guidance. We tested two transactions totaling \$271,958 and identified no exceptions. We tested Aggregate Payments to Individuals transactions related to upgrades that included a purchase of tablets to allow staff to effectively work remotely, and to reimburse non-substantially dedicated payroll costs for employees working directly to mitigate the response of the COVID-19 pandemic.

²⁶ We noted New Hampshire's Aggregate Payments to Individuals analysis reconciled to the cumulative expenditures claimed in the GrantSolutions portal as of September 2023, however, New Hampshire was unable to categorize \$29,483 of expenditures in the Aggregate Payments to Individuals category types above. We did not note this as an exception since the variances occurred due to New Hampshire's inability to categorize \$29,483, and these transactions were still subject to our transaction selections for testing. We concluded that New Hampshire sufficiently reconciled the total cumulative expenditures based on the performance of the general ledger detail tie-out.

²⁷ Treasury's Federal Register guidance stated that an administrative accommodation was, "In recognition of the particular importance of public health and public safety workers to State, local, and tribal government responses to the public health emergency, Treasury has provided, as an administrative accommodation, that a State, local, or tribal government may presume that public health and public safety employees meet the substantially dedicated test...This means that, if this presumption applies, work performed by such employees is considered to be a substantially different use than accounted for in the most recently approved budget as of March 27, 2020. All costs of such employees may be covered using payments from the Fund for services provided during the period that begins on March 1, 2020, and ends on December 31, 2021."

Conclusion

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

We identified unsupported and ineligible questioned costs of \$14,027,288 and \$2,397,551, respectively, with total questioned costs across all payment types of \$16,424,839. Also, we identified GrantSolutions portal misclassification issues related to the Contracts greater than or equal to \$50,000 and Direct Payments greater than or equal to \$50,000 payment types that did not comply with Treasury's Guidance.

Additionally, New Hampshire's risk of unallowable use of funds is **moderate**.

Castro recommends that Treasury OIG follow-up with New Hampshire's management to confirm if the \$14,027,288 noted as unsupported expenditures within the Direct Payments greater than or equal to \$50,000 payment type can be supported. If support is not provided, Treasury OIG should recoup the funds or request New Hampshire management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance.

In addition, Castro recommends that Treasury OIG request New Hampshire management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance for the \$2,397,551 of ineligible costs charged to the Grants greater than or equal to \$50,000 payment type. If support is not provided, Treasury OIG should recoup the funds.

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


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

- Follow-up with New Hampshire management and request they perform an analysis over all of their GrantSolutions portal reported balances to determine if there were other instances of subscription costs included in the CRF reported expenditures and review those expenditures to determine if the subscription costs extended past September 30, 2022.
- Determine the feasibility of performing additional follow-up with New Hampshire to determine if there were other instances of unsupported balances within the Direct Payments greater than or equal to \$50,000 grant programs: Emergency Healthcare System Relief Fund, Non-Profit Emergency Relief Fund, Self Employed Livelihood Fund, and COVID-19 Business Expense Relief for expenditures related to pandemic related revenue loss and defrayed operating costs.

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.²⁸ We appreciate the courtesies and cooperation provided to our staff during the desk review.

Sincerely,



Wayne Ference
Partner, Castro & Company, LLC

²⁸ <https://www.ignet.gov/sites/default/files/files/Silver%20Book%20Revision%20-%208-20-12r.pdf>