



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

August 8, 2023

**MEMORANDUM FOR JESSICA MILANO, ACTING CHIEF RECOVERY OFFICER,
DEPARTMENT OF THE TREASURY**

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

SUBJECT: Desk Review of the Commonwealth of the Northern
Mariana Islands' Use of Coronavirus Relief Fund
Proceeds (OIG-CA-23-039)

Please find the attached desk review memorandum¹ on the Commonwealth of the Northern Mariana Islands' (CNMI) 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 found that CNMI personnel did not complete the required quarterly Financial Progress Reports (FPR) for Cycles 1² through 3.³ In addition, Castro personnel reviewed documentation for a non-statistical selection of 24 transactions reported in the quarterly reports. Castro found that the expenditures related to Contracts greater than or equal to \$50,000, Aggregate Reporting less than \$50,000,⁴ and Aggregate Payments to Individuals⁵ did not comply with the CARES Act and Department of the Treasury's (Treasury)

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 grants portal on a quarterly basis.

² Calendar quarter ending June 30, 2020.

³ Calendar quarter ending December 31, 2020.

⁴ Recipients are required to report CRF transactions greater than or equal to \$50,000 in detail in the grants portal. Transactions less than \$50,000 can be reported as an aggregate lump-sum amount by type (contracts, grants, loans, direct payments, and transfers to other government entities).

⁵ Obligations and expenditures for payments made to individuals, regardless of amount, are required to be reported in the aggregate in the grants portal to prevent inappropriate disclosure of personally identifiable information.

Guidance, which resulted in total questioned costs of \$11,146,813.35 (see attached schedule of monetary benefits). Additionally, Castro determined that CNMI's risk of unallowable use of funds is high.

Castro recommends that Treasury Office of Inspector General (OIG) request missing documentation from CNMI management and follow-up on necessary reporting corrections. Further, based on CNMI's responsiveness to our requests and CNMI's ability to provide sufficient documentation, Castro recommends that Treasury OIG determine if a full scope audit is feasible.

At the time of fieldwork, Castro noted that CNMI had not filed their required Single Audit reports for Fiscal Years 2020, 2021 or 2022. CNMI's FY2020 Single Audit report was published on February 3, 2023. In this Single Audit report, the auditor was not able to differentiate between the type of funding (Federal Emergency Management Agency or CRF) that was used for contracts and other payments. We plan to follow-up on the findings identified by the auditor in the Single Audit report. Castro and Treasury OIG personnel met with CNMI management to discuss the questioned costs and reporting issues.

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 CNMI'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 Council of the Inspectors General on Integrity and Efficiency's *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, Deputy Assistant Inspector General for Audit, at (202) 487-8371.

cc: Michelle. A. Dickerman, Deputy Assistant General Counsel, Department of the Treasury
Victoria Collin, Chief Compliance & Finance Officer, Office of Recovery Programs, Department of the Treasury
Christopher Sun, Director of Data and Reporting, Office of Recovery Programs, Department of the Treasury
Tracy B. Norita, Acting Secretary of Finance, Commonwealth of the Northern Mariana Islands

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Margaret Bertha C. Torres, Director of Administrative Services,
Commonwealth of the Northern Mariana Islands
Wayne Ference, Partner, Castro & Company, LLC

Attachment

Schedule of Monetary Benefits

According to the Code of Federal Regulations,⁶ 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).⁷ 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(b) of the Inspector General Act of 1978.

<u>Recommendation</u>	<u>Questioned Costs</u>
Recommendation No. 1	\$11,146,813.35

The questioned cost represents amounts provided by Treasury under the Coronavirus Relief Fund. As discussed in the attached desk review, \$11,146,813.35 is the CNMI's expenditures reported in the grant-reporting portal that lacked supporting documentation.

⁶ 2 CFR § 200.84 – Questioned Cost

⁷ JAMES is Treasury's audit recommendation tracking system.

Desk Review of the Commonwealth of the Northern Mariana Islands

August 8, 2023

OIG-CA-23-039

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

FROM: Wayne Ference
Partner, Castro & Company, LLC

SUBJECT: Desk Review of the Commonwealth of the Northern Mariana
Islands

On June 16, 2022, we initiated a desk review of the Commonwealth of the Northern Mariana Islands' (CNMI) use of the Coronavirus Relief Funds (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 CNMI'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 March 31, 2022 as reported in Cycles 1³ through 8⁴ in the GrantSolutions portal.

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

- 1) reviewed CNMI's quarterly Financial Progress Reports (FPRs) submitted in the GrantSolutions portal through December 31, 2021;⁵

¹ P.L. 116-136 (March 27, 2020).

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

³ Calendar quarter ending June 30, 2020.

⁴ Calendar quarter ending March 31, 2022.

⁵ The scope of our desk review included the period March 1, 2020 to March 31, 2022 (Cycles 1 through 8); however, CNMI submitted its final GrantSolutions closeout submission in Cycle 7 (Calendar quarter ending December 31, 2021).

Desk Review of the Commonwealth of the Northern Mariana Islands

- 2) reviewed the *Department of the Treasury's (Treasury) Coronavirus Relief Fund Guidance* as published in the Federal Register on January 15, 2021;⁶
- 3) reviewed Treasury's Office of Inspector General (OIG) *Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping*;⁷
- 4) reviewed Treasury OIG's monitoring checklists⁸ of CNMI's quarterly FPR submissions for reporting deficiencies;
- 5) reviewed other audit reports issued, such as Single Audit reports, 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 CNMI's uses of CRF proceeds;⁹
- 6) reviewed Treasury OIG Office of Investigations (OI), the Council of the Inspectors General on Integrity and Efficiency Pandemic Response Accountability Committee (PRAC),¹⁰ and Treasury OIG Office of Counsel input on issues that may pose risk or impact CNMI's uses of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying CNMI's GrantSolutions portal quarterly FPR submissions, as well as officials responsible for obligating and expending CRF proceeds;
- 8) made a non-statistical selection of Contracts greater than or equal to \$50,000, Aggregate Reporting less than \$50,000,¹¹ and Aggregate Payments to Individuals¹² data identified through GrantSolutions reporting; and

⁶ 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

⁷ 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.

⁸ The checklists are used by Treasury OIG personnel to monitor the progress of prime recipient reporting in the GrantSolutions portal. GrantSolutions quarterly submission reviews are designed to identify material omissions and significant errors, and where necessary, include procedures for notifying prime recipients of misreported data for timely correction. Treasury OIG follows the *CRF Prime Recipient Quarterly GrantSolutions Submissions Monitoring and Review Procedures Guide*, OIG-CA-20-029R to monitor the prime recipients quarterly.

⁹ At the time of fieldwork, CNMI had not filed their required single audit reports for Fiscal Years 2020, 2021 or 2022.

¹⁰ 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 20 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.

¹¹ Recipients are required to report CRF transactions greater than or equal to \$50,000 in detail in the GrantSolutions 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).

¹² Obligations and expenditures for payments made to individuals, regardless of amount, are required to be reported in the aggregate in the GrantSolutions portal to prevent inappropriate disclosure of personally identifiable information.

Desk Review of the Commonwealth of the Northern Mariana Islands

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

Based on our desk review procedures, we determined that the expenditures related to Contracts greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals did not comply with the CARES Act and Treasury's Guidance, which resulted in total questioned costs of \$11,146,813.35. Additionally, we determined that CNMI's risk of unallowable use of funds is high. Castro recommends that Treasury OIG request missing documentation from CNMI management and follow-up on necessary reporting corrections. Further, based on CNMI's responsiveness to Treasury OIG's requests and its ability to provide sufficient documentation, we recommend Treasury OIG determine if a full scope audit is feasible.

Non-Statistical Transaction Selection Methodology

Treasury issued a CRF payment to CNMI of \$36,284,217.70. As of Cycle 7,¹³ CNMI's cumulative obligations and expenditures were both \$36,284,217.70. CNMI's cumulative obligations and expenditures by payment type, as reported in GrantSolutions through Cycle 7,¹⁴ is summarized below.

Payment Type	Cumulative Obligated Amount	Cumulative Expenditure Amount
Contracts >= \$50,000	\$ 32,046,253.45	\$ 32,046,253.45
Loans >= \$50,000	\$ -	\$ -
Grants >= \$50,000	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -
Direct Payments >= \$50,000	\$ -	\$ -
Aggregate Reporting < \$50,000	\$ 1,353,926.31	\$ 1,353,926.31
Aggregate Payments to Individuals (in any amount)	\$ 2,884,037.94	\$ 2,884,037.94
Totals	\$ 36,284,217.70	\$ 36,284,217.70

Castro made a non-statistical selection of Contracts 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 anomalies¹⁵ identified by the Treasury OIG CRF monitoring team, and review of CNMI's FPR submissions. Castro noted CNMI did not obligate or expend CRF

¹³ Calendar quarter ending December 31, 2021.

¹⁴ Calendar quarter ending December 31, 2021.

¹⁵ Treasury OIG has a pre-defined list of risk indicators that are triggered based on data submitted by recipients in the FPR submissions that meet certain criteria. Castro reviewed these results provided by Treasury OIG for CNMI.

Desk Review of the Commonwealth of the Northern Mariana Islands

proceeds for Loans greater than or equal to \$50,000, Grants greater than or equal to \$50,000, Transfers¹⁶ greater than or equal to \$50,000, or Direct Payments greater than or equal to \$50,000; therefore, we did not make a selection of transactions from these categories.

The number of transactions (24) we selected to test were based on CNMI's total CRF award amount and our overall risk assessment of CNMI. To allocate the number of transactions (24) by payment type (Contracts greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals), we compared the obligation type dollar amounts as a percentage of cumulative obligations for Cycle 7.¹⁷ Additionally, Treasury OIG provided information on anomalies identified for CNMI. Castro reviewed the summarized information on the anomalies for CNMI; however, the review did not result in any additional selections as there were no outliers or potential duplicate payment transactions identified.

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 United States Virgin Islands, Guam, American Samoa, and CNMI; and Tribal governments. Treasury issued a CRF payment to CNMI for \$36,284,217.70. The CARES Act stipulates that a recipient may only use the funds to cover costs that—

- (1) are 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 between March 1, 2020 and December 31, 2021.¹⁸

¹⁶ A transfer to another government entity is a disbursement or payment to a government entity that is legally distinct from the prime recipient.

¹⁷ Calendar quarter ending December 31, 2021.

¹⁸ P.L. 116-260 (December 27, 2020). The period of performance end date of the CRF was extended through December 31, 2021 by the Consolidated Appropriations Act, 2021. The period of performance 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 Commonwealth of the Northern Mariana Islands

Section 15011 of the CARES Act, requires each covered recipient¹⁹ to submit to Treasury and the PRAC, no later than 10 days after the end of each calendar quarter, a report that contains (1) the total amount of large covered funds^{20,21} 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)).

Desk Review Results

Based on Castro's review of the Quarterly FPR submissions through December 31, 2021, we determined CNMI did not comply with the reporting timeline as required under Department of the Treasury's Guidance OIG-CA-20-021, *Coronavirus Relief fund Reporting and Record Retention Requirements*. CNMI completed FPRs for Cycles 4²² through 7;²³ however, they did not complete FPRs for Cycles 1²⁴ through 3.²⁵ As all CRF proceeds were expended as of Cycle 7, there were no additional FPRs or checklists available for Cycle 8.²⁶

We found that Contracts greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals did not comply with the CARES Act and Treasury's Guidance. The transactions selected for testing were not selected statistically, and therefore results cannot be extrapolated to the total universe of transactions.

¹⁹ Section 15011 of P.L. 116-136 defines a covered recipient as any entity that receives large covered funds and includes any State, the District of Columbia, and any territory or possession of the United States.

²⁰ Section 15010 of P.L. 116-136 defines covered funds as any funds, including loans, that are 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 makes appropriations for Coronavirus response and related activities.

²¹ Section 15011 of P.L. 116-136 defines large covered funds as covered funds that amount to more than \$150,000.

²² Calendar quarter ending March 31, 2021.

²³ Calendar quarter ending December 31, 2021.

²⁴ Calendar quarter ending June 30, 2020.

²⁵ Calendar quarter ending December 31, 2020.

²⁶ Calendar quarter ending March 31, 2022.

Desk Review of the Commonwealth of the Northern Mariana Islands

The following table includes the cumulative expenditures and the expenditure amount tested. Additionally, this table includes a summary of Castro’s testing results. Within the table below, we have included a summary of unsupported and ineligible expenditures identified as questioned costs. In the far-right column, we have identified the expenditures that Castro tested without exceptions noted. See the Desk Review Results section below this table for a detailed discussion of questioned costs and other issues identified.

Summary of Expenditure Testing and Recommended Results – As of Cycle 7²⁷

Payment Type	Cumulative Expenditure Population Amount	Cumulative Expenditure Tested Amount	Unsupported Exception	Ineligible Exception	Castro Reviewed Value Without Exception (per Support)
Contracts >= \$50,000	\$ 32,046,253.45	\$ 11,093,139.95	\$ 11,093,139.95	\$ -	\$ -
Grants >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers to Other Government Agencies >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Payments >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate Reporting < \$50,000	\$ 1,353,926.31	\$ 45,956.40	\$ 45,956.40	\$ -	\$ -
Aggregate Payments to Individuals (in any amount)	\$ 2,884,037.94	\$ 20,016.89	\$ 7,717.00	\$ -	\$ 12,299.89
Totals	\$ 36,284,217.70	\$ 11,159,113.24	\$ 11,146,813.35	\$ -	\$ 12,299.89

Contracts Greater Than or Equal to \$50,000

We determined CNMI’s Contracts greater than or equal to \$50,000 did not comply with the CARES Act and Treasury’s Guidance. Of the 18 transactions tested, we identified exceptions in all 18 transactions, resulting in unsupported questioned costs of \$11,093,139.95.

For all 18 contract transactions selected for testing, CNMI management was unable to demonstrate what federal grant funding was used to pay for the expenses incurred and reported. Specifically, CNMI’s contracts included language stating that only Federal Emergency Management Agency (FEMA) funds were to

²⁷ Calendar quarter ending December 31, 2021.

Desk Review of the Commonwealth of the Northern Mariana Islands

be used to cover the expenditures. In addition, the supporting documentation, including the general ledger, did not include a specific CRF or FEMA funding code or specific account number to indicate whether CRF or FEMA grant funds were used for these expenditures. Although the contracts stated FEMA funding was required and the general ledger did not identify the type of funding, CNMI management included these contract expenditures in the CRF GrantSolutions FPR submissions. CNMI management did not provide us with sufficient documentation to determine the eligibility of these expenditures.

Aggregate Reporting Less Than \$50,000

We determined CNMI Aggregate Reporting less than \$50,000 did not comply with the CARES Act and Treasury's Guidance. We tested one transaction and noted exceptions resulting in unsupported questioned costs of \$45,956.40.

CNMI management was unable to demonstrate what federal grant funding was used to pay for the expenses incurred and reported. Specifically, CNMI's contracts included language stating that only FEMA funds were to be used to cover the expenditures. In addition, the supporting documentation, including the general ledger, did not include a specific CRF or FEMA funding code or specific account number to indicate whether CRF or FEMA grant funds were used for these expenditures. Although the contracts stated FEMA funding was required and the general ledger did not identify the type of funding, CNMI management included these Aggregate Reporting expenditures in the CRF GrantSolutions FPR submissions. CNMI management did not provide us with sufficient documentation to determine the eligibility of these expenditures.

Aggregate Payments to Individuals

We determined CNMI's Aggregate Payments to Individuals did not comply with the CARES Act and Treasury's Guidance. We identified exceptions in two of the five Aggregate Payments to Individuals expenditure transactions tested, resulting in unsupported questioned costs of \$7,717.00.

CNMI management did not provide sufficient supporting documentation during our testing procedures. CNMI management did not provide the requested labor distribution journals, payroll registers, timesheets, or pay stubs to support the GrantSolutions expenditures.

Conclusion

Based on our desk review procedures, we determined that the expenditures related to Contracts greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals did not comply with the CARES Act and Treasury’s Guidance, which resulted in total questioned costs of \$11,146,813.35. Additionally, we determined that CNMI’s risk of unallowable use of funds is high.

Castro recommends that Treasury OIG request missing documentation from CNMI management and follow-up on necessary reporting corrections. Further, based on CNMI’s responsiveness to Treasury OIG’s requests and its ability to provide sufficient documentation, we recommend Treasury OIG determine if a full scope audit is feasible.

All work completed with this letter complies with the Council of the Inspectors General on Integrity and Efficiency’s *Quality Standards for Federal Offices of Inspectors General*, which require that the work adheres to the professional standards of independence, due professional care, and quality assurance to ensure the accuracy of the information presented.²⁸ We appreciate the courtesies and cooperation provided to our staff during the desk review.

Sincerely,



Wayne Ference
Partner, Castro & Company, LLC

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