



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 17, 2024

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

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

SUBJECT: Desk Review of the State of Utah's Use of Coronavirus
Relief Fund Proceeds (OIG-CA-25-018)

Please find the attached desk review memorandum¹ on State of Utah's (Utah) 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 37 transactions reported in the quarterly Financial Progress Reports (FPR) and identified unsupported and ineligible questioned costs of \$40,308,738 and \$6,852,799, respectively, with total questioned costs of \$47,161,537 (see attached schedule of monetary benefits).

Castro determined the expenditures related to the Direct Payments greater than or equal to \$50,000 payment type complied with the CARES Act and the Department of the Treasury's (Treasury) Guidance. Castro found that the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers

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.

greater than or equal to \$50,000,² Aggregate Reporting less than \$50,000,³ and Aggregate Payments to Individuals⁴ payment types did not comply with the CARES Act and Treasury's Guidance. Castro also identified grant-reporting portal misclassification issues related to the Grants greater than or equal to \$50,000 and Aggregate Reporting less than \$50,000 payment types, which were non-compliant with Treasury's Guidance. Additionally, Castro determined that Utah's risk of unallowable use of funds is high.

Castro recommends that Treasury Office of Inspector General (OIG) follow-up with Utah's management to confirm if the \$40,308,738 noted as unsupported expenditures within the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types can be supported. If support is not provided, Treasury OIG should recoup the funds or request Utah 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 Utah management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance for the \$6,852,799 of ineligible costs charged to the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, and Aggregate Payments to Individuals payment types. If support is not provided, Treasury OIG should recoup the funds.

Further, based on Utah 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 Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals 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 Recipients are required to report CRF transactions greater than or equal to \$50,000 in detail in the grant-reporting portal. Transactions less than \$50,000 can be reported as an aggregate lump-sum amount by type (contracts, grants, loans, direct payments, and transfers to other government entities).

⁴ 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.

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

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

- Utah's fiscal year 2020 Single Audit Act report was published on December 18, 2020, and the auditor found unsupported questioned costs specific to the CRF in the amount of \$14,430,192.
- Utah's fiscal year 2021 Single Audit Act report was published on December 21, 2021, and the auditor found unsupported questioned costs specific to the CRF in the amount of \$17,675,204.
- Utah's fiscal year 2022 Single Audit Act report was published on December 14, 2022, and the auditor found unsupported questioned costs specific to the CRF in the amount of \$643,375.
- Utah's fiscal year 2023 Single Audit Act report was published on December 22, 2023, and did not include any CRF related questioned costs.

Castro recommends Treasury OIG follow-up on any CRF specific questioned costs reported in the fiscal year 2020, 2021, and 2022 Single Audit Act reports.

Castro also identified other matters throughout the course of the desk review, which warrant recommendations to Treasury OIG for additional action. Castro recommends Treasury OIG follow-up on these issues:

1) Castro identified unsupported questioned costs totaling \$11,985,002 claimed by Utah under a \$20,456,023 contract for broadband enhancement services. Since Castro identified unsupported questioned costs related to the broadband enhancement service contract transactions tested, Castro recommends Treasury OIG determine the feasibility of performing additional follow-up with Utah to determine if there were other instances of unsupported costs within the \$8,471,021 remaining, untested balance;

2) Castro identified unsupported questioned costs related to marketing campaigns created and run by a marketing agency under the Contracts greater than or equal to \$50,000 payment type. Castro recommends Treasury OIG determine the feasibility of performing additional follow-up with Utah to determine if there were

other instances of unsupported balances related to the advertising campaigns created through a third-party vendor;

3) Follow-up with Utah management and request that management performs an analysis over all of their grant-reporting portal balances to determine if there were other instances of subscription costs, separate from those tested by Castro, included in the CRF reported expenditures and review those expenditures to determine if there were subscription costs that extended past September 30, 2022;

4) Castro identified unsupported questioned costs related to the Thrive 125 grants project. Castro recommends Treasury OIG determine the feasibility of performing additional follow-up with Utah to determine if there were other instances of unsupported costs within the other two awards issued under this program that were not tested by Castro; and

5) Castro identified unsupported questioned costs related to a transfer to the County of Weber to fund a non-profit grant program. Castro recommends Treasury OIG determine the feasibility of performing additional follow-up with Utah to determine if there were other instances of unsupported grants within the amount of \$1,790,107 not tested by Castro.

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 Utah's use of the CRF proceeds. Castro is responsible for the attached desk review memorandum and the conclusions expressed therein. Our review found no instances in which Castro did not comply in all material respects with 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.

Page 5

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

Duncan Evans, Senior Managing Director of Budget & Operations, State of Utah

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 405.

<u>Recommendation</u>	<u>Questioned Costs</u>
Recommendation No. 1	\$47,161,537

The questioned costs represent amounts provided by Treasury under the Coronavirus Relief Fund. As discussed in the attached desk review, \$47,161,537 is Utah's total 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 Utah

December 17, 2024

OIG-CA-25-018

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

FROM: Wayne Ference
Partner, Castro & Company, LLC

SUBJECT: Desk Review of the State of Utah

On January 29, 2024, we initiated a desk review of the State of Utah's (Utah) 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 Utah'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 Utah'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 Utah 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 Utah'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 Utah

- 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 Utah'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 Utah'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 Utah's uses of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying Utah'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 17 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 Utah

- 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 Utah's quarterly FPRs.

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

We identified unsupported and ineligible questioned costs of \$40,308,738 and \$6,852,799, respectively, with total questioned costs of \$47,161,537. Further, we determined that Utah's risk of unallowable use of funds is high.

Castro recommends Treasury OIG follow-up with Utah's management to confirm if the \$40,308,738 noted as unsupported expenditures within the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types can be supported. If support is not provided, Treasury OIG should recoup the funds or request Utah 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 Utah management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance for the \$6,852,799 of ineligible costs charged to the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, and Aggregate

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 Utah

Payments to Individuals payment types. If support is not provided, Treasury OIG should recoup the funds.

Further, based on Utah's responsiveness to Treasury OIG's requests and its 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 Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types.

At the time of desk review fieldwork, Castro noted that Utah had findings in their Single Audit Reports for fiscal years 2020, 2021, and 2022. Castro recommends that Treasury OIG follow-up with Treasury's Office of Capital Access to ensure that management decision letters are issued on the CRF specific findings identified by the auditor in these Single Audit reports, which we have summarized below:

- Utah's fiscal year 2020 Single Audit report was published on December 18, 2020, and the auditor found unsupported questioned costs specific to the CRF in the amount of \$14,430,192.
- Utah's fiscal year 2021 Single Audit report was published on December 21, 2021, and the auditor found unsupported questioned costs specific to the CRF in the amount of \$17,675,204.
- Utah's fiscal year 2022 Single Audit report was published on December 14, 2022, and the auditor found unsupported questioned costs specific to the CRF in the amount of \$643,375.

Utah's fiscal year 2023 Single Audit report was published on December 22, 2023, and did not include any CRF related questioned costs. We recommend Treasury OIG follow-up on any CRF specific questioned costs reported in the fiscal year 2020, 2021, and 2022 Single Audit reports.

Non-Statistical Transaction Selection Methodology

Treasury issued a \$934,765,677 CRF payment to Utah. As of September 30, 2023, Utah's cumulative obligations and expenditures were both \$934,459,172. Utah returned a total of \$97,672 in CRF proceeds to Treasury. In addition, Utah reported an outstanding balance of \$208,833 of loans within the Aggregate Reporting less than \$50,000 payment type. Due to the outstanding loan balance, the cumulative obligations and expenditures differ from the amount of CRF grant award. Utah's cumulative obligations and expenditures by payment type are summarized below.

Desk Review of the State of Utah

Payment Type	Cumulative Obligations	Cumulative Expenditures
Contracts >= \$50,000	\$ 116,549,621	\$ 116,549,621
Grants >= \$50,000	\$ 348,923,815	\$ 348,923,815
Loans >= \$50,000	\$ -	\$ -
Transfers >= \$50,000	\$ 342,203,178	\$ 342,203,178
Direct Payments >= \$50,000	\$ 242,274	\$ 242,274
Aggregate Reporting < \$50,000	\$ 116,807,980	\$ 116,807,980
Aggregate Payments to Individuals (in any amount)	\$ 9,732,304	\$ 9,732,304
Totals¹²	\$ 934,459,172	\$ 934,459,172

Castro made a non-statistical selection of the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types. Selections were made using auditor judgment based on information and risks identified in reviewing audit reports, the GrantSolutions portal reporting anomalies¹³ identified by the Treasury OIG CRF monitoring team, and review of Utah's FPR submissions. Utah did not obligate or expend CRF proceeds to the Loans greater than or equal to \$50,000 payment type;¹⁴ therefore, we did not make a selection of transactions from this payment type.

The number of transactions (37) we selected to test was based on Utah's total CRF award amount and our overall risk assessment of Utah. To allocate the number of transactions (37) 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.

Additionally, Treasury OIG provided information on anomalies identified for Utah. We selected nine anomalies within our original transaction selections. Treasury OIG also identified additional anomalies, in the form of potential duplicate

¹² As of September 30, 2023, Utah reported a total available balance of \$208,833 in the GrantSolutions portal in Aggregate Reporting less than \$50,000. Due to this outstanding loan balance and amount of \$97,672 returned to Treasury OIG, the cumulative obligation and expenditure amounts differ from the amount of CRF proceeds awarded.

¹³ 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.

¹⁴ Utah management reported the small business loans within the Aggregate Reporting less than \$50,000 payment type, as these individual loan balances did not exceed the \$50,000 threshold.

Desk Review of the State of Utah

payment transactions which had not already been included within our transaction selections, from which we selected 12 potential duplicates. We performed limited testing on these 12 potential duplicate payments to determine whether the payments were duplicates. We did not identify exceptions within this potential duplicate testing. 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 \$934,765,677 CRF payment to Utah. 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, 2021.¹⁵

¹⁵ 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 Utah

Section 15011 of the CARES Act required each covered recipient¹⁶ 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^{17,18} 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 Utah's quarterly FPRs through September 30, 2023, and found that Utah timely submitted quarterly FPRs in the GrantSolutions portal for the reporting periods ending June 30, 2020 through September 30, 2023, indicating Utah complied with Treasury OIG's reporting requirements for those reporting periods. Utah fully expended their total CRF proceeds as of September 30, 2023; however, Utah personnel did not mark their last FPR submission as final within the GrantSolutions portal.

Utah did not mark their last FPR submission as final due to existing CRF small business loans with a remaining balance of \$208,833. Given this information, we requested Utah explain how the small business loan repayments would be tracked as funds are returned to Treasury. Utah elaborated they are concurrently tracking the outstanding loan balances and principal repayments reported on the master loan schedule and returning CRF proceeds to Treasury. As such, Utah was

¹⁶ 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.

¹⁷ 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.

¹⁸ 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 Utah

unable to close out CRF reporting due to the loan's repayments subsequent to September 30, 2023.

Summary of Testing Results

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

Within the table below, we have included a summary of \$47,161,537 in unsupported and ineligible expenditures identified as questioned costs through our testing of detailed transactions, which did not comply with the CARES Act and Treasury's Guidance. See the Desk Review Results section below for a detailed discussion of questioned costs and other issues identified throughout the course of our desk review.

Desk Review of the State of Utah

**Summary of Expenditures Testing and Recommended Results
As of September 30, 2023**

Payment Type	Cumulative Expenditure Population Amount	Cumulative Expenditure Tested Amount	Unsupported Tested Questioned Costs	Ineligible Tested Questioned Costs	Total Tested Questioned Costs
Contracts >= \$50,000	\$ 116,549,621	\$ 40,175,830	\$ 19,632,639	\$ 623,312	\$ 20,255,951
Grants >= \$50,000	\$ 348,923,815	\$ 44,243,909	\$ 20,265,916	\$ 6,216,250	\$ 26,482,166
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ 342,203,178	\$ 90,987,572	\$ 400,000	\$ 10,537	\$ 410,537
Direct Payments >= \$50,000	\$ 242,274	\$ 107,806	\$ -	\$ -	\$ -
Aggregate Reporting < \$50,000	\$ 116,807,980	\$ 169,983	\$ 7,630	\$ -	\$ 7,630
Aggregate Payments to Individuals (in any amount)	\$ 9,732,304	\$ 42,292	\$ 2,553	\$ 2,700	\$ 5,253
Totals	\$ 934,459,172	\$ 175,727,392	\$ 40,308,738	\$ 6,852,799	\$ 47,161,537

Desk Review of the State of Utah

Contracts Greater Than or Equal to \$50,000

We determined Utah's Contracts greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested transactions related to nine contracts totaling \$40,175,830. The contracts tested included expenditures related to extending high speed broadband capabilities for distance learning and telework for rural communities; expanding testing capacity by enabling drive through testing and facilitation of supplies to residents; providing support for the tourism industry experiencing losses due to COVID-19; contract consulting fees for assessments of Utah's COVID-19 situation and response approaches; assisting the ski industry's plan to safely open during the 2020-2021 winter ski season; implementing a symptom checking and testing intake platform; conducting a consumer survey for leadership to obtain and incorporate insights regarding COVID-19 economic recovery and planning efforts, and implementing a dashboard to record and track the COVID-19 response measures within hospitals. We identified four exceptions resulting in unsupported questioned costs of \$19,632,639, and ineligible questioned costs of \$623,312, respectively, with a total of \$20,255,951 in questioned costs, as detailed below.

Contract Exception #1 – Broadband Enhancement Costs

Utah's Department of Transportation contracted with a vendor to procure broadband enhancement services to install fiber cables to extend high-speed broadband to rural communities with inadequate internet connectivity during the pandemic. We tested five invoices totaling \$11,985,002 claimed by Utah under a \$20,456,023 contract. We obtained and inspected vendor invoices and noted Utah used competitive bidding and task orders to assign the scope of work for projects. In addition, these bids/quotes were based on estimated totals and not the actual expenditures captured in the invoices.

Castro noted the vendor invoices did not explicitly state the task order in conjunction with the contract and the notice to proceed email sent to the vendor to begin work on the project did not mention COVID-19, the use of CARES Act funds, or define the associated project was related to the overall purpose of expanding broadband to facilitate distance learning and remote work due to the pandemic. Without the task orders linked to the invoices, we determined Utah did not provide relevant and appropriate evidence to sufficiently support the expenditure invoices were necessary related to the COVID-19 pandemic. Due to Utah's inability to properly maintain detailed invoices for the broadband enhancements task orders, we identified \$11,985,002 in unsupported questioned costs.

Desk Review of the State of Utah

Castro identified unsupported questioned costs totaling \$11,985,002 claimed by Utah under a \$20,456,023 contract for broadband enhancement services in Contract Exception #1 above. Since Castro identified unsupported questioned costs related to the broadband enhancement service contract transactions, we recommend Treasury OIG determine the feasibility of performing additional follow-up with Utah to determine if there were other instances of unsupported costs within the \$8,471,021 remaining, untested balance.

Contract Exception #2 – Tourism Marketing Costs

Utah's Office of Tourism entered into a five-year contractual agreement with an advertising agency on July 1, 2020, with a period of performance from July 1, 2020 – June 30, 2025,¹⁹ to procure marketing and advertising materials as requested by Utah. The purpose of this project was to support the tourism industry that had experienced losses during the COVID-19 pandemic through a combination of marketing campaigns and partnerships with local and regional tourism and event organizations. We tested five invoices totaling \$7,017,423 that Utah claimed under the \$7,647,637 contract.

For all five invoices tested, Castro obtained and reviewed the provided advertisement invoices and correlating advertisements run under each of the differing marketing campaigns. We noted the advertisements did not publicize the resumption of activities and steps taken to ensure a safe experience that may be needed due to the public health emergency. Based on Treasury's CRF Guidance as published in the Federal Register (January 15, 2021) FAQ #45,²⁰ Utah management was allowed to use CRF proceeds for marketing expenditures related to publicized activities and steps taken to mitigate the COVID-19 pandemic. However, Utah management used the marketing expenses to develop a long-term strategy or plan for the tourism industry, which an ineligible use of the CRF. For the majority of the advertisements reviewed, we were not provided documentation indicating how the advertisements publicized COVID-19 guidelines and/or safety measures

¹⁹ Castro obtained and inspected the executed contract between Utah and the advertising agency. We noted the period of performance was through June 30, 2025 which was outside Treasury's period for Utah to expend obligated funds from the CRF, September 30, 2022. However, the total claimed costs under the contract of \$7,647,637 were incurred expenditures within fiscal year 2020. As a result, there were no concerns or issues noted in regard to out of period costs.

²⁰ Per Treasury's CRF Guidance as published in the Federal Register (January 15, 2021) FAQ #45 states, "May recipients use Fund payments to remarket the recipient's convention facilities and tourism industry? Yes, if the costs of such remarketing satisfy the requirements of the CARES Act. Expenses incurred to publicize the resumption of activities and steps taken to ensure a safe experience may be needed due to the public health emergency. Expenses related to developing a long-term plan to reposition a recipient's convention and tourism industry and infrastructure would not be incurred due to the public health emergency and therefore may not be covered using payments from the Fund."

Desk Review of the State of Utah

as required. Specifically, several of the advertisements did not mention the words COVID-19 or publicize safety procedures/guidelines of local national parks and ski resorts, communicate mask mandates, or other COVID-19 safety information. Additionally, Utah was unable to separate costs of the advertisements, as the invoices received were for the marketing campaigns as a whole and did not break out the individual advertisement costs. Based on the supporting documentation in conjunction with Treasury's Guidance, we identified unsupported questioned costs for the entire contract amount of \$7,647,637.

In response to this finding, Utah indicated that they already had a contract established with a different creative firm that created advertisements focusing on outdoor activities, such as skiing, and that none of the CARES Act funding had been distributed to this vendor. Castro noted within the GrantSolutions portal that \$50,000 was paid to this firm under the overall Tourism Economic Support Project reported under Contracts greater than or equal to \$50,000. Since Castro identified unsupported questioned costs within the marketing campaigns run by the advertising agency noted within the above exception, we recommend Treasury OIG determine the feasibility of performing additional follow-up with Utah to determine if there were other instances of unsupported balances within the advertising campaigns created through this other creative firm.

Contract Exception #3 – COVID-19 Dashboard Subscription

We tested five invoices totaling \$3,494,800 claimed under the Utah Department of Health's contract with a vendor. These expenditures were related to COVID-19 dashboard subscription licenses to track treatment and testing measures for Utah residents.

For one of the five invoices tested, we noted the service range was from December 6, 2021, through December 5, 2022, and that the full amount of the invoice totaling \$966,738 was claimed in the GrantSolutions portal. Per Treasury's CRF Guidance as published in the Federal Register (January 15, 2021), recipients are required to expend their funds received from the CRF to cover these obligations by September 30, 2022.²¹ For the enterprise license subscription, we determined the amount of time that would fall after September 30, 2022, and utilized this to calculate the dollar amount of these prepaid expenses that were

²¹ Coronavirus Relief Fund Guidance as published in the Federal Register (December 14, 2021) states: 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 Utah

ineligible due to being outside Treasury's covered period for Utah to expend obligated funds from the CRF, September 30, 2022. Based on the guidance and our calculation, we determined the ineligible portion of the total prepaid costs portion of the expenditures were utilized to purchase additional licenses from the vendor directly related to the COVID-19 pandemic response efforts; however, we identified costs that occurred outside Treasury's final period for Utah to expend obligated funds from the CRF, resulting in ineligible questioned costs of \$182,963.

Contract Exception #4 – COVID-19 Dashboard Platform Subscription

We tested one transaction totaling \$1,960,090 claimed under Utah's Department of Technology Services for a contract with a vendor to provide cloud solutions for remote support licenses as part of Utah's COVID-19 planning and response efforts. Under the contract, Utah purchased a business intelligence application, as part of an emergency procurement to quickly create the Utah Leads Together Operational Dashboard to track key COVID-19 response measures including hospital capacity, testing, contact tracing, and personal protective equipment.

The \$1,960,090 invoice tested was for the software license renewal after the original subscription expired that was purchased for the COVID-19 pandemic planning and response efforts. We noted within the invoice that the service range was from December 31, 2021 – December 20, 2022, which was outside Treasury's final period for Utah to expend obligated funds from the CRF, September 30, 2022.²² For the license renewal, we determined the amount of time that would fall after September 30, 2022, and utilized this to calculate the dollar amount associated with the portion of these prepaid subscriptions that was unused and therefore not fully expended prior to September 30, 2022. Castro determined the ineligible questioned costs portion of the total prepaid expenditures claimed by Utah was \$440,349 for license subscription time outside of Treasury's period to expend funds received from the CRF.

²² Coronavirus Relief Fund Guidance as published in the Federal Register (December 14, 2021) states: 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."

Other Matter for Treasury OIG Consideration – Additional Potential Ineligible Subscription Costs

Castro noted multiple instances of subscription costs that extended past Treasury’s final period for Utah to expend obligated funds from the CRF reported under Contracts greater than or equal to \$50,000. In addition, we identified ineligible subscription costs in the Grants greater than or equal to \$50,000 and Transfers greater than or equal to \$50,000 payment types as described in the results of those payment types below. Since Castro identified ineligible questioned costs within multiple payment types reported in the GrantSolutions portal, we recommend Treasury OIG follow-up with Utah and request that Utah management 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 there were other instances of subscription costs that extended past September 30, 2022.

Grants Greater Than or Equal to \$50,000

We determined Utah’s Grants greater than or equal to \$50,000 did not comply with the CARES Act and Treasury’s Guidance. We tested transactions related to seven grants totaling \$44,243,909. The grants tested included expenditures related to increasing remote learning and social distancing measures; expanding software licenses to facilitate remote learning for students; teleworking capabilities for teachers; providing grants to Utah’s hospitals to offset financial needs and testing costs due to the COVID-19 pandemic; providing business assistance through a COVID-19 Impacted Businesses Grant Program; and acquiring multifamily housing units for vulnerable and low-income tenants impacted by the pandemic. We identified exceptions related to five grants, resulting in unsupported questioned costs of \$20,265,916 and ineligible questioned costs of \$6,216,250, with total questioned costs of \$26,482,166, as detailed below.

Additionally, we identified two reporting misclassification errors related to Grants greater than or equal to \$50,000 that we determined should have been reported as Transfers greater than or equal to \$50,000 in the GrantSolutions portal, resulting in non-compliance with Treasury’s Guidance.

Grant Exception #1 – Purchase of Subscription for Learning Management System

We tested two invoices totaling \$7,585,254 that Utah claimed for expenditures related to purchases for additional wireless capacity for indoor and outdoor wireless coverage for its Learning Management System in key locations across a university campus. In addition, the invoices included expenditures to expand the

Desk Review of the State of Utah

scale of the Learning Management System licenses that were utilized by Utah's higher education system, which included 16 universities, colleges, and technical colleges.

For one of the two invoices, we noted the project funds were used to add additional tier one support by the vendor to expand the scale of the Learning Management System licenses, which helped meet the increased demand and continuity required for COVID-19 distance learning. We reviewed the support provided, including the purchase order and invoice and noted that the software subscription service was purchased for \$11,166,871 for the period of July 1, 2020 through June 30, 2025, which was outside Treasury's final period for Utah to expend obligated funds from the CRF, September 30, 2022.²³ For the software license, we determined the amount of time that would fall after September 30, 2022, and utilized this to calculate the dollar amount associated with the portion of this prepaid license that was unused and therefore not fully expended prior to September 30, 2022. Out of the total purchase amount of \$11,166,871, Utah paid \$6,288,579 with CRF funding proceeds and paid the remaining \$4,878,292 with non-CRF funding. As a result, Castro calculated the pro-rata ineligible portion of the \$6,288,579 total prepaid expenditures claimed by Utah utilizing CRF funds as \$1,265,017. Castro questioned \$1,265,017 as ineligible since the amounts associated with the license subscription time were outside of Treasury's period to expend funds received from the CRF.

For one invoice tested, Utah management erroneously reported a payment to themselves, which we identified as a reporting error that was non-compliant with Treasury's Guidance. We determined Utah management disbursed CRF proceeds authorized by the State legislature to appropriate funding to the Utah Education and Telehealth Network, a component unit which should have been reported as part of the primary government. Further, the sub-recipient's name was not properly reported in the GrantSolutions portal as of September 30, 2023.

Grant Exception #2 - Purchase of Subscription for Student Engagement Platform

We tested two invoices totaling \$12,406,160 that Utah claimed for expenditures related to a purchase of a K-12 student engagement platform, and for the costs to extend the cloud-based software's availability for use in student homes. These

²³ Coronavirus Relief Fund Guidance as published in the Federal Register (December 14, 2021) states: "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 Utah

purchases were for the purpose of facilitating distance learning for K-12 students during COVID-19 public health restrictions.

We reviewed the provided purchase order and invoice and noted that the \$9,000,000 license subscription was purchased for the period of July 1, 2020 – June 30, 2025.

Per Treasury's Guidance, recipients are required to expend their funds received from the CRF to cover these obligations by September 30, 2022.²⁴ Utilizing the purchase order and invoice, we performed a calculation and identified the amount eligible outside Treasury's covered period for Utah to expend obligated funds from the CRF, September 30, 2022. Based on the guidance and our calculation, we determined that a portion of the expenditures utilized to purchase the subscription occurred outside Treasury's final period for Utah to expend obligated funds from the CRF, September 30, 2022, resulting in ineligible questioned costs of \$4,951,233.

For one transaction, Utah management erroneously reported a payment to the Utah Education and Telehealth Network (the same entity in Grant Exception #1 above), which we identified as a reporting error that was non-compliant with Treasury's Guidance.

Grant Exception #3 – Distribution of Grants to Cover Hospital's COVID-19 Treatment Costs

We tested one grant totaling \$10,600,923 in expenditures awarded to a hospital group for the purpose of offsetting economic impacts that the hospitals experienced as a result of the COVID-19 pandemic. We noted the summary report provided by Utah indicated the grant funds were intended for payroll costs related to COVID-19. However, Utah did not provide requested payroll distribution reports associated with the payroll costs reimbursed with CRF proceeds by the end of fieldwork. According to Utah, the awardee used the full grant amount to cover revenue losses experienced by the hospital, calculated using budgeted revenue amounts against actual revenue. Utah also received \$228 million in payments from the U.S. Department of Health and Human Services, Health Resources and Services Administration's Provider Relief Fund related to their lost revenue

²⁴ Coronavirus Relief Fund Guidance as published in the Federal Register (December 14, 2021) states: 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 Utah

assessment. As a result, the total amount of awards received for lost revenue was \$240 million.

To determine the actual loss, Castro obtained and analyzed the sub-recipient's 2019 and 2020 monthly financial statements. As part of our analysis, we noted that for the months of March through May 2020, the hospital experienced net operating income losses of \$139 million. Additionally, Castro noted that for the period of January through September 2020, one month before the grant funding was received, the hospital's net operating income was \$92 million. Castro requested, but Utah did not provide appropriate supporting documentation for how the hospital group had specifically suffered losses due to the COVID-19 pandemic that warranted additional relief funding. Per Treasury's Guidance included in the Federal Register, payments to support public or private hospitals were allowable to the extent that the costs were necessary expenditures incurred due to the COVID-19 public health emergency.²⁵

Castro determined that Utah did not provide sufficient evidence to support the payroll expenditures or any other relevant expenditures due to the pandemic. In addition, Utah was unable to substantiate that the actual loss amounts exceeded the estimated losses previously covered with the U.S. Department of Health and Human Services, Health Resources and Services Administration's Provider Relief Fund. As a result, Castro identified \$10,600,923 as unsupported questioned costs.

Grant Exception #4 – COVID-19 Testing Costs

Castro tested one grant totaling \$9,589,993 in expenditures awarded to the same hospital group described above to offset the impact of uncompensated COVID-19 testing costs. Castro reviewed the funding agreement between Utah and the hospital group and noted that the purpose of the grant funding was to offset economic impacts attributable to uncompensated COVID-19 testing costs. Additionally, Castro reviewed the testing, cost, revenue, and loss values reflected within the hospital losses for COVID-19 testing summary file and noted that the grantee was reimbursed for 80 percent of their calculated loss amounts with CRF proceeds. As such, Castro requested the underlying details that supported the summary values for the testing, test costs, and revenue for the purpose of confirming the actual amounts. Utah provided a document that further elaborated

²⁵ Coronavirus Relief Fund Guidance as published in the Federal Register (December 14, 2021) states: #17. To what extent may a government use Fund payments to support the operations of private hospitals? Governments may use Fund payments to support public or private hospitals to the extent that the costs are necessary expenditures incurred due to the COVID-19 public health emergency, but the form such assistance would take may differ. In particular, financial assistance to private hospitals could take the form of a grant or a short-term loan.

Desk Review of the State of Utah

on how these testing amounts were generated, but they did not provide the underlying files cited throughout the document by the end of fieldwork.

Further, Castro was unable to locate a requirement within the funding agreement that stated that Utah had agreed to reimburse 80 percent of the testing costs nor was an amended agreement provided. Castro was unable to verify the actual amount of testing completed, cost of completed testing, and revenue figures from testing efforts. As a result, we identified \$9,589,993 as unsupported questioned costs.

Grant Exception #5 – Grant Program for Utah’s Creative Arts Industry Performers

We tested \$75,000 in CRF claimed expenses related to concert costs that were claimed under a grant that the Utah Department of Heritage and Arts awarded to a non-profit organization as part of the Thrive 125 project.²⁶

Castro reviewed the grant agreement and noted that the scope of work indicated that funds will be used to support the staging of free concerts in 8 - 10 rural communities throughout Utah, with an approximate cost of \$10,000 per concert. Concerts will take place between May and December 2021. Funds will be used to pay musicians, travel expenses, sound/lighting expenses, and other expenses related to the presentation of these concerts free to the public. Castro noted that the agreement did not communicate CARES Act guidance to the sub-recipient or mention COVID-19. Utah did not provide grant applications, grant agreements, eligibility requirements, eligibility documentation, or program guidelines that indicated that artists were required to perform at concerts in exchange for receipt of the grant funding. All artists and events were arranged and carried out with verbal communication indicating there were no written agreements executed.

Additionally, Castro selected audio costs for concerts livestreamed from a theatre on April 12, 2021, and May 4, 2021, as well as total costs for a concert held at a public school and park on September 24, 2021 for further testing. As part of our requests for expenditure documentation, Castro requested purchase orders, quotes, and invoices to support the cost of the concerts selected. Utah explained that the communication and coordination with the artists was informal, and that the sub-recipient did not use any formal documentation. The main support provided for who was paid for which events were the bank statements and check records, which were used to provide the concert spending reports. Due to the lack

²⁶ Utah provided the following description for the Thrive 125 Project; “The Thrive 125 program provided economic assistance grants to small businesses and organizations impacted by COVID-19. Utah’s creative arts industry, particularly performing artists, were significantly impacted by COVID-19. As part of the program, the grant recipients were required to provide free performances for the community, which enabled marketing opportunities for artists.”

Desk Review of the State of Utah

of sufficient supporting documentation provided and the fact the grant agreement did not indicate that the award was for performing artists impacted by the pandemic, we identified \$75,000 in unsupported questioned costs.

Other Matter for Treasury OIG Consideration – Additional Potential Unsupported Thrive 125 Project Costs

Castro noted that three grant awards were reported in the GrantSolutions portal that had the award descriptions of either “Thrive 125 statehood grant” or “Thrive 125 program.” The total of all three awards was \$275,000. Utah indicated these transactions were all associated with the Thrive 125 program, which was in the planning process prior to the pandemic and designed to celebrate Utah’s 125 years of statehood. Since Castro identified unsupported questioned costs related to funds received by one awardee of the Thrive 125 project, we recommend Treasury OIG determine the feasibility of performing additional follow-up with Utah to determine if there were other instances of unsupported costs within the other two awards issued under this grant program.

Transfers Greater Than or Equal to \$50,000

We determined Utah’s Transfers greater than or equal to \$50,000 did not comply with the CARES Act and Treasury’s Guidance. We tested transactions related to eight transfers totaling \$90,987,572. The transfers tested related to financial assistance provided to school districts; purchase of a group home for isolation; quarantine measures; laptops and personal protective equipment purchases for students; not-for-profit small business grants; public health and safety payroll; purchase of an airport hangar to use as storage of COVID-19 supplies; purchase of a generator as backup for power supply to water pumps to be accessible for people remotely; purchase of ambulances to respond to medical emergencies; and unemployment benefits costs. Castro noted that out of the \$342,203,178 reported within the Transfers greater than or equal to \$50,000 payment type, Utah used \$109,335,649 in CRF proceeds related to unemployment replenishment payments (see **Unemployment Insurance Replenishment Analysis** below for further details).

We identified exceptions related to two tested transfers resulting in unsupported questioned costs of \$400,000 and ineligible questioned costs of \$10,537, respectively, as detailed below.

Transfer Exception #1 – Purchase of a Group Home for Isolating and Quarantine Measures

As part of its local government allocation, Utah transferred a total of \$31,447,863 to the County of Davis. Castro selected two invoices totaling \$4,174,662 for testing. These invoices were related to expenditures incurred by a behavioral health center and a school district.

For one of the two invoices, we noted the health center received \$603,662 in funding for the purchase of a group home in Clearfield, Utah to isolate and quarantine individuals with COVID-19. Of this funding, \$500,000 was used for the purchase of the group home, while \$103,662 was utilized for the renovation costs of the home.

During our review of the renovation costs, Castro found that the health center had purchased a heating and air conditioning system for the group home that included 10-year parts warranty costs within the total invoice amount of \$14,666. Per Treasury's Guidance,²⁷ recipients are required to expend their funds received from the CRF to cover these obligations by September 30, 2022. Utilizing the purchase order and invoice, we performed a calculation and identified the amount eligible for Treasury's final period for Utah to expend obligated funds through September 30, 2022. Based on the guidance and our calculation, we determined that a portion of the expenditures utilized to purchase the heating and air conditioning system occurred outside of Treasury's final period for Utah to expend obligated funds. As a result, we identified ineligible questioned costs of \$10,537.

Transfer Exception #2 – Transfer to the County of Weber to Fund Non-Profit Organizations Grant Programs

As part of its local government allocation, Utah transferred \$2,190,107 to the County of Weber, who granted the CRF proceeds to 13 non-profit organizations. Castro tested two invoices totaling \$400,000 that were related to expenditures incurred by two non-profit organizations run by one of the cities within the County of Weber.

²⁷ Coronavirus Relief Fund Guidance as published in the Federal Register (December 14, 2021) states: 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 Utah

For the two invoices tested for \$200,000 each, we reviewed grant agreements and noted that grantees were required to submit performance/progress reports with each request for disbursement along with documentation of all the CRF eligible expenses to be reimbursed (vouchers, invoices, receipts). Castro requested this supporting documentation, and received Nonprofit Grant Increase Request Forms for each of the tested applicants that did not tie back to the \$200,000 grant award amounts and appeared to be requests for additional funding, not the original request/application for funding.

We followed up with Utah for clarification on whether the amounts reflected within the grant increase request forms were a part of the initial \$200,000 awarded to each applicant. Utah did not provide a response regarding the correct amount. Additionally, we requested the original funding request, underlying expenditure details, the grantee's review process surrounding how they determined applicants to be eligible, submission of eligibility documentation, and performance/progress reports. Castro did not receive sufficient supporting documentation or responses to these requests. As a result, we identified unsupported questioned costs of \$400,000.

Within the provided supporting documentation related to Transfer Exception #2 above, Castro identified that there were 13 non-profit organizations that were included within the total \$2,190,107 issued under the non-profit grant program. Castro selected two of these organizations for testing and identified unsupported questioned costs of \$400,000. We recommend Treasury OIG determine the feasibility of performing additional follow-up with Utah to determine if there were other instances of unsupported grants within the amount of \$1,790,107 not tested by Castro.

Unemployment Insurance Replenishment Analysis

The Unemployment Insurance (UI) Trust Fund²⁸ 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 during 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, Utah experienced significant increases in unemployment claims which decreased the reserve fund balance increasing the risk of insolvency.

²⁸ 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, Utah replenished the UI Trust Fund Balance with CRF proceeds for eligible claimants receiving unemployment benefit payments.

Desk Review of the State of Utah

Utah experienced a decline in its UI Trust Fund balance from March 2020 through March 2021 of \$431,043,154. We reviewed Utah's Unemployment Claims Analysis, which summarized the inflows and outflows of the UI Trust Fund balance during the covered period and identified a decrease of \$431,043,154, of which Utah used CRF proceeds in the amount of \$109,335,649 to replenish the UI Trust Fund balance. This indicated Utah did have enough eligible CRF related unemployment benefit claims to support its \$109,335,649 replenishment payment.

Castro also obtained written confirmation from Utah management that Utah utilized other federal funding sources to reimburse for unemployment related expenditures; however, those funds were for specific, enhanced unemployment benefits and administrative costs resulting from the pandemic and only used to reimburse for those expenses. Utah also stated that those federal funds did not replenish any of the balance decreases experienced by the UI Trust Fund balance. Castro reviewed the expenditure details and noted Utah adequately tracked the expenditures by the federal funding programs. Castro accounted for those in our analysis and noted that Utah's UI Trust Fund balance decreased by more than the amount of other federal funding sources used. Castro concluded that Utah's use of CRF proceeds for unemployment related expenditures consisted of an UI Trust Fund 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.

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

We determined Utah's Direct Payments greater than or equal to \$50,000 complied with the CARES Act and Treasury's Guidance. We tested one direct payment totaling \$107,806 and identified no exceptions. The direct payment tested included expenditures for compliance expenses for the State of Utah's fiscal year 2021 Single Audit Act costs.

Aggregate Reporting Less Than \$50,000

We determined Utah's Aggregate Reporting less than \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested transactions related to seven aggregate reporting transactions totaling \$169,983. The aggregate reporting transactions tested included expenditures related to caregiver compensation/respite payments; small business loans; and the conversion of small business loans into grants. We identified one exception, resulting in unsupported questioned costs of \$7,630, as detailed below.

Desk Review of the State of Utah

Additionally, we identified one reporting misclassification related to Aggregate Reporting less than \$50,000 that we determined should have been reported in Contracts greater than or equal to \$50,000 or Aggregate Payments to Individuals in the GrantSolutions portal, which was non-compliant with Treasury's Guidance.

Aggregate Reporting Exception – Temporary Caregiver Compensation to Vulnerable Patients

We tested five invoices totaling \$19,463 that Utah claimed under a \$649,625 contract for caregiver compensation and/or respite payments to waitlisted individuals with disabilities with the most critical needs during the COVID-19 pandemic. We determined this was a reporting misclassification that did not comply with Treasury's Guidance, as the overall contract amount was greater than \$50,000 and as such should have been reported under Contracts greater than or equal to \$50,000 or Aggregate Payments to Individuals in the GrantSolutions portal.

For the five individuals selected, Castro reviewed the provided timesheets and paystubs for each individual who received respite care payments for their efforts in caring for a family member. We noted that the amounts listed on the paystub did not tie to the amount noted in the check register. Additionally, several of the timesheets reviewed had a total number of hours that did not match the total amount of hours listed on the paystub. We identified a variance amount of \$7,630 between the total payment amounts of \$19,463 listed in the check register files and the amount of \$11,833 evidenced in the paystubs. As a result, we question the \$7,630 variance amount as unsupported questioned costs.

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,²⁹ where applicable. Prime recipients may or may not have claimed all of these types of expenditures.

²⁹ 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 Utah

- **Public Safety/Health Payroll**³⁰ – consisted of payroll costs for public health and safety department personnel.
- **Substantially Dedicated Payroll**³¹ – 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**³² – 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.

³⁰ 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.”

³¹ 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.”

³² 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 Treasury’s 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.”

Desk Review of the State of Utah

The Utah Aggregate Payments to Individuals balance consisted of payroll and other transactions from the following categories of claimed costs.

Aggregate Payments to Individuals Category Types	Total Expenses Claimed
Public Health and Safety Payroll	\$ 6,905,106
Substantially Dedicated Payroll	\$ 125,035
Non-Substantially Dedicated Payroll	\$ 2,702,163
Totals³³	\$ 9,732,304

Castro noted that public health and safety payroll transactions were subject to Treasury's administrative accommodation,³⁴ 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 and non-substantially dedicated payroll balances were not subject to this administrative accommodation, and therefore, Castro tested these transactions by reviewing payroll distribution files and also by performing tests over specific employee timesheet submissions. Transactions classified as non-payroll expenditures vary depending on the type of expenses that were reimbursed with CRF, and therefore, Castro performed analytical procedures and testing on transactions by reviewing the applicable underlying guidelines and details provided as support by Utah.

We determined Utah's Aggregate Payments to Individuals did not comply with the CARES Act and Treasury's Guidance. We tested transactions related to five Aggregate Payments to Individuals transactions totaling \$42,292. Transactions tested related to payroll for public health and safety employees and non-substantially dedicated payroll costs. We identified one exception that resulted in unsupported questioned costs of \$2,553 and ineligible questioned costs of \$2,700, respectively, totaling \$5,253 of questioned costs, as detailed below.

³³ Utah did not report any non-payroll expenditures, including unemployment related expenditures within its Aggregate Payments to Individuals payment type within the GrantSolutions portal as of September 30, 2023. As mentioned above, Utah management reported unemployment related costs within its Transfers greater than or equal to \$50,000 payment type.

³⁴ Treasury's Federal Register guidance stated that an administrative accommodation was, "In recognition of the particular importance of public health and public safety workers to State, local, and tribal government responses to the public health emergency, Treasury has provided, as an administrative accommodation, that a State, local, or tribal government may presume that public health and public safety employees meet the substantially dedicated test... This means that, if this presumption applies, work performed by such employees is considered to be a substantially different use than accounted for in the most recently approved budget as of March 27, 2020. All costs of such employees may be covered using payments from the Fund for services provided during the period that begins on March 1, 2020, and ends on December 31, 2021."

Aggregate Payments to Individuals Exception – Incentive Payments for the Utah Governor’s Office of Economic Opportunity Personnel

Utah claimed \$135,677 in expenditures for non-substantially dedicated employees to cover payroll related costs for the Utah Governor’s Office of Economic Opportunity in connection with the State planning of the COVID-19 pandemic response, and we selected five payments totaling \$12,650 for testing. These payments were made to personnel on the Utah Marketing and Communications team for pay periods between July 2020 and December 2020. Utah was unable to provide adequate support to evidence the payroll related costs were eligible and allowable in conjunction with the CARES Act and Treasury’s Guidance, resulting in unsupported questioned costs of \$2,553, and ineligible questioned costs of \$2,700, respectively, as detailed below.

For one payment, Castro obtained and reviewed the submitted timesheet, job title, incentive award justification, and description of tasks performed by the Utah Marketing and Communications team for that pay period. Utah did not provide the specific COVID-19 tasks performed by this employee. In addition, we noted the employee charged time to the employee’s default time code and could not separate their COVID-19 task hours from their regular assigned duty hours. As a result, we identified \$2,553 in unsupported questioned costs.

For four payments totaling \$2,700, Utah issued incentive payments to four employees. The incentive payments made by Utah to these employees were bonuses that were a key part of the employee's total compensation and were paid on a quarterly basis. Per Treasury’s Guidance in the Federal Register, bonuses were not eligible expenditures that could be reimbursed with CRF proceeds unless they were related to hazard pay.³⁵ Although Utah provided incentive justification sheets to demonstrate that bonuses were awarded to employees based upon their efforts within the COVID-19 response, the incentive sheets did not mention hazard pay as a justification for the bonus payments. Castro questioned these incentive payments of \$2,700 as ineligible.

Additionally, Castro noted within its testing procedures that payroll expenditures claimed for non-substantially dedicated personnel were not adequately supported. Additionally, Castro identified several instances of ineligible bonuses paid to non-substantially dedicated employees. Since Castro identified unsupported payroll costs and ineligible bonuses, we recommend Treasury OIG

³⁵ Coronavirus Relief Fund Guidance as published in the Federal Register (January 15, 2021) states: 29. The Guidance includes workforce bonuses as an example of ineligible expenses but provides that hazard pay would be eligible if otherwise determined to be a necessary expense. Is there a specific definition of "hazard pay"? Hazard pay means additional pay for performing hazardous duty or work involving physical hardship, in each case that is related to COVID-19.

Desk Review of the State of Utah

determine the feasibility of performing additional follow-up with Utah to determine if there were instances of unsupported payroll costs and ineligible bonuses within the remainder of the \$2,702,163 categorized as non-substantially dedicated payroll.

Conclusion

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

We identified unsupported and ineligible questioned costs of \$40,308,738 and \$6,852,799, respectively, with total questioned costs of \$47,161,537. Also, we identified GrantSolutions portal reporting misclassification issues related to the Grants greater than or equal to \$50,000 and Aggregate Reporting less than \$50,000 payment types, which were non-compliant with Treasury's Guidance. Additionally, Utah's risk of unallowable use of funds is **high**.

Castro recommends that Treasury OIG follow-up with Utah's management to confirm if the \$40,308,738 noted as unsupported expenditures within the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types can be supported. If support is not provided, Treasury OIG should recoup the funds or request Utah 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 Utah management to provide support for replacement expenses, not previously charged, that were eligible during the CRF period of performance for the \$6,852,799 of ineligible costs charged to the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, and Aggregate Payments to Individuals payment types. If support is not provided, Treasury OIG should recoup the funds.

Desk Review of the State of Utah

Further, based on Utah's responsiveness to Treasury OIG's requests and its 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 Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types.

At the time of desk review fieldwork, Castro noted that Utah had findings in their Single Audit Reports for fiscal years 2020, 2021, and 2022. Castro recommends that Treasury OIG follow-up with Treasury's Office of Capital Access to ensure that management decision letters are issued on the findings identified by the auditor in the Single Audit report, which we have summarized below.

- Utah's fiscal year 2020 Single Audit report was published on December 18, 2020, and the auditor found unsupported questioned costs specific to the CRF in the amount of \$14,430,192.
- Utah's fiscal year 2021 Single Audit report was published on December 21, 2021, and the auditor found unsupported questioned costs specific to the CRF in the amount of \$17,675,204.
- Utah's fiscal year 2022 Single Audit report was published on December 14, 2022, and the auditor found unsupported questioned costs specific to the CRF in the amount of \$643,375.
- Utah's fiscal year 2023 Single Audit report was published on December 22, 2023, and did not include any CRF related questioned costs.

We recommend Treasury OIG follow-up on any CRF specific questioned costs reported in the fiscal year 2020, 2021, and 2022 Single Audit reports.

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 on these issues:

- Castro identified unsupported questioned costs totaling \$11,985,002 claimed by Utah under a \$20,456,023 contract for broadband enhancement services. Since Castro identified unsupported questioned costs related to the broadband enhancement service contract transactions, we recommend Treasury OIG determine the feasibility of performing additional follow-up with Utah to determine if there were other instances of unsupported costs within the \$8,471,021 remaining, untested balance.

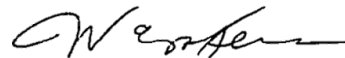
Desk Review of the State of Utah

- Castro identified unsupported questioned costs related to marketing campaigns created and run by a marketing agency under the Contracts greater than or equal to \$50,000 payment type, we recommend Treasury OIG determine the feasibility of performing additional follow-up with Utah to determine if there were other instances of unsupported balances within the advertising campaigns created through a third-party vendor.
- Follow-up with Utah and request Utah 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 there were other instances of subscription costs that extended past September 30, 2022.
- Castro identified unsupported questioned costs related to the Thrive 125 grants project, we recommend Treasury OIG determine the feasibility of performing additional follow-up with Utah to determine if there were other instances of unsupported costs within the other two awards issued under this program.
- Castro identified unsupported questioned costs related to a transfer to the County of Weber to fund a non-profit grant program, we recommend Treasury OIG determine the feasibility of performing additional follow-up with Utah to determine if there were other instances of unsupported grants within the amount of \$1,790,107 not tested by Castro.
- Castro identified unsupported and ineligible questioned costs related to non-substantially dedicated payroll, we recommend Treasury OIG determine the feasibility of performing additional follow-up to determine if there were other instances of unsupported costs and ineligible bonuses within the remainder of the amount categorized as non-substantially dedicated payroll.

Desk Review of the State of Utah

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.³⁶ We appreciate the courtesies and cooperation provided to our staff during the desk review.

Sincerely,



Wayne Ference
Partner, Castro & Company, LLC

³⁶ <https://www.ignet.gov/sites/default/files/files/Silver%20Book%20Revision%20-%208-20-12r.pdf>