

State of Iowa

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2020

**U.S. Department of the Treasury**

**INSTANCE OF NON-COMPLIANCE:**

**CFDA Number: 21.019 – Coronavirus Relief Fund**

**Federal Award Year: 2020**

**Prior Year Single Audit Report Finding Number: N/A**

**Office of the Governor – Passed through Iowa Department of Homeland Security and Emergency Management**

**2020-006**

Employee Salaries – In our communication with the Office of the Governor dated October 16, 2020, we encouraged documentation and support for the use of CARES Act funds for Office of the Governor salaries, cautioning that it would only be a qualifying expense if both sufficient documentation was maintained, and the work documented was a direct, not an indirect focus on the pandemic. On January 6, 2021, the U.S. Department of Treasury OIG (Treasury OIG) requested that we review this issue for compliance. The following is our finding, which has been reviewed by Treasury OIG.

Criteria – According to the Federal Register Volume 86, number 10, dated January 15, 2021, the Cares Act provides that payments from the Coronavirus Relief Fund (CRF) may only be used to cover costs that are:

- necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
- costs that were not accounted for in the State’s budget that was approved at the time of the enactment of the CARES Act; and
- costs that were incurred during the period between March 1, 2020, and December 31, 2021.

The Federal Register also provides that with respect to personnel expenses, although the CRF was not intended to be used to cover governmental payroll expenses generally, the requirement that payments from the CRF be used only to cover cost that were not accounted for in the budget most recently approved as of March 27, 2020 could be met if either (a) the cost cannot lawfully be funded using a line item, allotment, or allocation within that budget or (b) the cost is for a substantially different use from any expected use of funds in such a line item, allotment, or allocation.

Within the category of substantially different uses, are those who are “substantially dedicated” to mitigation or responding to the COVID-19 public health emergency. The Treasury has included the payroll and benefits expense for public safety, public health, health care, human services, and similar employees as “substantially dedicated”.

The 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. However, the Treasury requires the relevant unit of government to maintain documentation of the ‘substantially dedicated’ conclusion with respect to its employees.

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The Federal Register allows a state to track time spent by employees related to COVID-19 and apply CRF payments on that basis, however, this method would need to be applied consistently within the relevant agency, department or authority. This means 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.

Condition – The Office of the Governor used \$448,448.86 of the CRF to reimburse the salaries and benefits of twenty-one Office of the Governor employees for the period March 15, 2020 through June 30, 2020. The reimbursement was in the form of an internal transfer from the Iowa Department of Homeland Security and Emergency Management (IHSEM), from their allocation of administration funds from the State's CRF. The \$448,448.86 reimbursement represents 62.59% of the total salaries/benefits of the twenty-one employees for the period.

Based on the Federal Register, the Office of the Governor employees do not meet the definition of public safety, public health, health care, human services and similar employees to be considered as "substantially dedicated". Accordingly, the Office of the Governor is required to maintain documentation of the 'substantially dedicated' conclusion with respect to its employees. In response to our request for this documentation, a spokesperson from the Office of the Governor stated that "during the March 15 through June 30 time period, the Office of the Governor was fully focused on responding and protecting Iowa from COVID. Like guidance used for other departments heavily focused on COVID response, the Office of the Governor assumed a percentage of time dedicated to pandemic response." Documentation to support this conclusion was never provided. The Office of the Governor has also not provided any supporting documentation on how the 62.59% was assumed or determined, nor has any documentation been provided to support actual hours spent by each employee for time dedicated to mitigating or responding to the COVID-19 public health emergency.

In addition, we observed the Financial Status Report (FSR) for the Office of the Governor's General Fund, appropriation unit C71, and compared actual expenditures to the budgeted expenditures. We also calculated the amount of the appropriation the Office of the Governor and compared this along with the revenue recorded to the total expenditures. The following are tables of the information obtained.

Expenditure	Actual	Budget	Over (Under) Budget
Personal Services	\$ 2,652,715.76	\$ 2,185,336.00	\$ 468,379.76
All other expenditures	428,879.89	447,687.49	(18,807.60)
Total	\$ 3,081,595.65	\$ 2,633,023.49	\$ 448,572.16

Description	Amount
Appropriation for C71	\$ 2,333,141.49
Revenue collected (excluding intra-state transfers)	300,005.30
Available resources	2,633,146.79
Actual expenditures	3,081,595.65
Difference (Amount of the intra-state transfer)	\$ 448,448.86

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In addition, below is the documentation provided by the Iowa Department of Homeland Security and Emergency Management, the agency passing the funds through to the Office of the Governor, to support the use of the CRF for Office of Governor employees' salaries:

**Table 3**

FY 2020 Governor's Office Salaries and Benefits by Position						
March 15, 2020 through June 30, 2020*						
FY 2020 Shortfall Per I/3 Finance = \$448,448.86						
Name	Salary March 15 - June 30	Benefits March 15 - June 30	Total Salary/Benefits March 15 - June 30	Percentage Needed to Balance Appropriation	Salary/Benefit Reduction to Balance Appropriation	Revised Salary/Benefits to Balance Appropriation
KIRBY J CONNELL	\$9,749	\$6,789	\$16,538	-37.413281342%	-\$6,187.41	\$10,350.59
MOLLY L FOLEY	\$15,516	\$4,281	\$19,797	-37.413281342%	-\$7,406.71	\$12,390.29
KRISTINE WALKER	\$15,719	\$9,248	\$24,967	-37.413281342%	-\$9,340.97	\$15,626.03
NATHANIEL RISTOW	\$25,638	\$11,060	\$36,698	-37.413281342%	-\$13,729.93	\$22,968.07
MICHAEL S BOAL	\$22,770	\$10,572	\$33,342	-37.413281342%	-\$12,474.34	\$20,867.66
JACOB D SWANSON	\$25,638	\$11,282	\$36,920	-37.413281342%	-\$13,812.98	\$23,107.02
LOGAN SHINE	\$21,366	\$10,247	\$31,613	-37.413281342%	-\$11,827.46	\$19,785.54
JOEL ANDERSON	\$31,338	\$11,905	\$43,243	-37.413281342%	-\$16,178.63	\$27,064.37
PAT GARRETT	\$25,466	\$7,326	\$32,792	-37.413281342%	-\$12,268.56	\$20,523.44
JESSICA FLAHERTY	\$25,638	\$11,061	\$36,699	-37.413281342%	-\$13,730.30	\$22,968.70
DANIEL WOLTER	\$35,609	\$9,341	\$44,950	-37.413281342%	-\$16,817.27	\$28,132.73
ELIZABETH A MATNEY	\$34,187	\$12,520	\$46,707	-37.413281342%	-\$17,474.62	\$29,232.38
TAYLOR COLLINS	\$9,889	\$4,981	\$14,870	-37.413281342%	-\$5,563.35	\$9,306.65
KASSIDY KRAUSE	\$13,521	\$5,512	\$19,033	-37.413281342%	-\$7,120.87	\$11,912.13
MEAGHAN A O'BRIEN	\$15,672	\$2,735	\$18,407	-37.413281342%	-\$6,886.66	\$11,520.34
MEGAN K HALL	\$13,675	\$9,007	\$22,682	-37.413281342%	-\$8,486.08	\$14,195.92
ANNA L HARTZOG	\$16,004	\$6,044	\$22,048	-37.413281342%	-\$8,248.88	\$13,799.12
HEATHER NAHAS	\$38,459	\$13,538	\$51,997	-37.413281342%	-\$19,453.78	\$32,543.22
SAMUEL P LANGHOLZ	\$39,016	\$13,611	\$52,627	-37.413281342%	-\$19,689.49	\$32,937.51
PAIGE M THORSON	\$38,459	\$13,134	\$51,593	-37.413281342%	-\$19,302.63	\$32,290.37
SARA CRAIG	\$44,728	\$14,273	\$59,001	-37.413281342%	-\$22,074.21	\$36,926.79
	<b>\$518,057</b>	<b>\$198,467</b>	<b>\$716,524</b>			<b>\$448,448.86</b>
* Includes Gaap days 6/26-6/30						
			<b>\$268,075.14</b>	37.413281342%		

**Table 4**

FY 2020 Governor's Office Salaries and Benefits by Position						
March 15, 2020 through June 30, 2020*						
COVID-19 Personnel Costs = \$448,448.86						
Name	Salary March 15 - June 30	Benefits March 15 - June 30	Total Salary/Benefits March 15 - June 30	Percentage Budgeted	Salary/Benefits Budgeted	Salary/Benefits Not Budgeted Related to COVID-19
KIRBY J CONNELL	\$9,749	\$6,789	\$16,538	-37.413281342%	-\$6,187.41	\$10,350.59
MOLLY L FOLEY	\$15,516	\$4,281	\$19,797	-37.413281342%	-\$7,406.71	\$12,390.29
KRISTINE WALKER	\$15,719	\$9,248	\$24,967	-37.413281342%	-\$9,340.97	\$15,626.03
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	<b>\$518,057</b>	<b>\$198,467</b>	<b>\$716,524</b>			<b>\$448,448.86</b>
* Includes Gaap days 6/26-6/30						
			<b>\$268,075.14</b>	37.413281342%		

**Table 3** above, the original listing of salaries provided by the Iowa Department of Management to the IHSEM to support the \$448,448.86 use of the CRF for Office of Governor salaries indicated the list was "FY 2020 Shortfall Per I/3 Finance" and three of the columns were titled "Percentage Needed to Balance Appropriation", "Salary/Benefit Reduction to Balance Appropriation" and "Revised Salary/Benefits to Balance Appropriation". These headings were subsequently revised in **Table 4**, and sent to IHSEM to replace the original documentation, to "COVID-19 Personnel Costs", "Percentage Budgeted", "Salary/Benefits Budgeted" and "Salary/Benefits Not Budgeted Related to COVID-19", respectively.

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It is clear from **Table 1** through **Table 4** above, the \$448,448.86 represents a budget shortfall and an overspending of the Governor's appropriation (since the Governor's Office did not revert any appropriation). Based on a review of the State's payroll system (HRIS) and the approved P-1s, twenty of the twenty-one employees included in the above calculations were Governor employees prior to the pandemic and each employee earned and was paid only their approved bi-weekly salary (their approved bi-weekly salary agrees to their gross pay), approved and expected prior to any knowledge of a Pandemic. What is not clear, is why these salaries were not included in the Governor's budget set prior to the fiscal year and prior to the Pandemic. Based on this information, we conclude that the budget shortfall was not a result of the Pandemic.

Cause – The Office of the Governor has not established policies and procedures to require documentation to support a 'substantially dedicated' conclusion with respect to its employees or to support how the 62.59% was assumed or determined, including requiring support for actual hours spent by each employee for time dedicated to mitigating or responding to the COVID-19 public health emergency. In addition, the Governor maintained more staff than their budget could afford.

Effect – The additional unbudgeted staff, and the lack of established policies and procedures resulted in an unsupported use of \$448,448.86 of CRF funds by the Office of the Governor, a questioned cost.

Recommendation – Based on communications from Treasury OIG, contemporaneous documentation (documentation existing at the time the expenses were incurred) should be submitted by the Office of the Governor to support the expenses in order to overturn this finding. The Office of Auditor of State has requested said support on at least two occasions and has not received anything to date. Accordingly, consistent with OIG's recommendation, the funds should be returned to Iowa's CRF for other eligible and supported uses prior to the December 31, 2021 deadline.

Response – Based on communications with the State Auditor's Office and the Treasury OIG, the use of CRF funds to reimburse the salaries and benefits of Office of the Governor employees is an allowable expense. The only issue is what documentation is necessary to prove that Governor's Office employees were responding to the pandemic from March 15, 2020 through June 30, 2020. We will work directly with the Treasury OIG to ensure compliance with Treasury guidance on this issue.

Conclusion – Response acknowledged.

On November 1, 2021, the Treasury OIG reviewed and concurred with this finding. Also, the Treasury OIG informed this Office they had met with representatives from the Office of the Governor and told them the same.

Based on this communication from Treasury OIG, the use of CARES funds for Governor's staff salaries would only be allowable if contemporaneous documentation (documentation existing at the time the expenses were incurred) were submitted by the Office of the Governor to support the expenses. In addition, the work would need to directly, not indirectly, support the pandemic response. The Office of Auditor of State has requested said support on at least two occasions and has not received anything to date, an indication that documentation supporting the expenses did not exist at the time the salary costs were charged to the CARES funding. Moreover, based on the information provided in Tables 1 through 4, it appears more likely the CARES funds were used to cover a budget shortfall that was not a result of the pandemic. Based on a lack of contemporaneous documentation and consistent with OIG's November 1, 2021 communication to our Office, the funds should be returned to Iowa's CRF for other eligible and supported uses prior to the December 31, 2021 deadline.