



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

October 23, 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 Baltimore County, Maryland's Use of
Coronavirus Relief Fund Proceeds (OIG-CA-25-004)

Please find the attached desk review memorandum¹ on Baltimore County, Maryland's (Baltimore 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 reviewed documentation for a non-statistical selection of 21 transactions reported in the quarterly Financial Progress Reports (FPR) and identified unsupported questioned costs of \$620,189 (see attached schedule of monetary benefits).

Castro determined that the expenditures related to Aggregate Reporting less than \$50,000² did not comply with the CARES Act and Department of the Treasury's (Treasury) Guidance. Also, Castro determined that the expenditures related to the Direct Payments greater than or equal to \$50,000 payment type complied with the CARES Act but did not comply with Treasury's Guidance. Additionally, Castro determined that Baltimore County's risk of unallowable use of funds is moderate.

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 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).

Castro recommends that Treasury Office of Inspector General (OIG) follow-up with Baltimore County's management to confirm the transactions noted as unsupported expenditures of \$620,189 within Aggregate Reporting less than \$50,000 are recouped or replaced by other eligible expenditures, not previously charged to CRF, that were incurred during the period of performance. Based on Baltimore County's responsiveness to Treasury OIG's requests and its ability to provide sufficient documentation, Castro recommended that Treasury OIG determine the feasibility of conducting an audit for Aggregate Reporting less than \$50,000.

Regardless of a determination of a full audit of Aggregate Reporting less than \$50,000 payments, Castro identified a matter related to the Baltimore County Department of Economic and Workforce Development (DEWD) payroll that warrants follow-up by Treasury OIG. Specifically, Castro identified \$2,617 in unsupported questioned costs in the Baltimore County DEWD Aggregate Reporting less than \$50,000 payroll expenditure testing. As such, Castro recommends that Treasury OIG determine the feasibility of performing additional follow-up with Baltimore County to determine if there were other instances of unsupported payroll expenditures within the remaining \$259,411 DEWD payroll transaction population.

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

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 Baltimore 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 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
Danielle Christensen, Deputy Chief Program Officer, Office of Capital Access, Department of the Treasury
Wayne Ference, Partner, Castro & Company, LLC
Kevin D. Reed, Director of Budget and Finance, Baltimore County, Maryland

Attachment

Schedule of Monetary Benefits

According to the Code of Federal Regulations,³ 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).⁴ The amount will also be included in the Office of Inspector General (OIG) Semiannual Report to Congress. It is Treasury management's responsibility to report to Congress on the status of the agreed to recommendations with monetary benefits in accordance with 5 USC 405.

<u>Recommendation</u>	<u>Questioned Costs</u>
Recommendation No. 1	\$620,189

The questioned cost represents amounts provided by Treasury under the Coronavirus Relief Fund. As discussed in the attached desk review, \$620,189 is Baltimore County's total expenditures reported in the grant-reporting portal that lacked supporting documentation.

³ 2 CFR § 200.84 – Questioned Cost

⁴ JAMES is Treasury's audit recommendation tracking system.

Desk Review of Baltimore County, Maryland

October 23, 2024

OIG-CA-25-004

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

FROM: Wayne Ference
Partner, Castro & Company, LLC

SUBJECT: Desk Review of Baltimore County, Maryland

On November 9, 2023, we initiated a desk review of Baltimore County, Maryland's (Baltimore 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 Baltimore 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 December 31, 2022,³ as reported in the GrantSolutions portal.

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

- 1) reviewed Baltimore County's quarterly Financial Progress Reports (FPRs) submitted in the GrantSolutions portal through December 31, 2022;
- 2) reviewed the *Department of the Treasury's (Treasury) Coronavirus Relief Fund Guidance* as published in the Federal Register on January 15, 2021;⁴

¹ P.L. 116-136 (March 27, 2020).

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

³ Baltimore County fully expended their total CRF proceeds as of December 31, 2022. Castro set the scope end date to December 31, 2022, which was the date of Baltimore County's last reporting submission within the GrantSolutions portal.

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

Desk Review of Baltimore County, Maryland

- 3) reviewed Treasury Office of Inspector General's (OIG) *Coronavirus Relief Fund Frequently Asked Questions Related to Reporting and Recordkeeping*;⁵
- 4) reviewed Treasury OIG's monitoring checklists⁶ of Baltimore County's quarterly FPR submissions for reporting deficiencies;
- 5) reviewed other audit reports issued, such as Single Audit Act reports,⁷ and those issued by the Government Accountability Office and other applicable Federal agency OIGs for internal control or other deficiencies that may pose risk or impact Baltimore County's uses of CRF proceeds;
- 6) reviewed Treasury OIG Office of Investigations, the Council of the Inspectors General on Integrity and Efficiency Pandemic Response Accountability Committee,⁸ and Treasury OIG Office of Counsel input on issues that may pose risk or impact Baltimore County's use of CRF proceeds;
- 7) interviewed key personnel responsible for preparing and certifying Baltimore 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 Direct Payments and Aggregate Reporting⁹ data identified through GrantSolutions portal reporting; and
- 9) evaluated documentation and records used to support Baltimore County's quarterly FPRs.

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

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

⁷ P. L. 104-156 (July 5, 1996) The Single Audit Act of 1984, as amended in 1996, requires entities who receive federal funds in excess of \$750,000 to undergo an annual audit of those Federal funds. The act was enacted for the purpose of promoting sound financial management, including effective internal controls, with respect to Federal awards administered by non-Federal entities and to establish uniform requirements for audits. This prime recipient was subject to those audit requirements, and Castro reviewed applicable prior year single audit reports as part of our desk review risk assessment procedures.

⁸ Section 15010 of P.L. 116-136 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.

⁹ 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).

Desk Review of Baltimore County, Maryland

Based on our review of Baltimore County's documentation supporting the uses of its CRF proceeds as reported in the GrantSolutions portal, we determined that the expenditures related to the Aggregate Reporting less than \$50,000 payment type did not comply with the CARES Act and Treasury's Guidance. We also determined that the Direct Payments greater than or equal to \$50,000 payment type complied with the CARES Act but did not comply with Treasury's Guidance. We identified unsupported questioned costs of \$620,189. We also determined Baltimore County's risk of unallowable use of funds is moderate.

Castro recommends that Treasury OIG confirm the transactions noted as unsupported expenditures within Aggregate Reporting less than \$50,000 are recouped or replaced by other eligible expenditures, not previously charged to CRF, that were incurred during the period of performance. Based on Baltimore County'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 Aggregate Reporting less than \$50,000.

Non-Statistical Transaction Selection Methodology

Treasury issued a \$144,369,685 CRF payment to Baltimore County. As of December 31, 2022, Baltimore County expended all of its CRF funds. Baltimore County's cumulative obligations and expenditures by payment type are summarized below.

Payment Type	Cumulative Obligations	Cumulative Expenditures
Contracts >= \$50,000	\$ -	\$ -
Grants >= \$50,000	\$ -	\$ -
Loans >= \$50,000	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -
Direct Payments >= \$50,000	\$ 42,113,722	\$ 42,113,722
Aggregate Reporting < \$50,000	\$ 102,255,963	\$ 102,255,963
Aggregate Payments to Individuals (in any amount)	\$ -	\$ -
Totals	\$ 144,369,685	\$ 144,369,685

Desk Review of Baltimore County, Maryland

Castro made a non-statistical selection of payments in the Direct Payments greater than or equal to \$50,000 and Aggregate Reporting less than \$50,000 payment types. Selections were made using auditor judgment based on information and risks identified in reviewing audit reports, the GrantSolutions portal reporting anomalies¹⁰ identified by the Treasury OIG CRF monitoring team, and review of Baltimore County's FPR submissions. Baltimore County 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, Transfers¹¹ greater than or equal to \$50,000, or Aggregate Payments to Individuals¹² payment types; therefore, we did not select transactions from these payment types.

The number of transactions (21) we selected to test were based on Baltimore County's total CRF award amount and Castro's overall risk assessment of Baltimore County. To allocate the number of transactions (21) by payment type (Direct Payments greater than or equal to \$50,000 and Aggregate Reporting less than \$50,000), we compared the total payment type dollar amounts as a percentage of cumulative expenditures as of December 31, 2022. The transactions tested were not selected statistically, and therefore results could not be extrapolated to the total universe of transactions.

Additionally, Treasury OIG identified additional anomalies in the form of potential duplicates, which had not already been included within our transaction selection, of which we selected 17 potential duplicates. We performed limited testing on these 17 potential duplicate payments and determined that the payments were not duplicates.

Background

The CARES Act appropriated \$150 billion to establish the CRF. Under the CRF, Treasury made payments for specified uses to States and certain local governments; the District of Columbia and U.S. Territories, including the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands; and Tribal governments (collectively referred to as "prime recipients"). Treasury issued a \$144,369,685

¹⁰ 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.

¹¹ A transfer to another government entity is a disbursement or payment to a government entity that is legally distinct from the prime recipient.

¹² 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 Baltimore County, Maryland

CRF payment to Baltimore County. The CARES Act stipulates that a prime recipient may only use the funds to cover costs that —

- (1) were necessary expenditures incurred due to the public health emergency with respect to the coronavirus disease 2019 (COVID-19);
- (2) were not accounted for in the budget most recently approved as of March 27, 2020; and
- (3) were incurred during the covered period between March 1, 2020 and December 31, 2021.¹³

Section 15011 of the CARES Act required each covered recipient¹⁴ 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^{15,16} received from Treasury; (2) the amount of large covered funds received that were expended or obligated for each project or activity; (3) a detailed list of all projects or activities for which large covered funds were expended or obligated; and (4) detailed information on any level of sub-contracts or sub-grants awarded by the covered recipient or its sub-recipients.

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

¹³ 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.

¹⁴ 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.

¹⁵ 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.

¹⁶ Section 15011 of P.L. 116-136 defined large covered funds as covered funds that amounted to more than \$150,000.

Desk Review of Baltimore County, Maryland

Desk Review Results

Financial Progress Reports

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

Summary of Testing Results

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

Within the table below, we have included a summary of unsupported and ineligible expenditures identified as questioned costs, which did not comply with the CARES Act and Treasury's Guidance. 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 Expenditures Testing and Recommended Results
As of December 31, 2022**

Payment Type	Cumulative Expenditure Population Amount	Cumulative Expenditure Tested Amount	Unsupported Questioned Costs	Ineligible Questioned Costs	Total Questioned Costs
Contracts >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Grants >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Loans >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers >= \$50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Payments >= \$50,000	\$ 42,113,722	\$ 7,694,693	\$ -	\$ -	\$ -
Aggregate Reporting < \$50,000	\$ 102,255,963	\$ 826,394	\$ 620,189	\$ -	\$ 620,189
Aggregate Payments to Individuals (in any amount)	\$ -	\$ -	\$ -	\$ -	\$ -
Totals	\$ 144,369,685	\$ 8,521,087	\$ 620,189	\$ -	\$ 620,189

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

We determined Baltimore County’s Direct Payments greater than or equal to \$50,000 complied with the CARES Act but did not comply with Treasury’s Guidance. We tested eight direct payments totaling \$7,694,693 and identified no testing exceptions. The direct payments tested included expenditures for janitorial supplies, personal protective equipment, costs of food programs, and County building modifications.

Additionally, we identified reporting misclassifications that did not comply with Treasury’s Guidance related to Direct Payments greater than or equal to \$50,000 that we determined should have been reported as Contracts greater than or equal to \$50,000 in the GrantSolutions portal.

Aggregate Reporting Less Than \$50,000

We determined Baltimore County’s Aggregate Reporting less than \$50,000 did not comply with the CARES Act and Treasury’s Guidance. We tested 13 transactions totaling \$826,394 and identified four exceptions with total unsupported questioned costs of \$620,189, as detailed below. The aggregate reporting transactions tested included expenditures related to grant payments made for

Desk Review of Baltimore County, Maryland

business and economic recovery, payroll for public health and safety employees,¹⁷ payroll for substantially dedicated¹⁸ and non-substantially dedicated employees,¹⁹ equipment usage costs, eviction prevention program payments, and laptop purchases to facilitate telework capabilities for Baltimore County employees during the pandemic.

Additionally, we identified reporting misclassifications that did not comply with Treasury's Guidance related to Aggregate Reporting less than \$50,000 that we determined should have been reported as Direct Payments greater than or equal to \$50,000 in the GrantSolutions portal.

Aggregate Reporting Exception 1 - Small Business and Economic Recovery Grant

Baltimore County provided \$30,000 to a company for a small business and economic recovery grant to provide training due to COVID-19 pandemic impacts. The grant agreement between Baltimore County and the grant recipient specified that the grant proceeds would be utilized by the company to provide training to members to assist the small businesses during the pandemic. The grant agreement adequately outlined the terms and conditions of the grant as well as conditions for non-compliance; however, Baltimore County was unable to provide the requested documentation that was outlined within the agreement as required

¹⁷ 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."

¹⁸ 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 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."

¹⁹ 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 that recipients should: "track time spent by employees related to COVID-19 and apply Fund payments on that basis but would need to do so consistently within the relevant agency or department. This means, for example, that a government could cover payroll expenses allocated on an hourly basis to employees' time dedicated to mitigating or responding to the COVID-19 public health emergency."

Desk Review of Baltimore County, Maryland

documentation. Specifically, Baltimore County did not provide expenditure support such as invoices or other operating expense support to evidence the costs incurred. Additionally, Baltimore County provided a list of virtual training classes held by the company, but Castro looked through the grant recipient's website and was unable to find any classes matching those listed to evidence that they occurred. We also requested evidence of participants for the classes such as meeting attendee reports; however, Baltimore County did not provide any such support. As a result, Castro determined the grant award amount of \$30,000 was unsupported, resulting in questioned costs of \$30,000.

Aggregate Reporting Exception 2 - Small Business Restaurant Reimbursement Grant

Baltimore County provided \$30,000 to a company for a small business restaurant reimbursement grant to assist with expenses incurred as a result of the COVID-19 pandemic. We requested that Baltimore County provide supporting documentation to evidence that the CRF proceeds were utilized as listed in the grant agreement and that the claimed expenses were eligible under Treasury's Guidance. The grant agreement specified that the grantee would furnish to the County, upon request, evidence of payment of expenses incurred for the permitted uses and documentation that demonstrated that the information provided within the application was true. We noted that in their application, the grant recipient indicated that it would use the grant funds to reimburse rent, payroll, supplies, and utilities. We asked Baltimore County management for the expenditure support that was submitted with the application that evidenced the costs which the grant funds reimbursed. Baltimore County was unable to provide documentation to support that the grant funds were utilized to reimburse the expenditures noted within the application.

In addition, within their application, the grant recipient indicated that it lost an estimated \$500,000 in revenue due to COVID-19; however, the financial information section of their application indicated that revenue for March/April 2019 was \$201,140, while revenue for March/April 2020 was \$256,165. This information does not support the estimated revenue loss in the application. Baltimore County personnel did not provide financial documentation as proof of the net revenue loss incurred, and no further responses were provided to our inquiry for confirmation if this amount was budgeted or the actual number for the revenue in March/April 2020. Baltimore County failed to provide sufficient and appropriate evidence that the amounts reimbursed by the CRF were related to the expenditures noted within the grant agreement. In addition, Baltimore County did not maintain an appropriate record of the expenditures. Castro determined these expenditures were unsupported, resulting in questioned costs of \$30,000.

Aggregate Reporting Exception 3 – Public Health and Safety Payroll

Baltimore County claimed \$3,004,802 in expenditures for the Baltimore County Police Department’s payroll costs for public health and safety personnel during the pandemic. Castro tested a total of \$4,725 related to public health and safety payroll and did not identify any exceptions with the actual testing performed.

However, we performed a reconciliation of the underlying details from the general ledger and payroll records, and compared the amounts charged against the expenditures charged in GrantSolutions and identified a variance of \$557,572. We requested that Baltimore County management provide an explanation; management agreed that the payroll costs did not reconcile and stated the variance may have been an overpayment issue that was not corrected. As such, Castro determined this variance to be an unsupported questioned cost as the balance within the GrantSolutions portal exceeded the detailed support by \$557,572 in relation to these payroll costs.

Aggregate Reporting Exception 4 – Baltimore County Payroll Expenditures

Baltimore County claimed \$262,028 in expenditures for Baltimore County Department of Economic and Workforce Development (DEWD) related to payroll expenditures for Baltimore County employees during the pandemic. DEWD was the agency that oversaw the planning and distribution of COVID-19 grants to Baltimore County’s businesses and individuals. Of the \$262,028 expenditure amount, we tested five payroll transactions totaling \$2,617. Within Baltimore County’s population titled “All Payroll with Breakout for PS and HHS vs. Other County Chargebacks”, the payroll for the selected DEWD employees did not indicate which of the selected employees were substantially dedicated and non-substantially dedicated. We requested this information from Baltimore County management. In its response, Baltimore County indicated that only two out of the five tested employees would have spent the majority of their time on COVID-19 duties. Of the two individuals who were considered substantially dedicated, Baltimore County indicated one was responsible for creating, implementing and monitoring a strategic plan for the agency’s role to fund Baltimore County’s businesses and residents in response to COVID-19 pandemic, while the other managed the daily operations through the implementation and disbursement of funding CRF stimulus grants for the County’s businesses. Treasury’s guidance in the Federal Register Vol. 86, No. 10 states, “The relevant unit of government should maintain documentation of the “substantially dedicated” conclusion with respect to its employees.” Baltimore County did not provide evidence to support its conclusion with respect to the selected employees as substantially dedicated as required by the Federal Register.

Desk Review of Baltimore County, Maryland

For the employees identified as non-substantially dedicated, Baltimore County did not provide timesheets that evidenced the amount of time worked on COVID-19 related tasks, or the specific COVID-19 related tasks to which the employees were assigned. Treasury's guidance in the Federal Register Vol. 86, No. 10 FAQ No. 47 states, "a State, local, or tribal government may also 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." As a result, we identified unsupported questioned costs amounting to \$2,617 related to noncompliance with CRF eligibility criteria for the five payroll transactions tested.

Because Castro identified \$2,617 in unsupported questioned costs within the Baltimore County DEWD payroll expenditure testing and adequate internal control over payroll expenditures charged to CRF was lacking, we recommend Treasury OIG determine the feasibility of performing additional follow-up with Baltimore County to determine if there were other instances of unsupported payroll expenditures within the remaining \$259,411 transaction population.

Conclusion

We determined that the expenditures related to the Aggregate Reporting less than \$50,000 payment type did not comply with the CARES Act and Treasury's Guidance. Also, we determined the expenditures related to the Direct Payments greater than or equal to \$50,000 payment type complied with the CARES Act but did not comply with Treasury's Guidance. We identified unsupported questioned costs of \$620,189 and determined that Baltimore County's risk of unallowable use of funds is **moderate**. We identified GrantSolutions portal reporting misclassification issues related to Direct Payments greater than or equal to \$50,000 and Aggregate Reporting less than \$50,000, which we considered to be non-compliant with Treasury's Guidance, but did not result in questioned costs.

As a result of this desk review, we recommend Treasury OIG confirm the transactions noted as unsupported expenditures of \$620,189 within Aggregate Reporting less than \$50,000 are recouped or replaced by other eligible expenditures, not previously charged to CRF, that were incurred during the period of performance. Based on Baltimore County'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 Aggregate Reporting less than \$50,000.

Desk Review of Baltimore County, Maryland

Regardless of a determination of a full audit of Aggregate Reporting less than \$50,000 payments, Castro identified a matter related to Baltimore County DEWD payroll that warrants follow-up by Treasury OIG. Specifically, Castro identified \$2,617 in unsupported questioned costs in the Baltimore County DEWD Aggregate Reporting less than \$50,000 payroll expenditure testing. As such, we recommend Treasury OIG determine the feasibility of performing additional follow-up with Baltimore County to determine if there were other instances of unsupported payroll expenditures within the remaining \$259,411 DEWD payroll transaction population.

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.²⁰ We appreciate the courtesies and cooperation provided to our staff during the desk review.

Sincerely,



Wayne Ference
Partner, Castro & Company, LLC

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