

## MEMORANDUM

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**TO:** Interested Parties  
**FR:** A&F Federal Funds Office  
**DT:** May 2022  
**RE:** U.S. Treasury's Office of Inspector General Coronavirus Relief Fund Desk Review and/or Audits

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**The purpose of this memo is to alert sub-recipients to the prospect of desk reviews and/or audits by the federal government for the Coronavirus Relief Fund (CRF) program.**

### **I. Context**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act assigned the Department of the Treasury Office of Inspector General (Treasury OIG) with responsibility for compliance monitoring and oversight of the receipt, disbursement, and use of the Coronavirus Relief Fund program.

Treasury OIG also has the authority to recoup payments if it determines a prime recipient or a subrecipient failed to comply with federal requirements for CRF.

On March 7, 2022, Treasury OIG published its [risk scoring model](#) including the factors it will consider when determining which prime recipients, sub-recipients, or beneficiaries are at a higher risk for fraud, waste, abuse, and unallowable uses of CRF payments. These "risk factors" are reflected in the CRF Risk Analytics Dashboard, and this Dashboard will be used to evaluate quarterly *Financial Progress Report* data to identify high risk recipients, sub-recipients, and beneficiaries for desk reviews and/or audits. **Please note, all 50 states (and their subrecipients) will be prioritized for desk review or audit.**

Treasury OIG's full guidance can be found [here](#) and should be reviewed by all prime recipient agencies and subrecipients. As a result of the Commonwealth's Coronavirus Relief Fund Municipal Program (CvRF-MP), all municipal recipients of CRF are considered subrecipients and are subject to the analysis described above.

### **II. Process Risk Factors**

Treasury OIG will create a *Risk Score* and entities with a higher *Risk Score* are more likely to receiving a federal desk review and/or audit.

While Treasury OIG has created 17 risk factors in their Dashboard, we highlight below the factors that are highly likely to trigger a desk review and/or audit and most relevant to municipalities:

- Single Audit – Treasury OIG is particularly interested in recipients and sub-recipients that have had findings with any of the following 4 issues within the past 3 years:

- Going Concern
- Material Weakness
- Reportable Condition
- Material Non-Compliance

A municipality with an audit finding pertaining to any of these issues is likely to be the subject of desk review and/or audit with respect to its CRF programs. Treasury OIG will also review single audit reports for internal control or other deficiencies that may pose a heightened risk of non-compliance or impact the recipient's uses of CRF proceeds.

- SAM Sensitive File – Treasury OIG will match the SAM Sensitives File to identify entities that were associated with Federal Delinquent Debt flag or Shared Bank Accounts, and matches will be a trigger for desk review and/or audit.
- SAM Debarments – Treasury OIG will research if prime recipients, sub-recipients, or beneficiaries are linked with a previous contract to subrecipients who are suspended and/or debarred from doing business with the Government, again creating a trigger for desk review and/or audit.
- SBIR/STTR – Treasury OIG will identify whether prime recipients, sub-recipients, or beneficiaries received funding from the SBIR or STTR programs.
- Multi-Dipping (Duplication of Benefits) - Treasury OIG will identify whether prime recipients, sub-recipients, or beneficiaries received funding from other COVID-19 or pandemic programs listed on USASpending.gov.

For each of these categories, Treasury OIG will cross-check the recipients reported by municipalities against publicly available databases for debt, debarment, and duplication of benefits with other federal COVID-19 programs. Municipalities with flagged recipients will likely be audited for compliance with relevant federal regulations prohibiting disbursement to restricted entities and duplication of benefits.

- Business Assistance – Treasury OIG will review the top 10% of prime recipients in terms of percentage of their total award that was expended as small business assistance.

The terms of CvRF-MP did not allow for the usage of award funds for small business assistance. Nonetheless, for those municipalities who may have attempted to allocate funds to small business assistance, their small business assistance program will likely be the subject of desk review or audit specifically as it relates to compliance with Treasury OIG's requirement that grantors retain "some proof that the small business was impacted by the public health emergency" and that award funds were not duplicative of other federal assistance.

- Vague Language – Treasury OIG will examine the *Financial Progress Report* data to look for vague descriptions of expenditures including the following terms: "miscellaneous", "payroll", "hazard pay", "tourism", "infrastructure", "vehicle", "truck", or "FEMA" which will trigger a desk review and/or audit.

This risk area focuses on expenditures that are likely to be ineligible, have insufficient documentation, or are high risk for duplication of benefits. Municipalities that have reported

expenditures using any of these keywords are likely to have the programs containing those expenditures audited.

### **III. Suggested Steps for Municipalities**

In anticipation of potential Treasury OIG desk review and/or audit, municipalities should undertake the following steps to prepare themselves and mitigate risk of recoupment of funds:

1. Identify a lead person for your municipality to engage with Treasury OIG when contacted for a desk review and/or audit. (Note: This should likely be the municipal contact accountable for CRF accounting and reporting).
2. Organize records related to CRF into a master file. This includes, but is not limited to, records such as budgets, RFPs, contracts, purchase orders, receiving documents, payments, and any other documents supporting information included in the federal reports.
3. Cross-reference municipal CvRF records against the awards records for SBIR/STTR [here](#). Inform FFO of any awards made by your municipality that may trigger the risk analysis described above.
4. Cross-reference municipal CvRF records against the records for “Award Spending by Recipient” for all COVID-19 programs [here](#). Inform FFO of any awards made by your municipality that may trigger the risk analysis described above.
5. Cross-reference municipal CvRF records against the latest debarment list [here](#). Inform FFO of any awards made by your municipality that may trigger the risk analysis described above.
6. For entities with single audit findings in the last 3 years, inform FFO of the municipality’s corrective action plan to address relevant findings in these single audits.
7. For entities that reported keywords identified by Treasury OIG inform FFO of the relevant programs and begin working to gather documentation of the eligibility of these expenses.
8. For municipalities that attempted to provide small business assistance, please notify FFO as soon as possible as these expenses should be removed from final reports to minimize risk of non-compliance.

If a municipality has further questions, or would like to meet with FFO staff to discuss the implications of this memo, please contact:

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