



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

July 7, 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 Los Angeles County, California's Use of
Coronavirus Relief Fund Proceeds (OIG-CA-23-027)

Please find the attached desk review memorandum¹ on Los Angeles County, California's (LA County) 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 found that LA County was compliant with the quarterly Financial Progress Reports (FPR) submission timeline as required under Department of the Treasury's (Treasury) guidance for cycles 1² through 5³. In addition, Castro personnel reviewed documentation for a selection of 26 transactions reported in the quarterly reports through cycle 5⁴. Castro's review of LA County's documentation supporting its uses of CRF proceeds found that the expenditures for the Direct Payments greater than or equal to \$50,000 and Aggregate Payments to Individuals⁵ payment types complied with the CARES Act and Treasury's Guidance.

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 June 30, 2021.

⁴ Calendar quarter ending June 30, 2021.

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.

Castro found that CRF proceeds for the Aggregate Reporting less than \$50,000⁶ payment type complied with the CARES Act, but did not comply with Treasury's Guidance. Additionally, Castro found that the expenditures related to the Contracts greater than or equal to \$50,000 payment type did not comply with the CARES Act and Treasury's Guidance.

Based on the totality of the work performed, Castro identified total questioned costs of \$249,052,031.69 and determined LA County's risk of unallowable use of funds to be high. Based on Castro's desk review, Treasury Office of Inspector General (OIG) is questioning unsupported expenditures of \$249,052,031.69. See the attachment to this transmittal for the definition of a questioned cost.

Castro recommends Treasury OIG pursue obtaining missing documentation from LA County management and ensure reporting corrections are made. Further, based on LA County's responsiveness to Treasury OIG's requests and its ability to provide documentation, Castro recommends Treasury OIG determine if a focused audit is feasible over LA County's Contracts greater than or equal to \$50,000 and Aggregate Reporting less than \$50,000 payment types.

Treasury OIG and Castro met with LA County management to discuss the questioned costs. LA County management told us that they made updates to the grants portal in subsequent cycle submissions, which they believe have addressed all the findings contained in this report.

In connection with the contract, 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 LA County'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 Inspector 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.

⁶ 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).

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

Fesia Davenport, Chief Executive Officer, Los Angeles County, California

Wayne Ference, Partner, Castro & Company, LLC

Attachment

Schedule of Questioned Cost

According to the Code of Federal Regulations,⁷ a questioned cost is a cost that is questioned 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).⁸ 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 USC 5 Section 405(b) of the Inspector General Act of 1978.

Recommendation

Questioned Costs

Recommendation 1

\$249,052,031.69

The questioned cost represents amounts provided by Treasury under the Coronavirus Relief Fund. As discussed in the attached desk review, \$249,052,031.69 is Los Angeles County's total expenditures reported in the grants reporting portal that lacked supporting documentation.

⁷ 2 CFR § 200.84 – Questioned Cost

⁸ JAMES is Treasury's audit recommendation tracking system.

Desk Review of Los Angeles County, California

July 7, 2023

OIG-CA-23-23-027

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

FROM: Wayne Ference
Partner, Castro & Company, LLC

SUBJECT: Desk Review of Los Angeles County, California

On September 22, 2021, we initiated a desk review of Los Angeles County's (LA County) use of the Coronavirus Relief Fund (CRF) authorized under Title VI of the Social Security Act, as amended by Title V Division A of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).¹ The objective of our desk review was to evaluate LA County'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 June 30, 2021 as reported in Cycles 1³ through 5⁴ in the GrantSolutions portal.

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

- 1) reviewed LA County's quarterly Financial Progress Reports (FPRs) submitted in the GrantSolutions portal through June 30, 2021;
- 2) reviewed the *Department of the Treasury's (Treasury) Coronavirus Relief Fund Guidance* as published in the Federal Register on January 15, 2021;⁵
- 3) reviewed Treasury Office of Inspector General (OIG)'s *Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping*;⁶

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 June 30, 2021.

⁵ 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

⁶ 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

Desk Review of Los Angeles County, California

- 4) reviewed Treasury OIG's monitoring checklists⁷ of LA County'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 LA County's uses of CRF proceeds;
- 6) reviewed Treasury OIG Office of Investigations (OI), the Council of the Inspectors General on Integrity and Efficiency Pandemic Response Accountability Committee (PRAC),⁸ and Treasury OIG Office of Counsel input on issues that may pose risk or impact LA County's uses of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying LA County'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, Direct Payments, Aggregate Reporting,⁹ and Aggregate Payments to Individuals¹⁰ data identified through GrantSolutions reporting; and
- 9) evaluated documentation and records used to support LA County's quarterly FPRs.

⁷ 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.

⁸ 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 17 for a definition of covered funds) and the coronavirus response to (1) prevent and detect fraud, waste, abuse, and mismanagement; and (2) mitigate major risks that cut across program and agency boundaries.

⁹ 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).

¹⁰ 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 Los Angeles County, California

Based on our review of LA County's documentation supporting its uses of CRF proceeds as reported in the GrantSolutions portal, we found that uses of CRF proceeds for Direct Payments greater than or equal to \$50,000 and Aggregate Payments to Individuals complied with the CARES Act and Treasury's Guidance. However, we found that uses of CRF proceeds for Aggregate Reporting less than \$50,000 complied with the CARES Act but did not comply with Treasury's Guidance. Additionally, we found that Contracts greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance.

Based on the totality of the work performed, we identified total questioned costs of \$249,052,031.69, and determined LA County's risk of unallowable use of funds to be high. As such, Castro recommends Treasury OIG pursue obtaining documentation from LA County management and ensure reporting corrections are made. Further, based on LA County's responsiveness to Treasury OIG's requests and its ability to provide documentation, we recommend Treasury OIG determine if a focused audit is feasible over LA County's Contracts greater than or equal to \$50,000 and Aggregate Reporting less than \$50,000.

Non-Statistical Transaction Selection Methodology

Treasury issued a CRF payment to LA County of \$1,057,341,431.90. As of Cycle 5,¹¹ LA County's cumulative obligations and expenditures were both \$906,772,082.89. LA County's cumulative obligations and expenditures by payment type as reported in GrantSolutions through Cycle 5¹¹ are summarized below:

Payment Type	Cumulative Obligations	Cumulative Expenditures
Contracts >= \$50,000	\$ 512,836,297.77	\$ 512,836,297.77
Grants >= \$50,000	\$ -	\$ -
Loans >= \$50,000	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -
Direct Payments >= \$50,000	\$ 450,000.00	\$ 450,000.00
Aggregate Reporting < \$50,000	\$ 139,279,623.15	\$ 139,279,623.15
Aggregate Payments to Individuals (in any amount)	\$ 254,206,161.97	\$ 254,206,161.97
Totals	\$ 906,772,082.89	\$ 906,772,082.89

¹¹ Calendar quarter ending June 30, 2021.

Desk Review of Los Angeles County, California

Castro made a non-statistical selection of Contracts greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals. Selections were made using auditor judgment based on information and risks identified in reviewing audit reports, the GrantSolutions portal reporting anomalies¹² identified by the Treasury OIG CRF monitoring team, and review of LA County's FPR submissions. Castro noted LA County did not obligate or expend CRF proceeds to Grants greater than or equal to \$50,000, Loans greater than or equal to \$50,000, or Transfers¹³ 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 LA County's total CRF award amount and our overall risk assessment of LA County. To allocate the number of transactions (24) by obligation type (Contracts greater than or equal to \$50,000, Direct Payments greater than or equal to \$50,000, Aggregate Reporting less than \$50,000, and Aggregate Payments to Individuals), we compared the obligation type dollar amounts as a percentage of cumulative obligations for Cycle 5.¹⁴ Treasury OIG identified seven anomalies, five of which were included in our original transaction selections; therefore, we did not select any additional transactions from the anomalies identified by Treasury OIG. Additionally, Treasury OIG identified two potential duplicate payments that were part of the seven anomalies. We included these two potential duplicate payments from the Contracts greater than or equal to \$50,000 payment type in our selection, increasing the total transactions tested to 26.

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 the Commonwealth of the Northern Mariana Islands; and Tribal governments. Treasury issued a CRF payment to LA County for \$1,057,341,431.90. 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);

¹² 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 LA County.

¹³ A transfer to another government entity is a disbursement or payment to a government entity that is legally distinct from the prime recipient.

¹⁴ Calendar quarter ending June 30, 2021.

Desk Review of Los Angeles County, California

- (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, 2021.¹⁵

Section 15011 of the CARES Act, requires each covered recipient¹⁶ 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^{17,18} received from Treasury; (2) the amount of large covered funds received that were expended or obligated for each project or activity; (3) a detailed list of all projects or activities for which large covered funds were expended or obligated; and (4) detailed information on any level of sub-contracts or sub-grants awarded by the covered recipient or its sub-recipients.

The CARES Act assigned Treasury OIG the responsibility for compliance monitoring and oversight of the receipt, disbursement, and use of CRF proceeds. Treasury OIG also has 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

We reviewed LA County's quarterly FPRs through June 30, 2021 and determined that LA County submitted all its reports on a timely basis.

Summary of Testing Results

Certain transactions selected for detailed review were not supported by documentation and we were unable to determine if expenditures were allowable in accordance with the CARES Act and Treasury's guidance. Specifically, we were unable to determine if \$249,052,031.69 in Contracts greater than or equal to

¹⁵ 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.

¹⁶ 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.

¹⁷ 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.

¹⁸ Section 15011 of P.L. 116-136 defines large covered funds as covered funds that amount to more than \$150,000.

Desk Review of Los Angeles County, California

\$50,000 tested were necessary expenditures 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. We found that uses of CRF proceeds for Direct Payments greater than or equal to \$50,000 and Aggregate Payments to Individuals complied with the CARES Act and Treasury's Guidance.

Additionally, we found that uses of CRF proceeds for Aggregate Reporting less than \$50,000 complied with the CARES Act but did not comply with Treasury's Guidance because some transactions tested were not recorded in the correct payment type in the GrantSolutions portal. We are not questioning these misclassified costs as they were allowable and supported, but we have made Treasury OIG personnel aware of the reporting misclassification.

The transactions selected for testing were not selected statistically, and therefore results cannot be extrapolated to the total universe of transactions.

The following table includes the total cumulative expenditure population amount as of June 30, 2021 and the cumulative expenditure amount tested. Additionally, this table includes a summary of Castro's testing results over cumulative expenditure transaction balances. Within the "Exception Noted: IPA [Independent Public Accountant] Recommended for Treasury OIG Follow-up" section of this table, we have included a summary of unsupported and/or ineligible balances identified as questioned costs as a result of our desk review. These expenditures do not comply with the CARES Act and Treasury's Guidance. Additionally, in the far-right column, we have identified the cumulative 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 throughout the course of our desk review.

Summary of Expenditure Testing and Recommended Results – As of Cycle 5¹⁹

Payment Type	Cumulative Expenditure Population Amount	Cumulative Expenditure Tested Amount	Unsupported Exception	Ineligible Exception	Castro Reviewed Value Without Exception (per Support)
Contracts >= \$50,000	\$ 512,836,297.77	\$ 291,176,829.96	\$ 249,052,031.69	\$ -	\$ 42,124,798.28
Grants >= \$50,000	\$	\$ -	\$ -	\$ -	\$ -
Loans >= \$50,000	\$	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$	\$ -	\$ -	\$ -	\$ -
Direct Payments >= \$50,000	\$450,000.00	\$ 300,000.00	\$ -	\$ -	\$ 300,000.00
Aggregate Reporting < \$50,000	\$139,279,623.15	\$ 30,792,985.87	\$ -	\$ -	\$ 30,792,985.87
Aggregate Payments to Individuals (in any amount)	\$254,206,161.97	\$ 72,574,749.19	\$ -	\$ -	\$ 72,574,749.19
Totals	\$906,772,082.89	\$ 394,844,565.02	\$ 249,052,031.69	\$ -	\$ 145,792,533.34

Contracts Greater Than or Equal to \$50,000

We determined LA County’s Contracts greater than or equal to \$50,000 were not in compliance with the CARES Act and Treasury’s Guidance. As a result of our testing, we are questioning expenditure amounts of \$249,052,031.69 because of a lack of supporting documentation. Additionally, as a result of our testing, we noted that LA County’s contracts included grant agreements that we determined should have been reported as Grants greater than or equal to \$50,000; however, due to a lack of supporting documentation, we were unable to determine the exact amount of the required correcting entries. As part of our procedures, we selected 11 contract transactions for testing. For 5 of 11 transactions, we noted the following pertaining to the cumulative expenditure amounts:

1. We identified \$183,963,831.10 in expenditures that we questioned as unsupported. We obtained grant agreements between LA County and its sub-recipients which we utilized to test LA County’s cumulative obligations for these balances without exception. We obtained and reviewed expenditure supporting documentation, to include letters from sub-recipients summarizing requested installment payments to be made by LA County to the grant sub-recipients and general ledger details. However, LA County did not provide detailed invoices to

¹⁹ Calendar quarter ending June 30, 2021.

Desk Review of Los Angeles County, California

support the cumulative expenditure amounts incurred by sub-recipients as part of the grant program. Without detailed invoices to support the cumulative expenditure amounts incurred by sub-recipients, we were unable to perform a full assessment to verify eligibility of grantees and the date expenditures were incurred using CRF funding.

2. We identified an additional \$65,088,200.59 in expenditures that we questioned as unsupported. We obtained grant agreements between LA County and its sub-recipients which we utilized to test the LA County's cumulative obligations for these balances without exception. However, LA County personnel reported estimated expenditures within GrantSolutions by reporting the full advance payment amount of \$255,805,013.96 made to a sub-recipient instead of tracking and reporting the sub-recipient's actual incurred expenses of \$190,716,813.37. This resulted in a known overstatement to GrantSolutions expenditures as of Cycle 5.²⁰

LA County personnel told us that they planned to complete a reconciliation of these sub-recipient costs and to adjust GrantSolutions values in future cycles to reflect the final expenditures incurred. LA County personnel told us that they made updates to GrantSolutions in subsequent cycle submissions which they believe have addressed all the findings contained in this report; however, our review did not consider updates LA County made after the end of Cycle 5.²¹

Treasury OIG Guidance OIG-CA-20-021,²² *Recipient Portal Access*, states: "For future quarterly reporting, each prime recipient will have GrantSolutions portal access for three (3) individuals: two (2) designees (preparers) to input quarterly data and one (1) official authorized to certify that the data is true, accurate, and complete." LA County did not comply because the official authorized to certify that the data was true, accurate, and complete did not ensure that its submission met all the Treasury OIG Guidance requirements.

Subsection 601 (d) of the Social Security Act, as amended, (42 U.S.C. 801 (d)) requires prime recipients to ensure eligible use of funds and Treasury OIG Guidance OIG-CA-20-021, *CRF Reporting and Record Retention Requirements*, states: "Recipients of Coronavirus Relief Fund payments shall maintain and make available to the Treasury OIG upon request all documents and financial records sufficient to establish compliance." LA County did not comply because it did not maintain and provide sufficient records to evidence transactions reported in GrantSolutions.

²⁰ Calendar quarter ending June 30, 2021.

²¹ Calendar quarter ending June 30, 2021.

²² <https://oig.treasury.gov/sites/oig/files/2021-01/OIG-CA-20-021.pdf>

Desk Review of Los Angeles County, California

LA County did not comply with Treasury OIG Guidance OIG-CA-20-028R,²³ *Department of the Treasury Office of Inspector General Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping (Revised)*, because it estimated expenditure amounts and reported the full advance payment amount to its sub-recipients rather than tracking and reporting actual expenditures incurred by its sub-recipients. In addition, certain transactions reported as Contracts greater than or equal to \$50,000 did not meet the definition of a Contract.

Aggregate Reporting Less Than \$50,000

We determined LA County's Aggregate Reporting less than \$50,000 complied with the CARES Act, but determined that it did not comply with Treasury's Guidance. We selected three original transactions over which to perform testwork; then from these transactions, we selected 23 sub-selections over which to obtain coverage at the transaction level. We determined that all these transactions represented eligible expenditures; however, we noted the following exceptions.

For 12 out of 23 sub-selections, we identified misclassification exceptions related to Aggregate Reporting less than \$50,000 expenditures that should have been reported as Contracts greater than or equal to \$50,000 for amounts totaling \$24,196,752.63 for both cumulative obligation and expenditure amounts.

LA County personnel told us that due to a variety of factors (e.g., internal audits/reviews, modified strategies to maximize all available revenue sources, departmental reconciliations, etc.), LA County's departments had routinely corrected and/or adjusted their CRF claims. LA County made a strategic decision to initially report contracts in the Aggregate Reporting payment type; however, LA County personnel told us that they planned to identify/reclassify all Contracts greater than or equal to \$50,000 in a future cycle once all corrections and adjustments had been finalized.

Based on the issues noted above, we determined LA County to be noncompliant with Treasury OIG Guidance OIG-CA-20-021 because the official authorized to certify that the data was true, accurate, and complete did not ensure that its submission met all the Treasury OIG Guidance requirements.

Additionally, we determined LA County to be non-compliant with Treasury OIG Guidance OIG-CA-20-028R because certain expenditures did not meet the definition of an Aggregate Reporting transaction less than \$50,000.

²³ <https://oig.treasury.gov/sites/oig/files/2021-03/OIG-CA-20-028R.pdf>

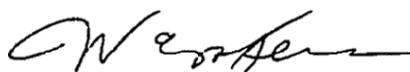
Conclusion

Based on our review of LA County's documentation supporting its uses of CRF proceeds as reported in the GrantSolutions portal, we found that uses of CRF proceeds for Direct Payments greater than or equal to \$50,000 and Aggregate Payments to Individuals complied with the CARES Act and Treasury's Guidance. However, we found that uses of CRF proceeds for Aggregate Reporting less than \$50,000 complied with the CARES Act, but did not comply with Treasury's Guidance. Additionally, we found that Contracts greater than or equal to \$50,000 did not comply with the CARES Act and Treasury's Guidance.

Based on the totality of the work performed, we identified total questioned costs of \$249,052,031.69 and determined LA County's risk of unallowable use of funds to be high. As such, Castro recommends Treasury OIG pursue obtaining documentation from LA County management and ensure reporting corrections are made. Further, based on LA County's responsiveness to Treasury OIG's requests and its ability to provide documentation, we recommend Treasury OIG determine if a focused audit is feasible over LA County's Contracts greater than or equal to \$50,000 and Aggregate Reporting less than \$50,000.

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.²⁴ We appreciate the courtesies and cooperation provided to our staff during the desk review.

Sincerely,



Wayne Ference
Partner, Castro & Company, LLC

²⁴ <https://www.ignet.gov/sites/default/files/files/Silver%20Book%20Revision%20-%208-20-12r.pdf>