



OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

December 19, 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 Native Village of Selawik's Use of  
Coronavirus Relief Fund Proceeds (OIG-CA-25-027)

Please find the attached desk review memorandum<sup>1</sup> on the Native Village of Selawik's (Selawik) use of Coronavirus Relief Fund (CRF) proceeds. The CRF is authorized under Title VI of the Social Security Act, as amended by Title V, Division A of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Under a contract monitored by our office, Castro & Company, LLC (Castro), a certified independent public accounting firm, performed the desk review. Castro performed the desk review in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Federal Offices of Inspector General* standards of independence, due professional care, and quality assurance.

In its desk review, Castro personnel reviewed documentation for a non-statistical selection of 20 transactions reported in the quarterly Financial Progress Reports (FPR) and identified unsupported and ineligible questioned costs of \$70,486 and \$1,106,212, respectively, resulting in total questioned costs of \$1,176,698 (see attached scheduled of monetary benefits).

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

Castro determined that the expenditures related to Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000,<sup>2</sup> and Aggregate Payments to Individuals<sup>3</sup> did not comply with the CARES Act and the Department of the Treasury's (Treasury) Guidance. Castro identified reporting classification errors within the Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Reporting to Individuals payment types that did not comply with Treasury's Guidance. Additionally, Castro determined that Selawik's risk of unallowable use of funds is high.

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

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) Based on the results of Castro's testing over \$23,414 out of \$857,576 in CRF payroll expenses claimed by Selawik, Castro recommends Treasury OIG determine the feasibility of following up on the balance of \$834,162, as the remaining balance may be similarly unsupported or ineligible since Castro found exceptions related to all payroll transactions tested;
- 2) Follow-up with Selawik to determine if there were additional costs, separate from those tested by Castro, claimed within the Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types related to the construction of its "new store", and if so, determine if those amounts should be questioned as well; and

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<sup>2</sup> 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).

<sup>3</sup> 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.

3) Since there were hardship payments misclassified in the Direct Payments greater than or equal to \$50,000 payment type that should have been reported in the Aggregate Payments to Individuals payment type identified within the testing, Castro recommends Treasury OIG follow-up with Selawik to determine if there were additional costs claimed within the Direct Payments greater than or equal to \$50,000 and Aggregate Payments to Individuals payment types related to hardship payment claims, and if so, determine if those amounts should be questioned as well.

Treasury OIG issued a draft of this report to Selawik on December 11, 2024 and notified the tribe that Castro personnel would reach out to schedule an exit conference. Selawik management acknowledged receipt of the draft report on December 11, 2024, but did not respond to multiple subsequent requests to schedule an exit conference. Treasury OIG will contact Selawik to follow-up on the questioned costs in this desk review in 2025.

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

cc:

Michelle. A. Dickerman, Deputy Assistant General Counsel, Department of the Treasury

Danielle Christensen, Chief Compliance & Finance Officer, Office of Capital Access, Department of the Treasury

Wayne Ference, Partner, Castro & Company, LLC

Tanya Ballot, Tribal Administrator, Native Village of Selawik

Attachment

Schedule of Monetary Benefits

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

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

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

<u>Recommendation</u>	<u>Questioned Costs</u>
Recommendation No. 1	\$1,176,698

The questioned costs represent amounts provided by Treasury under the Coronavirus Relief Fund. As discussed in the attached desk review, \$1,176,698 is Selawik's total expenditures reported in the grant-reporting portal that were ineligible or lacked supporting documentation.

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

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

Desk Review of the Native Village of Selawik, Alaska

December 19, 2024

OIG-CA-25-027

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

FROM: Wayne Ference  
Partner, Castro & Company, LLC

SUBJECT: Desk Review of the Native Village of Selawik, Alaska

On September 11, 2023, we initiated a desk review of the Native Village of Selawik's (Selawik) use of the Coronavirus Relief Fund (CRF) authorized under Title VI of the Social Security Act, as amended by Title V, Division A of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).<sup>1</sup> The objective of our desk review was to evaluate Selawik's documentation supporting its uses of CRF proceeds as reported in the GrantSolutions<sup>2</sup> portal and to assess the risk of unallowable use of funds. The scope of our desk review was limited to obligation and expenditure data for the period of March 1, 2020 through June 30, 2023,<sup>3</sup> as reported in the GrantSolutions portal.

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

- 1) reviewed Selawik's quarterly Financial Progress Reports (FPRs) submitted in the GrantSolutions portal through June 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;<sup>4</sup>

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

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

<sup>3</sup> Selawik fully expended their total CRF proceeds as of June 30, 2023. Castro set the scope end date to June 30, 2023, which was the date of Selawik's last reporting submission within the GrantSolutions portal.

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

## Desk Review of the Native Village of Selawik, Alaska

- 3) reviewed Treasury Office of Inspector General's (OIG) *Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping*;<sup>5</sup>
- 4) reviewed Treasury OIG's monitoring checklists<sup>6</sup> of Selawik's quarterly FPR submissions for reporting deficiencies;
- 5) reviewed other audit reports issued, such as Single Audit Act reports,<sup>7</sup> and those issued by the Government Accountability Office and other applicable Federal agency OIGs for internal control or other deficiencies that may pose risk or impact Selawik's uses of CRF proceeds;
- 6) reviewed Treasury OIG Office of Investigations, the Council of the Inspectors General on Integrity and Efficiency Pandemic Response Accountability Committee,<sup>8</sup> and Treasury OIG Office of Counsel input on issues that may pose risk or impact Selawik's uses of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying Selawik's GrantSolutions portal quarterly FPR submissions, as well as officials responsible for obligating and expending CRF proceeds;
- 8) made a non-statistical selection of Direct Payments, Aggregate Reporting less than \$50,000,<sup>9</sup> and Aggregate Payments to Individuals<sup>10</sup> data identified through GrantSolutions portal reporting; and

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

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

<sup>7</sup> The Single Audit Act of 1984, as amended in 1996, subject entities who receive federal funds in excess of \$750,000 to one audit of those federal funds as opposed to separate audits over each of the Federal program funding sources received. This 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 of Federal awards administered by non-Federal entities. This prime recipient was subject to those audit requirements, and Castro reviewed applicable prior year single audit reports as part of our desk review risk assessment procedures.

<sup>8</sup> Section 15010 of P.L. 116-136 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.

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

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

## Desk Review of the Native Village of Selawik, Alaska

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

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

We identified unsupported and ineligible questioned costs of \$70,486 and \$226,470, respectively, with total tested questioned costs across all payment types of \$296,956. In addition to the detailed transactions tested, Castro identified other matters that related to the construction of a store that we considered to be ineligible because Selawik began construction of this store prior to the start of the COVID-19 pandemic. This resulted in ineligible questioned costs of \$879,742, increasing our total questioned costs from \$296,956 to \$1,176,698. We also determined Selawik's risk of unallowable use of funds is high.

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

### **Non-Statistical Transaction Selection Methodology**

Treasury issued a \$2,568,863 CRF payment to Selawik. As of June 30, 2023, Selawik expended all of its CRF funds. Selawik’s cumulative obligations and expenditures by payment type are summarized below.

<b>Payment Type</b>	<b>Cumulative Obligations</b>	<b>Cumulative Expenditures</b>
Contracts >= \$50,000	\$ -	\$ -
Grants >= \$50,000	\$ -	\$ -
Loans >= \$50,000	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -
Direct Payments >= \$50,000	\$ 649,918	\$ 649,918
Aggregate Reporting < \$50,000	\$ -	\$ -
Aggregate Payments to Individuals (in any amount)	\$ 1,918,945	\$ 1,918,945
<b>Totals</b>	<b>\$ 2,568,863</b>	<b>\$ 2,568,863</b>

### **Population Reconciling and Financial Reporting Control Issues**

Castro’s review of Selawik’s GrantSolutions portal reported expenditures as of June 30, 2023 as compared to the underlying general ledger (GL) detail resulted in the identification of a significant amount of reconciling reporting errors that Castro deemed to be misclassifications that did not comply with Treasury’s Guidance. Selawik stated that due to the complexity of the GrantSolutions reporting portal, the initial reports were not filed correctly due to technical difficulty and that the individual reporting on the CARES Act funds struggled with the reporting until they contracted an accountant to fix it.

For instance, Selawik decreased the Aggregate Payments to Individuals payment type due to a misclassification of \$517,578 and moved \$29,900 of those funds to the Direct Payments greater than or equal to \$50,000 payment type, and \$487,678 of those funds to the Aggregate Reporting less than \$50,000 payment type. Selawik confirmed that it made these reporting corrections within its September 30, 2023 GrantSolutions portal submission due to reporting misclassifications brought to their attention by Castro. Castro obtained and reviewed the September 30, 2023 GrantSolutions portal FPR submission provided by Selawik and confirmed these updates were made; however, these changes occurred due to errors identified by Castro as a result of our desk review and therefore we did not extend our scope end date of June 30, 2023. Castro noted that these changes did not result in a change to the total expenditures claimed. See below for a summary of these classification changes made by Selawik.



## Desk Review of the Native Village of Selawik, Alaska

Payment Type	Cumulative Expenditures per FPR	Cumulative Expenditures Per GL Detail Population	Difference
Contracts >= \$50,000	\$ -	\$ -	\$ -
Grants >= \$50,000	\$ -	\$ -	\$ -
Loans >= \$50,000	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -	\$ -
Direct Payments >= \$50,000	\$ 649,918	\$ 679,818	\$ 29,900
Aggregate Reporting < \$50,000	\$ -	\$ 487,678	\$ 487,678
Aggregate Payments to Individuals (in any amount)	\$ 1,918,945	\$ 1,401,367	\$ (517,578)
<b>Totals</b>	<b>\$ 2,568,863</b>	<b>\$ 2,568,863</b>	

Castro made a non-statistical selection of Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals. Selections were made using auditor judgment based on information and risks identified in reviewing audit reports, the GrantSolutions portal reporting anomalies<sup>11</sup> identified by the Treasury OIG CRF monitoring team, and review of Selawik’s FPR submissions. Castro noted Selawik did not obligate or expend CRF proceeds to the Contracts greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Loans greater than or equal to \$50,000, and Transfers<sup>12</sup> greater than or equal to \$50,000 payment types; therefore, we did not make a selection of transactions from these payment types.

The number of transactions (20) we selected to test was based on Selawik’s total CRF award amount and Castro’s overall risk assessment of Selawik. To allocate the number of transactions (20) by payment type (Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals), we compared the payment type dollar amounts as a percentage of cumulative expenditures as of June 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

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

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

## Desk Review of the Native Village of Selawik, Alaska

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 \$2,568,863 CRF payment to Selawik. 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, 2022.<sup>13</sup>

Section 15011 of the CARES Act required each covered recipient<sup>14</sup> to submit to Treasury and the Pandemic Response Accountability Committee, no later than 10 days after the end of each calendar quarter, a report that contained (1) the total amount of large, covered funds<sup>15,16</sup> received from Treasury; (2) the amount of large, covered funds received that were expended or obligated for each project or activity; (3) a detailed list of all projects or activities for which large, covered funds were expended or obligated; and (4) detailed information on any level of sub-contracts or sub-grants awarded by the covered recipient or its sub-recipients.

The CARES Act assigned Treasury OIG the responsibility for compliance monitoring and oversight of the receipt, disbursement, and use of CRF proceeds. Treasury OIG also has authority to recoup funds in the event that it is determined a recipient failed to comply with requirements of subsection 601(d) of the Social Security Act, as amended, (42 U.S.C. 801(d)).

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<sup>13</sup> P.L. 116-260 (December 27, 2020). The covered period end date of the CRF was extended through December 31, 2021 by the Consolidated Appropriations Act, 2021. The covered period end date for tribal entities was further extended to December 31, 2022 by the State, Local, Tribal, and Territorial Fiscal Recovery, Infrastructure, and Disaster Relief Flexibility Act, Division LL of the Consolidated Appropriations Act, 2023, P.L. 117-328, December 29, 2022, 136 Stat. 4459.

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

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

<sup>16</sup> 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 Native Village of Selawik, Alaska

### **Desk Review Results**

#### Financial Progress Reports

We reviewed Selawik's quarterly FPRs through June 30, 2023, and found that Selawik timely filed quarterly FPRs in the GrantSolutions portal in compliance with Treasury OIG's reporting requirements for the periods ending June 30, 2020 through September 30, 2020, the period ending December 31, 2022, and the period ending June 30, 2023.

Selawik did not prepare FPR submissions in the GrantSolutions portal for periods ending December 31, 2020 through September 30, 2022, and for the period ending March 31, 2023. We determined Selawik was non-compliant with Treasury OIG's reporting requirements for those periods.

#### Summary of Testing Results

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

Within Table 1 below, we have included a summary of \$296,956 in unsupported and ineligible expenditures identified as questioned costs through our testing of detailed transactions, which did not comply with the CARES Act and Treasury's Guidance. Castro also identified other matters throughout the course of our desk review procedures which we considered to be questioned costs that were not part of our testing of detailed transactions. Table 2 below combines the questioned costs identified in Table 1 with the other questioned costs of \$879,742 identified separately from our detailed transaction testing to account for total questioned costs of \$1,176,698. See the Desk Review Results section below Table 2 for a detailed discussion of questioned costs and other issues identified throughout the course of our desk review.

Desk Review of the Native Village of Selawik, Alaska

**Table 1 - Summary of Expenditures Testing and Recommended Results  
As of September 30, 2023<sup>17</sup>**

Payment Type	Corrected GL Detail Population Expenditure Amount	Cumulative Expenditure Tested Amount	Unsupported Tested Questioned Costs	Ineligible Tested Questioned Costs	Total Tested Questioned Costs
Contracts >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Grants >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Payments >= \$50,000	\$ 679,818	\$ 229,679	\$ 14,799	\$ 201,718	\$ 216,517
Aggregate Reporting < \$50,000	\$ 487,678	\$ 61,737	\$ 36,333	\$ 15,188	\$ 51,521
Aggregate Payments to Individuals (in any amount)	\$ 1,401,367	\$ 28,918	\$ 19,354	\$ 9,564	\$ 28,918
<b>Totals</b>	<b>\$ 2,568,863</b>	<b>\$ 320,334</b>	<b>\$ 70,486</b>	<b>\$ 226,470</b>	<b>\$ 296,956</b>

<sup>17</sup> As discussed earlier in this report, Castro’s review of Selawik’s underlying general ledger (GL) detail resulted in identification of reconciling reporting errors that Castro deemed to be misclassifications that did not comply with Treasury’s Guidance. Although Castro kept the scope end date as June 30, 2023, we utilized the September 30, 2023 GrantSolutions portal submission adjusted figures for our transaction selections for testing. See **Population Reconciling and Financial Reporting Controls Issues** within **Desk Review Results** section for a summary of these classification changes made by Selawik.

**Table 2 – Summary of Expenditures Tested and Other Matters and Recommended Results  
As of September 30, 2023**

Payment Type	(A) Unsupported Questioned Costs (Tested)	(B) Unsupported Questioned Costs (Other Matters)	(C=A+B) Total Unsupported Questioned Costs	(D) Ineligible Questioned Costs (Tested)	(E) Ineligible Questioned Costs (Other Matters) <sup>18</sup>	(F=D+E) Total Ineligible Questioned Costs	(G=C+F) Total Questioned Costs
Contracts >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Payments >= \$50,000	\$ 14,799	\$ -	\$ 14,799	\$ 201,718	\$ 302,213	\$ 503,931	\$ 518,730
Aggregate Reporting < \$50,000	\$ 36,333	\$ -	\$ 36,333	\$ 15,188	\$ 39,242	\$ 54,430	\$ 90,763
Aggregate Payments to Individuals (in any amount)	\$ 19,354	\$ -	\$ 19,354	\$ 9,564	\$ 538,287	\$ 547,851	\$ 567,205
<b>Totals</b>	<b>\$ 70,486</b>	<b>\$ -</b>	<b>\$ 70,486</b>	<b>\$ 226,470</b>	<b>\$ 879,742</b>	<b>\$ 1,106,212</b>	<b>\$ 1,176,698</b>

<sup>18</sup> Castro combined all other matters related to hardship payments and the “new store” other matter ineligible questioned costs. The Direct Payments greater than or equal to \$50,000 payment type ineligible questioned costs of \$302,213 consisted of ineligible “new store” costs of \$106,613 and ineligible hardship payments of \$195,600. The Aggregate Payments to Individuals payment type ineligible questioned costs of \$538,287 consisted of ineligible “new store” costs of \$33,939 and ineligible hardship payments of \$504,348.

**Selawik Hardship Payment Program Summary**

Selawik set up two types of hardship payment<sup>19</sup> programs. The first hardship payment program was a one-time \$350 payment to all tribal citizens. The second hardship payment program was created to assist tribal citizens with past due utilities. Selawik stated that for the one-time \$350 hardship payment, tribal citizens were not required to submit completed applications, however, for the past due utility assistance payment, tribal citizens were required to submit completed applications. These applications were reviewed and approved internally before payment was sent directly to the utility vendor as opposed to the hardship recipient. Selawik classified transactions related to the one-time \$350 payment to all tribal citizens and transactions related to their hardship payment for utility assistance in the Aggregate Payments to Individuals payment type; however, as a result of our testing, we determined that Selawik also misclassified additional utility hardship payments within the Direct Payments greater than or equal to \$50,000 payment type. Castro identified issues related to those hardship payments within both payment types, as detailed below.

Selawik provided Castro the total Selawik tribal citizen population count of 1,248 as of 2020, and we performed analytical procedures to determine the reasonableness of Selawik's hardship payments claimed in its corrected September 30, 2023 GrantSolutions portal submission.

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<sup>19</sup> Castro tested transactions related to tribal citizen hardship payment assistance, which was a payment made by a government to citizens who have experienced a hardship due to the pandemic.

Desk Review of the Native Village of Selawik, Alaska

Table 3 below includes a summary of Selawik’s actual CRF hardship payment program claims that were reported in the Aggregate Payments to Individuals payment type:

**Table 3 - Summary of Selawik’s Actual CRF Hardship Payment Program Claims**

Hardship Program	Additional Description	Tribal Citizens Paid	CRF Claimed Amount (A) <sup>20</sup>	Questioned Costs (Tested) (B)	Questioned Costs (Other Matter) (C = A-B)	Questioned Costs (Combined Tested and Other Matter) (D=B+C)
\$350 One-Time Hardship Payments	\$350 Increments Only Hardship Payments	593	\$ 207,550	\$ -	\$ 207,550	\$ 207,550
	Multiples of \$350 Hardship Payments to include children and dependents (\$700, \$1050 through \$3,500)	701 <sup>21</sup>	\$ 245,350	\$ 3,500	\$ 241,850	\$ 245,350
Utilities Hardship Payments	Utilities Hardship Payments in multiple different dollar values	229	\$ 56,952	\$ 2,004	\$ 54,948	\$ 56,952
<b>Total Hardship Payments</b>		<b>1,523</b>	<b>\$ 509,852</b>	<b>\$ 5,504</b>	<b>\$ 504,348</b>	<b>\$ 509,852</b>

<sup>20</sup> Selawik claimed these CRF payments in the Aggregate Payments to Individuals payment type.

<sup>21</sup> This included 221 payments that included multiples of \$350 hardship payments to include children and dependents. Since payment amounts were multiples of \$350, Castro divided \$245,350 by \$350 to determine that these 221 payments were paid on behalf of 701 tribal citizens (parent, children, and dependents).

**Hardship Analysis Results: \$350 One-Time Hardship Payments - Aggregate Payments to Individuals**

Castro determined that Selawik made COVID-19 hardship payments (both \$350 one-time hardship payments and other increments of \$350 one-time hardship payments) to almost all of the population of the 2020 total tribal citizen population of 1,248. Additionally, Selawik did not require the submission of any hardship applications to assess the need of each tribal citizen. Castro determined Selawik was non-compliant with the Treasury's Guidance<sup>22</sup> because Selawik made payments to almost all of its population in the form of a per capita payment to residents without an assessment of individual need, which was required by Treasury's Guidance. Castro questioned the \$452,900 in hardship payments as ineligible, which consisted of \$207,550 in hardship payments for exactly \$350 each, and \$245,350 in hardship payments for increments of \$350. This consisted of \$3,500 in unsupported costs that we questioned as a result of our detailed transaction testing. We excluded this amount and questioned the remaining \$449,400 as other identified ineligible questioned costs identified separate from our detailed transaction testing. (See Table 3 above for calculations).

Castro determined the 229 utilities hardship payments included in the Aggregate Payments to Individuals payment type were not paid to all tribal citizens. No exception was noted due to our hardship analytic, as this payment amount did not represent a per capita payment to 100 percent of Selawik's tribal citizens.

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<sup>22</sup> [https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register\\_2021-00827.pdf](https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf). Federal Register Notice Volume 86, Number 10 FAQ#43<sup>22</sup> for the CRF, Treasury's Guidance, published January 15, 2021, Necessary Expenditures Incurred Due to the Public Health Emergency, **"Must a State, local, or tribal government require applications to be submitted by businesses or individuals before providing assistance using payments from the Fund?** Governments have discretion to determine how to tailor assistance programs they establish in response to the COVID-19 public health emergency. However, such a program should be structured in such a manner as will ensure that such assistance is determined to be necessary in response to the COVID-19 public health emergency and otherwise satisfies the requirements of the CARES Act and other applicable law. For example, a per capita payment to residents of a particular jurisdiction without an assessment of individual need would not be an appropriate use of payments from the Fund."



## Desk Review of the Native Village of Selawik, Alaska

However, as a result of testing, Castro determined Selawik made utility hardship payments directly to vendors and to tribal owned utility companies (e.g., Alaska Village Electric Coop (AVEC), a member-owned utility that was owned by the members it served) without assessing tribal citizens' needs. We determined that Selawik did not provide any hardship applications or documentation of assessment of individual need. Treasury's Guidance did not allow utilizing CRF proceeds to replace foregone utility fees or to use funds as a direct subsidy payment to all utility account holders without an assessment of individual need.<sup>23</sup> Castro considered this to be expressly disallowed by the Federal Register and considered the entire \$56,952 balance of utility hardship payments to be an exception. After excluding \$2,004 in hardship payment costs already questioned within the Aggregate Payments to Individuals payment type, Castro determined the remaining \$54,948 to be an exception. We question the remaining \$54,948 as other matter identified ineligible costs (See Table 3 above for calculations).

As a result of our testing, we determined that Selawik also misclassified additional utility hardship payments within the Direct Payments greater than or equal to \$50,000 payment type that should have been included within the Aggregate Payments to Individuals payment type. These misclassifications were non-compliant with Treasury's Guidance.

Castro identified ineligible other matter questioned costs related to hardship payments totaling \$699,948. The ineligible questioned costs consisted of the following expenditures of \$195,600 in the Direct Payments greater than or equal to \$50,000 payment type, and \$504,348 in the Aggregate Payments to Individuals payment type. Since there were hardship payments misclassified in the Direct Payments greater than or equal to \$50,000 payment type that should have been reported in the Aggregate Payments to Individuals payment type identified within the testing section below, Castro recommends Treasury OIG follow-up with Selawik to determine if there were additional costs claimed within the Direct Payments greater than or equal to \$50,000 and Aggregate Payments to Individuals payment types related to its hardship payments claims, and if so, determine if those amounts should be questioned as well.

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<sup>23</sup> Federal Register Notice Volume 86, Number 10, FAQ #27, states that: **"May Fund payments be used to replace foregone utility fees? If not, can Fund payments be used as a direct subsidy payment to all utility account holders?** Fund payments may not be used for government revenue replacement, including the replacement of unpaid utility fees. Fund payments may be used for subsidy payments to electricity account holders.... For example, if determined to be a necessary expenditure, a government could provide grants to individuals facing economic hardship to allow them to pay their utility fees and thereby continue to receive essential services."

## Desk Review of the Native Village of Selawik, Alaska

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

We determined Selawik's Direct Payments greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance. Castro tested 20 invoice level transactions totaling \$229,679 that were related to three total direct payments selections in the amount of \$569,703. The direct payments tested consisted of expenses for a community outreach project; a vehicle purchase from an equipment company; and an illness prevention project paid to the City of Selawik. Transactions tested also included transactions that Castro considered hardship payments for the purpose of assisting those in need with their utility payments. We identified exceptions related to 20 invoice level direct payment selections totaling \$216,517 out of \$229,679 tested, which consisted of ineligible and unsupported questioned costs of \$201,718 and \$14,799 respectively, as detailed below.

#### **Direct Payment Exception #1 – Expenses for a Community Outreach Project**

Selawik claimed \$251,674 in expenses for a community outreach project to the Alaska Village Electrical Coop, Inc. (AVEC). We tested 12 transactions totaling \$39,151 related to this direct payment selection, and question the entire amount, including a total of \$24,574 as ineligible questioned costs, and \$14,577 as unsupported questioned costs, as detailed below.

For one transaction tested related to the AVEC totaling \$9,500, Selawik indicated that this payment was necessary to fix and maintain electrical lines to the only store in the village that provided food and fuel to the village. During the COVID-19 pandemic, community members still needed household goods and groceries. Castro reviewed meeting minutes from a January 30, 2023 meeting between Treasury OIG and Selawik officials to discuss a complaint, which alleged that Selawik misused CRF proceeds by building a store and not distributing CRF proceeds as hardship payments to all tribal citizens. Selawik had begun store construction efforts in 2006, but it took over a decade to complete construction due to the lack of funds. Treasury OIG determined that Selawik's use of CRF proceeds to build a community grocery store was not an eligible use of CRF proceeds considering that the construction of the store began in 2006 before the start of the COVID-19 pandemic. As a result, the incurred expenditures related to the construction of the store did not meet the CARES Act and Treasury's Guidance requirements because the construction was started outside the covered period, and not related to the COVID-19 pandemic. We reviewed supporting documentation provided by Selawik and determined the costs to be ineligible because the transaction related to electrical line maintenance for the construction of the store which began in 2006. Castro questions \$9,500 as ineligible costs.

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For one of the transactions related to AVEC totaling \$7,221, Selawik indicated that the utility assistance to the City of Selawik was necessary in response to the pandemic because the City of Selawik owned the building that was used for COVID-19 quarantine during the pandemic. Castro reviewed documentation provided by Selawik and noted the City of Selawik was billing Selawik for utilities. We were able to agree the amounts from the documentation to the expenditures claimed in the GrantSolutions portal; however, Castro determined that the dates of overdue balances were all prior to the start of the COVID-19 pandemic and ranged from January 2001 through November 2019. Since the dates on the documentation provided all preceded the start of the COVID-19 pandemic covered period, Castro did not consider these expenditures to be necessary due to the COVID-19 pandemic. Castro questions the \$7,221 in expenditures as ineligible.

For five of the hardship payment transactions related to AVEC totaling \$6,000, Selawik indicated that due to high costs, and the level of poverty and job loss as a result of the pandemic, the Tribal Council paid for tribal citizen utilities. Castro reviewed the request for payment and cancelled checks provided and noted that the description on the check stated it was for "Utilities: Gas and Electric for three months (April/May/June 2020) for 168 homes that received \$400/month totaling \$1,200 per household." Selawik only provided one month of electrical bills for each household, which we could not agree to the CRF claimed amount. The electrical bills received also did not show that the accounts were past due, which was needed to evidence that the hardship payment was necessary due to the pandemic and that the expense related to a hardship that occurred within the covered period.

Based on the results of Castro's testing, Castro determined that Selawik made a per capita payment to its tribal citizens and did not perform an individual assessment of need. This was explicitly disallowed by the Federal Register. Further, Selawik made utility hardship payments directly to vendors and to tribal owned utility companies as opposed to directly to the hardship payment recipients. See "**Hardship Analysis Results: \$350 One-Time Hardship Payments - Aggregate Payments to Individuals**" Other Matter section above for expanded discussion, to include Federal Register guidance contemplated by Castro to make this determination. Castro questions \$6,000 as ineligible costs.

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For four hardship payment transactions related to AVEC totaling \$1,853, Selawik indicated that utility assistance to tribal citizens was necessary in response to the COVID-19 pandemic due to job loss and level of poverty, as well as to keep homes clean and warm to prevent spread of the disease. Castro reviewed documentation, which indicated Selawik recognized these balances as “old, old accounts.” We also reviewed “Bad Debt, Write-off” statements with the balances of the transaction amounts that indicated the due dates of past due bills were May 8, 2009 and July 1, 2018. Castro also noted that all four of these transactions were for the same meter number but were for four different utility customers. Based on the information received, it appeared as though Selawik reviewed its past due accounts receivable/bad debt write-offs and claimed these amounts as CRF expenditures. We determined these expenditures were incurred prior to the COVID-pandemic covered period and did not meet the CARES Act and Treasury’s Guidance requirements. Castro questions \$1,853 as ineligible costs.

For one hardship payment transaction related to AVEC totaling \$14,577, Selawik indicated that the utility assistance in response to the COVID-19 pandemic was necessary due to increased job loss and the high cost of living and utilities in the village. Gas and electricity were needed to keep homes warm and provide a water source to prevent the spread of COVID-19. Castro reviewed the shutoff notices provided and noted that Selawik did not provide the shut-off notices for all the utility customers within this transaction. For those instances where Selawik did provide shutoff statements with a name that agreed to the list of utility hardship payments made, Castro noted that the amounts on the shutoff statements were all less than the amount claimed for those utility customers. Castro reviewed the shutoff notices provided and determined that past due amounts totaled to only \$6,616 of the total \$14,577 expenditure amount claimed for this transaction, leaving the remaining \$7,961 in expenditures as unsupported questioned costs. Castro requested Selawik provide additional shutoff documents that matched to the names and amounts of the claimed costs. We also requested Selawik provide the last billing statements showing when the balances in the shutoff statements went overdue to support amounts in the shutoff statement, but Selawik did not provide any responses to our requests. Selawik also did not provide any hardship applications showing that the hardship recipient asserted their need for that COVID-19 funding. Without the billing statements and hardship applications, Castro could not determine whether the costs were incurred due to the COVID-19 pandemic or whether these costs were incurred prior to the start of the pandemic. Castro questions the entire transaction balance of \$14,577 as unsupported costs.

**Direct Payment Exception #2 – Expenses for a Vehicle Purchase**

Selawik claimed \$150,000 in expenses for a vehicle purchase payment made to an equipment company. Related to this purchase, Selawik indicated that the vehicle was purchased to start and complete the dirt work on the new quarantine facility construction for tribal citizens to quarantine away from their families. Selawik stated that they already were suffering from a severe housing shortage. After reviewing the email correspondence provided, Castro determined that the dates on the support started on February 13, 2020 and were prior to the start of the COVID-19 pandemic. Castro requested additional explanation regarding how Selawik determined these costs were not already budgeted for in its most recent budget prior to March 27, 2020; however, Selawik did not timely respond to our requests. Since the dates on the email correspondence all preceded the start of the COVID-19 pandemic, Castro did not consider these expenditures to be necessary due to the COVID-19 pandemic. We determined the costs were obligated prior to the start of the covered period and Castro questions \$150,000 as ineligible costs.

**Direct Payment Exception #3 – Expenses Related to an Illness Prevention Project**

Selawik claimed \$168,029 in expenses for an illness prevention project paid to the City of Selawik. Castro tested seven transactions over this direct payment to the City of Selawik totaling \$40,528. We questioned \$27,366 in costs tested, which consisted of ineligible and unsupported costs of \$27,144 and \$222 respectively, as detailed below.

For one transaction paid to the City of Selawik totaling \$2,664, Castro was able to agree the amounts to the invoice provided without exception. Selawik indicated that the Tribal Council assisted with payments to laborers in the village to help thaw out the water lines. If the water lines would freeze and burst, the entire village water system would have failed, and no village homes would have running water during the COVID-19 pandemic. After reviewing the invoice and cancelled check, Castro determined that the invoice and payment date of January 31, 2020 occurred prior to the covered period to incur CRF expenditures that began on March 1, 2020. As a result, we determined the incurred expenditures relating to labor costs for the thawing of water lines did not meet the CARES Act and Treasury's Guidance requirements. As a result, Castro questions \$2,664 as ineligible costs.

For five hardship payment transactions paid to the City of Selawik totaling \$24,480, Selawik indicated that the Tribal Council paid the City of Selawik for water/sewer payments on behalf of tribal citizens. In a community that already suffered from a housing shortage and bad water pre-COVID, the Tribal Council

## Desk Review of the Native Village of Selawik, Alaska

paid for water/sewer on behalf of community members for health and safety in response to the pandemic. Castro reviewed the cancelled check provided by Selawik and noted that the description on the check stated it was for utility payments for residents. After reviewing the documentation, Castro could not reconcile the CRF claimed amount to the check provided. Selawik also did not provide any hardship applications for the water/sewer hardship payments needed to verify hardship recipients needed these funds due to the COVID-19 pandemic. Based on the results of Castro's testing, Castro determined that Selawik made a per capita payment to its tribal citizens and did not perform an individual assessment of need. This is explicitly disallowed by the Federal Register. See section " **Hardship Analysis Results: \$350 One-Time Hardship Payments - Aggregate Payments to Individuals**" above for expanded discussion, to include Federal Register guidance contemplated by Castro to make this determination. Castro questions \$24,480 as ineligible costs.

For one transaction paid to the City of Selawik totaling \$13,383, Selawik indicated that the Tribal Council reimbursed the City of Selawik for COVID-19 safety and law enforcement during the pandemic. The Village was on lockdown several times during the pandemic and public safety workers were paid to enforce the rules and respond to health concerns related to COVID-19. Selawik provided timesheets to support this transaction, however, Castro was unable to recalculate the payroll amounts because the timesheets were missing job titles, days/hours worked, pay period date of timesheets provided, and/or pay rates. Castro requested additional documentation to verify the information of the employees; however, Selawik did not timely respond to our requests. As a result, Selawik's provided documentation to support \$13,161 out of \$13,383 in total expenditures claimed for this transaction, resulting in a variance of \$222. Therefore, Castro questions \$222 in payroll as unsupported costs.

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

We determined Selawik's Aggregate Reporting less than \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested seven transactions totaling \$61,737. The transactions tested related to the purchase of two all-terrain vehicles (ATVs) for workers to distribute COVID-19 supplies and enforce COVID-19 public safety rules and regulations during village quarantine lockdown; purchase of a septic waste removal truck to maintain and improve sanitary conditions for housing in the village in response to the COVID-19 pandemic; and construction of a village store. We identified exceptions related to six transactions, resulting in unsupported and ineligible questioned costs of \$36,333 and \$15,188, respectively, as detailed below.

### **Aggregate Reporting Unsupported Exceptions Related to Vehicle Purchases**

For one transaction tested totaling \$19,228, Selawik indicated that two ATVs needed to be purchased on August 6, 2020 for COVID-19 workers to use to distribute COVID-19 supplies and enforce COVID-19 public safety rules and regulations during village quarantine lockdown. Selawik did not respond to our requests to elaborate on the types of supplies delivered, who these supplies were delivered to, or on the public safety rules and regulations that were being enforced using these ATVs during the pandemic. Castro requested, but Selawik also did not provide documentation of any considerations of other cost-effective alternatives to support that it was more cost-effective to purchase the vehicles rather than leasing or improving vehicles already owned. Treasury's Guidance in the Federal Register Notice Volume 86, Number 10, for the CRF, Frequently Asked Questions (FAQ) #58,<sup>24</sup> indicates that "a government must (i) determine that it is not able to meet the need arising from the public health emergency in a cost-effective manner by leasing property or equipment or by improving property already owned and (ii) maintain documentation to support this determination.". Without this information, Castro was unable to determine the eligibility of the purchase of the ATVs, and if they were necessary due to COVID-19. Castro also asked for Selawik's most recent budget prior to the start of COVID-19 (March 2020); however, Selawik did not provide any budget document. Without this budget, Castro could not verify whether these ATVs were previously budgeted for prior to the start of the pandemic. Castro questions \$19,228 as unsupported costs.

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<sup>24</sup> Treasury's Guidance in the Federal Register Notice Volume 86, Number 10, for the CRF, FAQ #58, states: "May payments from the Fund be used for real property acquisition and improvements and to purchase equipment to address the COVID-19 public health emergency? The expenses of acquiring or improving real property and of acquiring equipment (e.g., vehicles) may be covered with payments from the Fund in certain cases. For example, Treasury's initial guidance referenced coverage of the costs of establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity, including related construction costs, as an eligible use of funds. Any such use must be consistent with the requirements of section 601(d) of the Social Security Act as added by the CARES Act. As with all uses of payments from the Fund, the use of payments to acquire or improve property is limited to that which is necessary due to the COVID- 19 public health emergency. In the context of acquisitions of real estate and acquisitions of equipment, this means that the acquisition itself must be necessary. In particular, a government must (i) determine that it is not able to meet the need arising from the public health emergency in a cost-effective manner by leasing property or equipment or by improving property already owned and (ii) maintain documentation to support this determination. Likewise, an improvement, such as the installation of modifications to permit social distancing, would need to be determined to be necessary to address the COVID-19 public health emergency."

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For one transaction tested totaling \$17,105, Selawik stated that a septic removal trailer with container, lid, and frame was purchased in response to the COVID-19 pandemic to maintain and improve sanitary conditions for housing in the village. Some homes did not have water connections and/or homes needed to have the septic pumps emptied. Castro reviewed a quote dated May 29, 2020 for the septic removal truck with container, lid, and frames and freight trailer, which we were able to agree to the claimed CRF amount without exception. Castro reviewed the proof of payment dated August 7, 2020; however, the old septic waste removal truck plans that were provided were dated August 31, 2006, indicating that replacing this older septic waste removal truck could have been part of Selawik's pre-COVID-19 budget. Selawik did not respond to our requests for a budget most recently approved prior to COVID-19 and whether they had the equipment necessary to perform this septic waste removal prior to the start of the COVID-19 pandemic. Without the most recent budget prior to the start of the pandemic, Castro was unable to determine if these expenditures were eligible and not previously budgeted for. Castro questions \$17,105 as unsupported costs.

### **Aggregate Reporting Ineligible Exceptions Related to Store Construction**

For four transactions tested totaling \$15,188, support was associated with the construction of the "new store." During a CRF eligibility meeting held between Treasury OIG and Selawik, the tribal administrator indicated that a new 8,000 square foot village store was being constructed utilizing CRF proceeds, as the "old store" had been damaged in a fire that occurred in November 2019. Within the Treasury OIG's review of a complaint allegation made against Selawik, Treasury OIG determined that expenditures related to the construction of the "new store" did not meet CARES Act and Treasury's Guidance requirements for eligible use of the CRF funds since the construction of the store began in 2006 before the start of the COVID-19 pandemic. Selawik did not respond to Castro's requests for its most recent budget prior to the start of the pandemic. Castro reviewed the underlying invoice support provided, and although we noted these expenditures were incurred within the CRF covered period, we determined that they were related to construction of the "new store" that began in 2006. We considered these costs to be ineligible as the store construction was already underway prior to the start of the pandemic and was therefore included in the previous budget. Castro questions \$15,188 as ineligible.



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Due to the ineligible identified costs reported in the finding above regarding the “new store” construction already being underway prior to the start of the pandemic, Castro questions costs related to the “new store” construction totaling \$179,794<sup>25</sup> as ineligible. Through Castro’s GL population reconciliation procedures, Selawik explicitly quantified the total amount of costs incurred on the construction of its “new store” or associated with funds provided to the Selawik Indian Reorganization Act (IRA) Fuel Project, the entity responsible for operating this store, as \$194,982. This consisted of \$33,939 in Selawik incurred payroll costs for time its employees spent on the construction of its “new store”, \$54,430 in the Aggregate Reporting less than \$50,000 payment type transactions consisting of construction materials, contract labor, professional fees, and repairs and maintenance expenses, and \$106,613 in the Direct Payments greater than or equal to \$50,000 payment type funds provided to the Selawik IRA Fuel Project for fuel expenses, office supplies, and payroll expenses. Since these costs related to the “new store” where construction was already underway beginning in 2006 prior to the start of the pandemic and was therefore included in the previous budget, Castro questions other matters questioned costs of \$179,794 as ineligible.

Castro recommends Treasury OIG follow-up with Selawik to determine if there were additional costs claimed within the Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types related to the construction of its “new store,” and if so, to determine if those amounts should be questioned as well.

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<sup>25</sup> The \$179,794 in other matter identified ineligible question costs related to the “new store” construction and consisted of the following ineligible questions costs for the following payment types: \$106,613 in Direct Payments greater than or equal to \$50,000, \$39,242 in Aggregate Reporting less than \$50,000, and \$33,939 in Aggregate Payments to Individuals. After excluding \$15,188 in ineligible costs already questioned within the tested Aggregate Reporting less than \$50,000 payment type, as detailed above, this resulted in other matter questioned costs of \$39,242 for the Aggregate Reporting less than \$50,000 payment type.

## Aggregate Payments to Individuals

CRF payments made to individuals, regardless of amount, were required to be reported in the aggregate in the GrantSolutions portal to prevent inappropriate disclosure of personally identifiable information. Castro notes that the Aggregate Payments to Individuals payment type consisted of the below broad types of potential costs, which we have defined from Treasury's guidance as published in the Federal Register.<sup>26</sup> Prime recipients may or may not have claimed all of these types of expenditures.

- **Public Health and Safety Payroll**<sup>27</sup> – consisted of payroll costs for public health and safety department personnel.
- **Substantially Dedicated Payroll**<sup>28</sup> – consisted of payroll costs for non-public health and safety personnel who were substantially dedicated to mitigating or responding to the COVID-19 public health emergency.
- **Non-Substantially Dedicated Payroll**<sup>29</sup> – consisted of payroll costs for personnel who performed COVID-19 related tasks on a part-time basis.
- **Non-Payroll Expenditures** – consisted of financial assistance payments to citizens due to hardship or loss of income, unemployment claims, and other non-payroll related expenditures made to individuals.

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<sup>26</sup> Coronavirus Relief Fund Guidance as published in the Federal Register (January 15, 2021) [https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register\\_2021-00827.pdf](https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf)

<sup>27</sup> Treasury's Federal Register guidance provided the following examples of public health and safety employees: "police officers (including state police officers), sheriffs and deputy sheriffs, firefighters, emergency medical responders, correctional and detention officers, and those who directly support such employees such as dispatchers and supervisory personnel...employees involved in providing medical and other health services to patients and supervisory personnel, including medical staff assigned to schools, prisons, and other such institutions, and other support services essential for patient care (e.g., laboratory technicians) as well as employees of public health departments directly engaged in matters related to public health and related supervisory personnel."

<sup>28</sup> Substantially dedicated payroll costs meant that personnel must have dedicated over 50 percent of their time to responding to or mitigating COVID-19. Treasury's Federal Register guidance stated: "The full amount of payroll and benefits expenses of substantially dedicated employees may be covered using payments from the Fund. Treasury has not developed a precise definition of what "substantially dedicated" means given that there is not a precise way to define this term across different employment types. The relevant unit of government should maintain documentation of the "substantially dedicated" conclusion with respect to its employees."

<sup>29</sup> Payroll costs that were not substantially dedicated were payroll costs that were not public health and safety, and which were not substantially dedicated to performing COVID-19 related tasks. Treasury's Federal Register guidance defined more stringent tracking requirements for these types of payroll costs. Specifically, Treasury's Federal Register stated: "track time spent by employees related to COVID-19 and apply Fund payments on that basis but would need to do so consistently within the relevant agency or department. This means, for example, that a government could cover payroll expenses allocated on an hourly basis to employees' time dedicated to mitigating or responding to the COVID-19 public health emergency."

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The Selawik Aggregate Payments to Individuals balance consisted of payroll transactions and other non-payroll expenditures from the following types of claimed costs.

Aggregate Payments to Individuals Category Types <sup>30</sup>	Total Expenses Claimed
Public Health and Safety Payroll	\$ 536,594
Substantially Dedicated Payroll	\$ 320,982
CARES Act Store Renovation Payroll <sup>31</sup>	\$ 33,939
Non-Payroll Expenditures <sup>32</sup>	\$ 509,852
<b>Totals</b>	<b>\$ 1,401,367</b>

Castro noted that public health and safety payroll transactions were subject to Treasury's administrative accommodation,<sup>33</sup> and therefore, were subject to less detailed documentation requirements. Castro tested public health and safety payroll transactions by reviewing itemized payroll distribution reports to support these balances. Substantially dedicated payroll balances were not subject to this administrative accommodation, and therefore, Castro tested these transactions by reviewing the prime recipient's documentation of the "substantially dedicated" conclusion with respect to its employees and payroll distribution files, and by performing tests over specific employee timesheet submissions.

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<sup>30</sup> Selawik did not report any non-substantially dedicated payroll within its Aggregate Payments to Individuals payment type, and so these were not included within the Aggregate Payments to Individuals Category Types.

<sup>31</sup> Castro deemed these payroll expenses to be ineligible questioned costs. See footnote 25 for further discussion.

<sup>32</sup> Castro deemed these non-payroll hardship expenses to be ineligible questioned costs. See "**Table 3 - Summary of Selawik's Actual CRF Hardship Payment Program Claims**" for further discussion.

<sup>33</sup> 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."

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We determined Selawik's Aggregate Payments to Individuals did not comply with the CARES Act and Treasury's Guidance. We tested 10 transactions totaling \$28,918. Out of those selections, three transactions were for public health and safety payroll, three transactions were for substantially dedicated payroll, and four transactions were for non-payroll hardship payments. We determined all 10 transactions tested to be exceptions, which we have summarized below. We question all \$28,918 in Aggregate Payments to Individuals costs tested, which consisted of \$19,354 as unsupported and \$9,564 as ineligible, respectively, as detailed below.

### **Aggregate Payments to Individuals Ineligible Exception**

For one of three substantially dedicated payroll transactions tested totaling \$9,564, Selawik provided a list of employees that were designated as substantially dedicated to performing tasks related to the COVID-19 pandemic. Castro reviewed a timesheet and pay stub which stated the costs were for an annual vacation payout of 350 hours. Castro determined that using CRF proceeds for an annual vacation payout of previously accrued benefits was essentially using CRF proceeds to cover a cost previously budgeted prior to March 27, 2020. As such, Castro questions \$9,564 as ineligible costs.

### **Aggregate Payments to Individuals Unsupported Exceptions**

For all three public health and safety payroll transactions tested totaling \$6,510, Selawik indicated these personnel were categorized under a Public Health and Safety Department. We reviewed a list of employees that included vague descriptions of their responsibilities during the COVID-19 pandemic ("COVID Security" and "COVID Coordinator"). We asked Selawik for a description of these positions and which department these employees worked for, but Selawik did not timely respond to this request. The timesheets and paystubs provided detailed that the payroll claimed was for COVID-19 hazard pay, overtime, and regular COVID-19 hours worked; however, Selawik did not provide any policy documents detailing its methodology for calculating hazard pay or overtime payments. Castro noted that timesheets provided included a line for COVID-19, where employees entered their time, but Selawik did not timely respond to our requests for pay registers or human resources documents showing the employees' salaries needed for us to recalculate amounts claimed as CRF expenses. The timesheets also included a "Daily Accomplishments" section, but none of these sections were populated with descriptions of activities and tasks those employees were working on. Without these details, Castro was unable to verify these employees were public health and safety employees or that these employees were working on tasks that were related to COVID-19. Castro questions the entire \$6,510 in payroll as unsupported costs.

## Desk Review of the Native Village of Selawik, Alaska

For one out of three substantially dedicated payroll selections totaling \$5,600, Selawik provided a fuel project log listing out names of Selawik IRA Fuel Project store workers and amounts claimed, which did not include any detailed descriptions regarding what those costs were incurred for. Castro noted that the funds were classified as COVID-19 hazardous pay; however, the eligibility explanation included the statement “The Selawik IRA Fuel Store workers had to shift their routine to address the COVID health and safety rules of the Tribal Council. The Tribal Council reimbursed the Store payroll with COVID funds during a time where workers faced job loss and the only way tribal citizens could purchase goods was to place a phone order, and the workers had to deliver the merchandise to tribal citizen’s doorsteps to adhere to social distancing rules and prevent disease spread.” Castro was unable to determine if the support provided were payments made to employees who were laid off due to the pandemic or if the costs were for COVID-19 related hours worked. Castro also requested but did not receive any timesheets or descriptions of tasks performed to support the payroll claimed. Without this detail, Castro could not determine Selawik’s substantially dedicated conclusion with respect to these employees<sup>34</sup>, or the eligibility of the amounts claimed. As a result, Castro questions the entire \$5,600 as unsupported costs.

For one out of three substantially dedicated payroll selections totaling \$1,740, Selawik provided a list of employees that identified whether the employee was classified as 100 percent public health and safety or 50 percent substantially dedicated. Castro noted that the employee tested had vague descriptions of “COVID Security” and “Security” as work performed, yet the pay stubs showed two different rates for two different weeks (\$12 hourly rate for October 8, 2020 and \$30 hourly rate for week of October 14, 2020). Castro also noted that the GL identified the individual as “non-substantial payroll,” but the listing provided was noted as being substantially dedicated to COVID-19 greater than 50 percent. The timesheets also included a “Daily Accomplishments” section, but none of these sections were populated with descriptions of activities and tasks employees were working on. Castro requested additional explanations or support to clarify the individual’s position, work performed, and whether the individual was substantially dedicated or non-substantially dedicated to COVID-19 tasks, but Selawik did not timely respond to our requests. Without these details, Castro was unable to verify these employees were working on tasks that were related to COVID-19. As such, Castro questions the entire \$1,740 as unsupported costs.

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<sup>34</sup> Treasury’s Federal Register guidance indicated: “The full amount of payroll and benefits expenses of substantially dedicated employees may be covered using payments from the Fund. Treasury has not developed a precise definition of what “substantially dedicated” means given that there is not a precise way to define this term across different employment types. The relevant unit of government should maintain documentation of the “substantially dedicated” conclusion with respect to its employees.”

## Desk Review of the Native Village of Selawik, Alaska

For one out of four non-payroll hardship transaction selections totaling \$450, Selawik provided a cancelled check evidencing payment directly to a vendor as opposed to the hardship recipient for “three days of Furnace work for IRA/Tribal members” and an “Employee Lodging and Equipment Rental Form” to be paid to the vendor that stated “three days of work on shop heater and also fixed (name of tribal citizen or employee’s) furnace.” We asked Selawik how these expenditures were related to COVID-19, and whether the work was related to the community store’s heater, for the IRA council’s building/headquarters, or for a tribal citizen’s household. Castro also requested a completed hardship application showing that the hardship recipient asserted to their need for that COVID-19 funding. Selawik did not provide any additional requested information. Without the information, Castro could not determine if the hardship recipient was eligible or if this was an eligible expenditure. Therefore, Castro questions the entire \$450 as unsupported costs.

For another one of the four non-payroll hardship transaction selections totaling \$3,500, Selawik claimed emergency financial assistance for COVID-19 for one adult and nine children. Castro requested a completed hardship application showing that the hardship recipient asserted to their need for that COVID-19 funding for the applicant and dependents. We also requested documentation to support eligibility for the nine additional applicants under this hardship request such as a list of children on documentation such as a tax return showing the number of dependents or other official tribal government documentation showing support for total recipients claimed. Selawik did not provide any of the additional requested information. Without this information, Castro could not determine if the hardship recipient was eligible or if this was an eligible expenditure. Therefore, Castro questions the entire \$3,500 as unsupported costs.

For the third of four non-payroll hardship transaction selections totaling \$850, the payment was made to a limited liability corporation. We were provided a request for payment with a note which stated that this was for the COVID program but without any justification regarding the eligibility of this payment, and an accounting system screenshot detailing the transaction was classified under Selawik’s rent account and that the transaction was for “Patience Assistance.” Castro requested a completed hardship application showing that the hardship recipient asserted to their need for that COVID-19 funding, and whether this hardship program was designed to cover only individuals or if businesses were eligible to receive funds under the hardship program. Castro also requested proof of profit-loss and financial statements from the business to determine if it was suffering a loss due to the COVID-19 pandemic. Selawik did not provide any of the additional requested information. Without the information, Castro could not determine if the hardship recipient was eligible or if this was an eligible expenditure. Therefore, Castro questions the entire \$850 as unsupported costs.

## Desk Review of the Native Village of Selawik, Alaska

For the fourth of four non-payroll hardship transaction selections totaling \$704, Selawik indicated that the expense was for "Reimbursement for Atauchikun COVID quarantine unit supplies for community member that was in Anchorage and was able to purchase (of goods for the tribe). Missing actual credit card receipts." Since Selawik was unable to provide these receipts, Castro could not determine if this was an eligible expenditure. Therefore, Castro questions the entire \$704 as unsupported costs.

Based on the results of Castro's testing over \$23,414 out of \$857,576 in CRF payroll expenses claimed by Selawik for Public Health and Safety and Substantially Dedicated payroll combined, Castro recommends Treasury OIG determine the feasibility of following up on the remaining balance of \$834,162, as it may be similarly unsupported or ineligible.

### **Conclusion**

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

We identified tested unsupported and ineligible questioned costs of \$70,486 and \$226,470, respectively, resulting in total tested questioned costs of \$296,956. Also, as part of our reconciliation and hardship analytical procedures performed, Castro identified matters separate from our detailed testing of sampled transactions resulting in ineligible questioned costs of \$879,742, increasing our total questioned costs from \$296,956 to \$1,176,698.

Castro identified reporting classification errors within the Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Reporting to Individuals payment types that did not comply with Treasury's Guidance.

## Desk Review of the Native Village of Selawik, Alaska

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

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

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:

- Based on the results of Castro's testing over \$23,414 out of \$857,576 in CRF payroll expenses claimed by Selawik for Public Health and Safety and Substantially Dedicated payroll combined, Castro recommends Treasury OIG determine the feasibility of following up on the balance of \$834,162, as the remaining balance may be similarly unsupported or ineligible since we had exceptions related to all payroll related transactions we tested.
- Follow-up with Selawik to determine if there were additional costs claimed within the Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals payment types related to the construction of its "new store," and if so, determine if those amounts should be questioned as well.
- Since there were hardship payments misclassified in the Direct Payments greater than or equal to \$50,000 payment type that should have been reported in the Aggregate Payments to Individuals payment identified within our testing, Castro recommends Treasury OIG follow-up with Selawik to determine if there were additional costs claimed within the Direct Payments greater than or equal to \$50,000 and Aggregate Payments to Individuals payment types related to its hardship payments claims, and if so, determine if those amounts should be questioned as well.

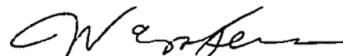


## Desk Review of the Native Village of Selawik, Alaska

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All work completed with this letter complies with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Federal Offices of Inspectors General*, which require that the work adheres to the professional standards of independence, due professional care, and quality assurance to ensure the accuracy of the information presented.<sup>35</sup> We appreciate the courtesies and cooperation provided to our staff during the desk review.

Sincerely,



Wayne Ference  
Partner, Castro & Company, LLC

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<sup>35</sup> <https://www.ignet.gov/sites/default/files/files/Silver%20Book%20Revision%20-%208-20-12r.pdf>