



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

October 17, 2023

**MEMORANDUM FOR JESSICA MILANO
ACTING CHIEF RECOVERY OFFICER**

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

SUBJECT: City of Springfield, Massachusetts – Use of Coronavirus
Relief Fund Proceeds (OIG-CA-24-003)

The Pandemic Response Accountability Committee (PRAC)¹ was created in March 2020 by the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act)² to promote transparency and provide oversight of pandemic funds and the federal government’s pandemic response. Pursuant to this mission, the PRAC coordinated with ten of its member Offices of Inspector General (OIG) to conduct case studies at six selected communities³ across the nation to identify the federal pandemic funds provided to these communities, the purpose of those funds, and if federal program spending aligned with the programs’ intended goals and objectives. The Department of the Treasury (Treasury) OIG was one of the ten federal OIGs participating in the case study-based review.

The PRAC conducted the case study-based review in two phases. Phase 1 focused on identifying the federal pandemic response funds provided to the selected communities.⁴ Phase 2 focuses on determining how the selected communities (1)

¹ Section 15010 of P.L. 116-136 established the Pandemic Response Accountability Committee (PRAC) within the Council of the Inspectors General on Integrity and Efficiency to promote transparency and conduct and support oversight 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. Section 15010 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.

² P. L. 116-136 (March 27, 2020).

³ The six selected communities include Springfield, Massachusetts; Coeur d’Alene, Idaho; Sheridan County, Nebraska; Marion County, Georgia; the White Earth Nation Reservation in Minnesota; and the Jicarilla Apache Nation Reservation in New Mexico. These communities are defined by the geographic boundary lines for the cities and counties.

⁴ PRAC published the Phase 1 report “*Tracking Pandemic Relief Funds that Went to Local Communities Reveals Persistent Data Gaps and Data Reliability Issues*” in July 2023.

<https://www.pandemicoversight.gov/media/file/practracking-pandemic-relief-fundsimpact-phase-i2pdf>.

spent the pandemic response funds in alignment with program goals and objectives, and (2) believe that federal funding impacted (positively or negatively) each community's ability to respond to the pandemic. The PRAC will report on the results of Phase 2 for the six communities in future PRAC reports.

In May 2022, Treasury OIG initiated Phase 2 of the case study, focused on the Coronavirus Relief Fund (CRF) use of funds by the six selected communities. CRF was established under the CARES Act. Congress appropriated \$150 billion for Treasury to assist states, eligible units of local governments,⁵ the District of Columbia, U.S. territories,⁶ and tribal governments (collectively referred to as "prime recipients").

This report focuses only on the results for the City of Springfield ("Springfield" or "the City") related to the first objective in phase 2 of the PRAC project (whether they spent the pandemic response funds in alignment with program goals and objectives). Springfield is one of the subrecipients⁷ of the Commonwealth of Massachusetts.

We reviewed Springfield's uses of CRF proceeds to determine if they aligned with the program's goals and objectives. Based on our analysis of Springfield's sampled expenditures,⁸ the City's uses of CRF funds generally complied with the CARES Act, Treasury Guidance,⁹ and Treasury OIG guidance;¹⁰ however, the City's

⁵ Title V of the CARES Act defines a unit of local government as a county, municipality, town, township, village, parish, borough, or other unit of general government below the State level with a population that exceeds 500,000. An eligible unit of local government serves a population of over 500,000 and certified its proposed uses of the funds received from the CRF.

⁶ The U.S. territories are as follows: United States Virgin Islands, Guam, American Samoa, Puerto Rico, and the Commonwealth of the Northern Mariana Islands.

⁷ A subrecipient is an entity that received CRF payments from a prime recipient that received a CRF award directly from Treasury. Subrecipients also include recipients of transfers from a prime recipient that is a State, territory, local government, or tribal government. Individuals and organizations (e.g., businesses, non-profits, or educational institutions) that directly benefit from an assistance program established using payments from CRF are not considered subrecipients, but are considered beneficiaries. Treasury OIG requires that the prime recipient report on expenditures made by subrecipients, as well as payments made to beneficiaries in the GrantSolutions reporting system (see footnote 11 for a definition of the GrantSolutions reporting system).

⁸ Our sample for testing included \$14.16 million of the total \$18.92 million of Springfield's CRF expenditures as of March 31, 2022.

⁹ Treasury Coronavirus Relief Fund Guidance published in the Federal Register (January 15, 2021) https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf.

¹⁰ *Department of the Treasury Office of Inspector General Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping* (OIG-CA-20-028R, March 2, 2021). The CARES Act provides Treasury OIG the responsibility for monitoring and oversight of the receipt, disbursement, and use of CRF payments. Treasury OIG also has authority to recover funds if it is determined recipients failed to comply with the requirements of subsection 601(d) of the Social Security Act, as amended, (42 U.S.C. 801(d)). Treasury OIG provided recipients reporting and record retention requirements.

Department of Health and Human Services (HHS) did not maintain adequate support documentation for the use of \$300,000 in CRF expenditures. We are questioning this cost and were unable to determine whether the expenditures were eligible uses of CRF proceeds.

Scope and Methodology

Our evaluation covered CRF expenditures reported quarterly in the GrantSolutions reporting system¹¹ from March 1, 2020 (cycle 1) through March 31, 2022 (cycle 8). As of March 31, 2022, the Commonwealth of Massachusetts awarded or distributed \$34.13 million¹² in CRF proceeds to 23 subrecipients or beneficiaries that are geographically located in Springfield through transfers, direct payments, grants, or contracts. As of March 31, 2022, the 23 subrecipients and beneficiaries had expended approximately \$31.48 million of this CRF funding. For detailed review, we selected a sample of \$20.46 million of the \$27.4 million¹³ in total expenditures for three specific subrecipients¹⁴ of the Commonwealth of Massachusetts geographically located in Springfield to determine whether they used the funds in accordance with the program's goals and objectives. The City of Springfield's CRF expenditures accounted for \$14.16 million of the \$20.46 million reviewed. This report focuses on the City of Springfield, one of the three subrecipients selected that is geographically located in Springfield.

We reviewed applicable laws, regulations, Treasury and Treasury OIG CRF guidance including: (1) CARES Act; (2) Consolidated Appropriations Act, 2021;¹⁵ (3) Treasury's CRF Guidance for State, Territorial, Local, and Tribal Governments (Guidance) and Frequently Asked Questions (FAQs); and (4) Treasury OIG's CRF guidance. Additionally, we reviewed the City of Springfield's CRF expenditure reports and payment vouchers; and the Commonwealth of Massachusetts' CRF expenditure reports. Further, we interviewed City and Commonwealth of Massachusetts key officials responsible for administering, monitoring, and using CRF proceeds.

We conducted this engagement in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.¹⁶ Those standards require that we perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding,

¹¹ 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.

¹² The City of Springfield received \$21.35 million of the \$34.13 million in CRF proceeds.

¹³ City of Springfield's expenditures accounted for \$18.92 million of the \$27.4 million.

¹⁴ One of the three subrecipients is the City of Springfield.

¹⁵ P. L. 116-260 (December 27, 2020).

¹⁶ Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation* (Blue Book – December 2020).

conclusion, and recommendation based on our evaluation objectives. We believe that the evidence obtained provides a reasonable basis for our finding, conclusion, and recommendation based on our evaluation objectives.

Background

The CARES Act established the CRF, appropriating \$150 billion for Treasury to assist states, eligible units of local government, the District of Columbia, U.S. territories, and tribal governments (collectively referred as “prime recipients”). As of December 31, 2022, Treasury disbursed CRF proceeds to 964 prime recipients, which subsequently distributed the proceeds to over 90,000 subrecipients and beneficiaries through contracts, grants, loans, direct payments, or fund transfers.

The CARES Act required CRF recipients to use the funds to cover expenses 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 period that begins on March 1, 2020, and ends on December 31, 2021.¹⁷ The CARES Act assigned Treasury OIG the responsibility to conduct monitoring and oversight of the receipt, disbursement, and uses of CRF proceeds. Treasury OIG also has authority to recover funds in the event that it is determined a recipient of CRF proceeds failed to comply with requirements.

City of Springfield

Between March 1, 2020 and March 31, 2022, the City of Springfield, a subrecipient, received \$21.35 million in CRF proceeds from the Commonwealth of Massachusetts. As of March 31, 2022, the City had expended \$18.92 million and we selected a sample of \$14.16 million in CRF expenditures for review. The City allocated the funds to its departments including HHS, Springfield Public Schools (SPS), the Elections Commission, Community Development, Police Department, Fire Department, and the Springfield City Library. These departments used CRF proceeds to aid vulnerable citizens, communicate pandemic-related information, ensure student success during remote learning, and assist with a safe return to school, among other things. Springfield’s HHS created a community member committee to serve as a liaison to assist with identifying needs and providing vaccine information to vulnerable residents. SPS used CRF proceeds to provide low-income families and students with in-home reliable Wi-Fi access at little or no

¹⁷ The Consolidated Appropriations Act, 2021, P. L. 116-260 (December 27, 2020), amended the CARES Act by extending the covered period for recipients of CRF payments to use proceeds through December 31, 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.

cost. The SPS Culinary and Nutrition Center distributed more than 8.7 million meals to families by establishing 23 grab-and-go meal locations and supported the delivery of more than 14,000 meals to senior centers. Additionally, SPS invested more than \$1.5 million in preparation for a safe return to 55 schools and municipal buildings by installing ventilation equipment including air cleaners and filters.

Finding

The City of Springfield's HHS did not maintain adequate supporting documentation for the use of \$300,000 in CRF proceeds it received from the Commonwealth of Massachusetts. Treasury OIG guidance clarifies that recipients of CRF proceeds should maintain and make available to Treasury OIG, upon request, all documents and financial records sufficient to establish compliance with eligible use requirements. Also, Treasury's response to its CRF guidance, FAQ B.8 states, "*Fund payments are subject to the following requirements in the Uniform Guidance (2 CFR part 200): 2 CFR 200.303 regarding internal controls, 2 CFR 200.330 through 200.332 regarding subrecipient monitoring and management, and subpart F regarding audit requirements.*" Specifically, 2 CFR 200.330 through 200.332 require pass-through entities of federal funds to monitor subawards and ensure, along with other requirements, that subrecipients use awarded funds in accordance with applicable laws, regulations, and terms of the award and that subrecipients meet the audit requirements outlined in Subpart F.

As it relates to the transactions at issue in our finding, the Commonwealth of Massachusetts awarded the City of Springfield \$385,017, which was comprised of \$300,000 in CRF for board of health grants and \$85,017 in state-funded Public Health Trust Funds (PHTF).¹⁸ Springfield then allocated \$385,017 to its HHS. Springfield's HHS did not separately identify and account for the CRF and PHTF expenditures because the Commonwealth of Massachusetts did not require Springfield or Springfield's HHS to maintain separate accounting records for each funding source, resulting in OIG being unable to establish whether eligible use requirements were met. As a result, we question the \$300,000 in CRF proceeds issued to the City of Springfield's HHS. See appendix 1 for definition and schedule of monetary benefits.

We also reviewed the *Blended and Braided Funding: A Guide for Policy Makers and Practitioners*,¹⁹ to determine whether these funding approaches are applicable to the City of Springfield's HHS. According to the guide, blended funding is a funding

¹⁸ The *Expanded Gaming Act of 2011* was signed into state law by the Commonwealth Governor. The Act established and also allocates resources to the Public Health Trust Funds to mitigate the harms associated with gambling through research, prevention, intervention, treatment, and recovery support services.

¹⁹ *Blended and Braided Funding: A Guide for Policy Makers and Practitioners*, December 2014, <https://www.agacgfm.org/Resources/intergov/BlendedBraidedFunding.aspx>.

approach in which multiple individual funding streams are merged into one award to support a single initiative and each individual award loses its award-specific identity. Blended funding requires statutory authorization and must be specifically appropriated. Congress has not permitted blended funding for the CRF program and this funding approach is therefore not allowed. Braided funding is another funding approach in which multiple individual funding streams are merged into one award to support a single initiative, while each individual award maintains its award-specific identity. Braided funding is not applicable to the City's HHS because it did not separately identify and account for each fund. Furthermore, the purpose of the PHTF is to mitigate the harms associated with gambling and the fund does not have the same purpose as the CRF.

Commonwealth of Massachusetts officials noted they did not consider Springfield's HHS as a subrecipient, but rather as a beneficiary of the CRF assistance program. The Commonwealth of Massachusetts officials explained that the State designed this award as part of an assistance program for departments of public health. Although Springfield's residents indirectly benefited from the financial support of the department, the rationale behind the Commonwealth's payments was to benefit HHS for unanticipated costs arising directly from the pandemic. The officials also noted that because Springfield's HHS was considered a beneficiary, the City was not responsible for adherence to applicable federal award program requirements for subrecipients. The Commonwealth of Massachusetts officials told us that they were not responsible for monitoring the activities of Springfield as is necessary to ensure that a subaward is used for authorized purposes.

According to Treasury's response to its FAQ B.13, subrecipients of payments from the CRF include *"recipients of transfers from a State, territory, local government, or tribal government that received a payment directly from Treasury."* Subrecipients would not include *"individuals and organizations (e.g., businesses, non-profits, or educational institutions) that are beneficiaries of an assistance program established using payments from the Fund."* Treasury OIG maintains its position that the City of Springfield is a local government, which is a subrecipient, as is any smaller governmental unit to which it in turn passes the funds, such as the City's HHS. Therefore, the Commonwealth of Massachusetts, City of Springfield, and its HHS need to comply with Treasury and the OIG's CRF guidance.

OIG Recommendation

1. We recommend that Treasury's Acting Chief Recovery Officer works with Treasury OIG to obtain adequate documentation from the Commonwealth of Massachusetts for the HHS \$300,000 in expenditures or begin recoupment proceedings for the disallowed costs.

Commonwealth of Massachusetts Management Response

As part of our reporting process, we provided the Commonwealth of Massachusetts management an opportunity to comment on a draft of this memorandum. In a written response, the Commonwealth of Massachusetts management stated they did not require Springfield or Springfield's HHS to maintain separate accounting records for each of the CRF or PHTF funding sources. Management continues to consider Springfield's HHS a beneficiary of the CRF assistance program, not a subrecipient. As such, they do not consider themselves responsible for monitoring Springfield or Springfield's HHS activities.

The Commonwealth of Massachusetts management stated it will continue to support the completion of this study-based review, including provision of documentation for the HHS \$300,000 in questioned costs, in conjunction with the City of Springfield and Springfield's HHS.

Commonwealth of Massachusetts' management response, in its entirety, is included as appendix 2.

OIG Comment

As noted in the Finding section above, we maintain our position that the City of Springfield is a local government, which is a subrecipient, as is any smaller governmental unit to which it distributes the funds. Therefore, the Commonwealth of Massachusetts, City of Springfield, and its HHS need to comply with Treasury and the OIG's CRF guidance. According to Treasury's response to its FAQ B.13, subrecipients of payments from the CRF include *"recipients of transfers from a State, territory, local government, or tribal government that received a payment directly from Treasury."* Subrecipients would not include *"individuals and organizations (e.g., businesses, non-profits, or educational institutions) that are beneficiaries of an assistance program established using payments from the Fund."*

Treasury Management Response

Treasury management noted they are not in a position to confirm the OIG's findings because they have not reviewed any materials submitted to OIG by the City of Springfield or the Commonwealth of Massachusetts. However, Treasury management stated it will continue to support the OIG to work with the Commonwealth of Massachusetts to ensure appropriate documentation is submitted to substantiate that CRF funds were expended on eligible costs. Also, Treasury management stated that recipients and subrecipients were advised to maintain sufficient records to demonstrate CRF payments have

been used for eligible expenses in accordance with section 601(d) of the Social Security Act and to establish and maintain effective internal controls over Federal awards in accordance with 2 CRF 200.300. Treasury's management response, in its entirety, is included as appendix 3.

OIG Comment

Treasury management's planned corrective actions meet the intent of our recommendation. Management will need to record an estimated completion date for these actions in Treasury's Joint Audit Management Enterprise System (JAMES).

We appreciate the courtesies and cooperation provided to our staff during the engagement. 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: Amanda Shulak, Attorney Advisor, Department of the Treasury
Victoria Collin, Chief Compliance and Finance Officer, Office of Recovery Programs, Department of the Treasury
David Morley, Acting Director of Data and Reporting, Office of Recovery Programs, Department of the Treasury
Chris Sawin, Compliance Director of Federal Funds, Commonwealth of Massachusetts
Danielle Littmann, Deputy Director of Federal Funds, Commonwealth of Massachusetts
Brendan Dutch, Compliance Counsel, Commonwealth of Massachusetts
TJ Plante, Chief Administrative and Financial Officer, City of Springfield, Massachusetts
Lindsay Hackett, Deputy Chief Administrative and Financial Officer, City of Springfield, Massachusetts
Helen Caulton, Health and Human Services Director, City of Springfield, Massachusetts

Appendix 1: Schedule of Monetary Benefits

According to the Code of Federal Regulations,²⁰ a questioned cost is a cost that is questioned by the auditor because of 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).²¹ 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 Section 5(b) of the Inspector General Act of 1978, as amended.

<u>Recommendation</u>	<u>Questioned Costs</u>
Recommendation No. 1	\$300,000

The questioned cost represents amounts provided by Treasury under the Coronavirus Relief Fund (CRF). As discussed in the Finding, the Commonwealth of Massachusetts could not provide adequate documentation for the use of \$300,000 in CRF proceeds used by its subrecipient, the City of Springfield's Department of Health and Human Services (HHS). Due to the lack of documentation, OIG was unable to determine if the proceeds were used for eligible purposes.

²⁰ 2 CFR § 200.84 – Questioned Cost.

²¹ JAMES is Treasury's audit recommendation tracking system.

Appendix 2: Commonwealth of Massachusetts Management Response



EXECUTIVE OFFICE FOR ADMINISTRATION & FINANCE
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MAURA T. HEALEY
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KIMBERLEY DRISCOLL
LIEUTENANT GOVERNOR

MATTHEW J. GORZKOWICZ
SECRETARY

September 8, 2023

By Electronic Mail

Julie T. Wong, CIA, CFE
Audit Director
U.S. Department of the Treasury
Office of Inspector General

Dear Ms. Wong,

The Commonwealth of Massachusetts agrees with the Finding: the Commonwealth of Massachusetts did not require Springfield or Springfield's HHS to maintain separating accounting records for each of the CRF or PHTF funding sources. We continue to consider Springfield's HHS as a beneficiary of the CRF assistance program, not a subrecipient. As such, we do not consider ourselves responsible for monitoring Springfield or Springfield HHS activities.

However, the Commonwealth of Massachusetts will continue to support PRAC, Treasury, and Treasury OIG through the completion of this study-based review, including provision of documentation for the HHS \$300,000 in questioned costs, in conjunction with City of Springfield and Springfield's HHS.

Sincerely,


Matthew J. Gorzkowicz
Secretary, Executive Office for Administration and Finance

Appendix 3: Treasury Management Response



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

September 25, 2023

Deborah L. Harker
Assistant Inspector General for Audit
U.S. Department of the Treasury – Office of the Inspector General
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Ms. Harker:

I am writing regarding the Office of the Inspector General's (OIG) letter regarding the *City of Springfield, Massachusetts—Use of Coronavirus Relief Fund Proceeds*, which addressed the use of funds awarded by the Commonwealth of Massachusetts to the City of Springfield, Massachusetts from its Coronavirus Relief Fund (CRF) award.

We note that the Department of the Treasury (Treasury) Office of Recovery Programs (ORP) has not reviewed any materials submitted to OIG by the City of Springfield or the Commonwealth of Massachusetts and therefore is not in a position to confirm OIG's findings regarding the extent of the City of Springfield's documentation regarding its use of its CRF award.

ORP confirms that recipients and subrecipients were advised by Treasury to maintain records sufficient to demonstrate that CRF payments have been used in accordance with section 601(d) of the Social Security Act, which details the eligible uses of payments from the CRF.¹ Furthermore, Treasury's guidance provides that the requirements of 2 CFR 200.300, regarding internal controls, apply to the CRF program;² this provision requires recipients and other non-federal entities to "establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

ORP will continue to support the OIG in its work with the Commonwealth of Massachusetts to ensure that appropriate documentation is submitted by the City of Springfield to substantiate that the amounts it received from the CRF were expended on eligible costs. Treasury appreciates OIG's work on this engagement. We look forward to continuing to work with you to protect the integrity of this and other recovery programs.

Sincerely,

A handwritten signature in black ink that reads "Jessica Milano".

Jessica Milano
Chief Program Officer

¹ See Coronavirus Relief Fund for States, Tribal Governments, and Certain Eligible Local Governments, 86 FR 4182, 4193 (Jan. 15, 2021), FAQ B.2.

² See *id.* at 4194, FAQ B.7.