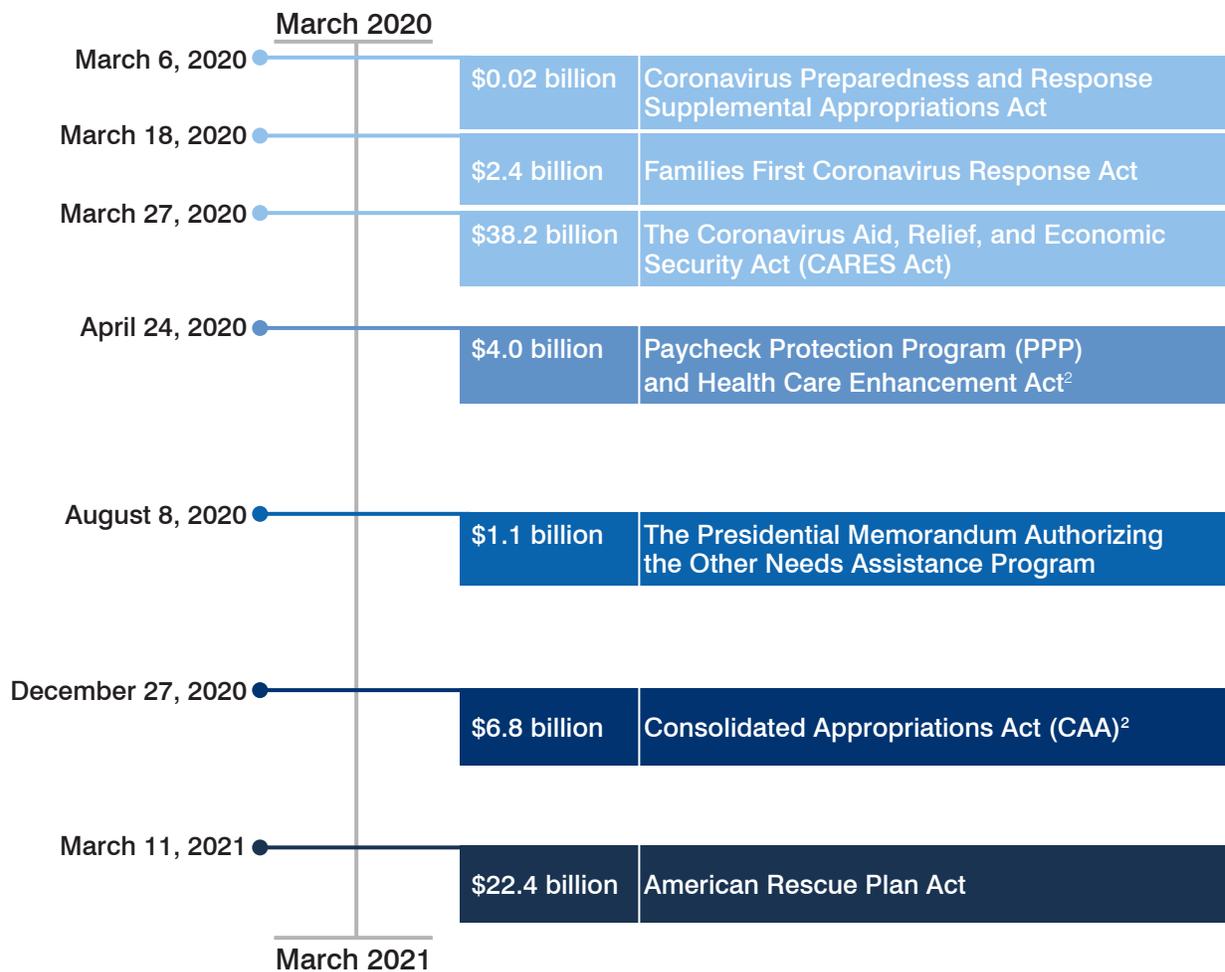


Federal COVID-19 monies allocated to Arizona

Since March 2020, early in the COVID-19 pandemic, and through October 2021, the federal government has allocated through various acts \$74.9 billion to the State of Arizona and its local governments, businesses, and individuals for COVID-19 response and relief efforts. This special COVID-19 funding report presents information on the amounts, intended purposes, and recipients of those allocations. It also presents the results of our audit of the allocated monies Arizona State government directly spent and distributed during fiscal year 2020.

Federal acts from March 2020 through March 2021 resulted in \$74.9 billion of federal COVID-19 monies allocated to Arizona through October 2021¹



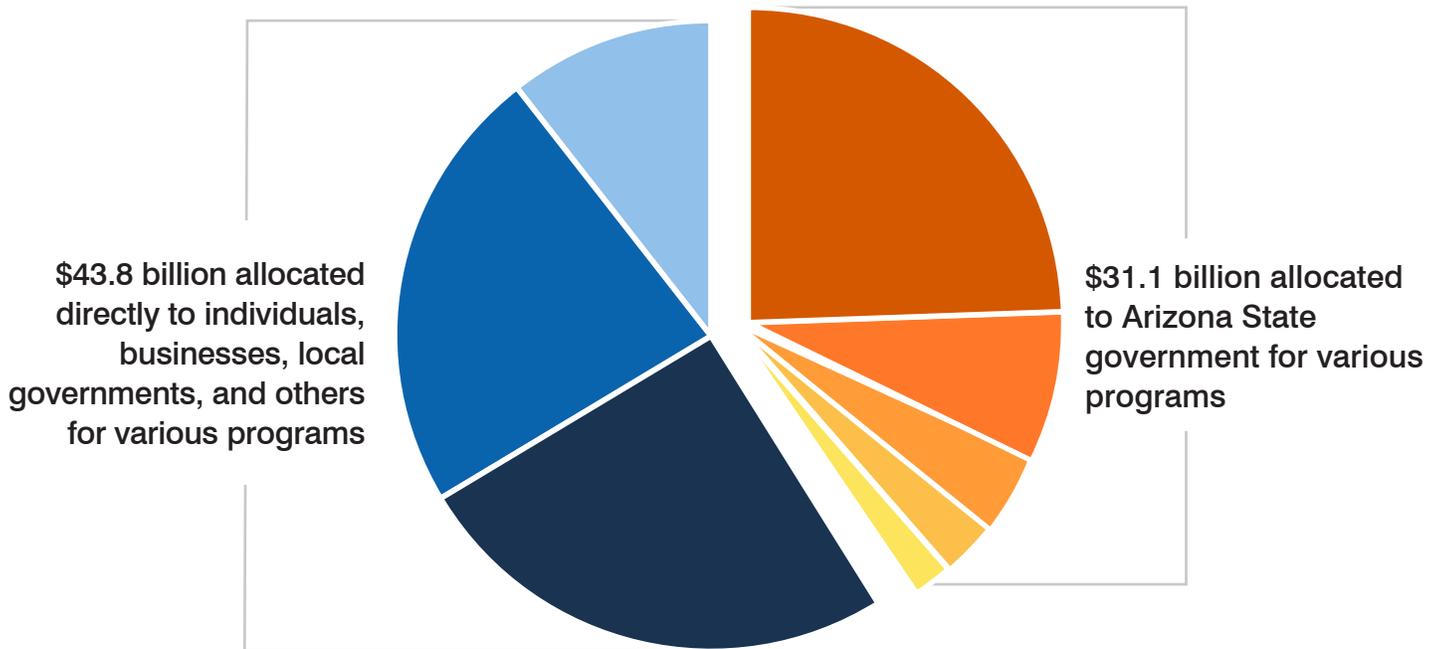
¹ Allocated means amounts set aside for the State of Arizona. In order to receive the allocated monies, recipients, such as Arizona State government, businesses, or individuals, have to apply for and/or be awarded specific grants or aid from the federal agency designated to oversee the associated federal programs. Additional amounts may be allocated from these acts to Arizona after October 2021.

² The PPP and Health Care Enhancement Act and the CAA resulted in a combined total allocation of \$3.8 billion for PPP loans to Arizona. However, the specific allocation amount for PPP loans to Arizona from each act is unavailable. Therefore, we included the total \$3.8 billion allocation as part of the April 24, 2020, PPP and Health Care Enhancement Act allocation.

³ The \$74.9 billion does not include tribal government allocations. According to the Arizona Joint Legislative Budget Committee (JLBC), the acts resulted in approximately \$4.8 billion allocated to tribal governments that are located wholly or partially within Arizona's geographical boundaries (see page 5, footnote 8). However, the JLBC does not have a complete list of tribal government allocations, so this number may not be accurate.

Amounts and purposes of federal COVID-19 monies allocated to Arizona
March 2020 through October 2021

\$74.9 billion total allocated to Arizona



\$31.1 billion allocated to Arizona State government

- 
Individual and family assistance
\$18.4 billion
 For individuals and families through numerous programs, including \$12.2 billion allocated to unemployment insurance benefit programs.
- 
Education
\$5.7 billion
 For elementary and secondary schools as well as \$675.6 million allocated directly to the 3 State universities.
- 
To be determined
\$2.8 billion
 Although monies can be spent on a variety of purposes, such as COVID-19 mitigation efforts, revenue replacement due to lost revenue, and infrastructure, as of October 22, 2021, Arizona State government had not yet determined how to spend these allocations or for what specific purposes.
- 
Public health
\$2.3 billion
 For COVID-19 response, testing, and vaccine preparedness.
- 
Miscellaneous
\$1.9 billion
 For various purposes, such as public safety, transportation, aid to businesses, and community services, including \$441 million Arizona State government distributed to local governments for various uses.

\$43.8 billion allocated directly to individuals, businesses, local governments, and others

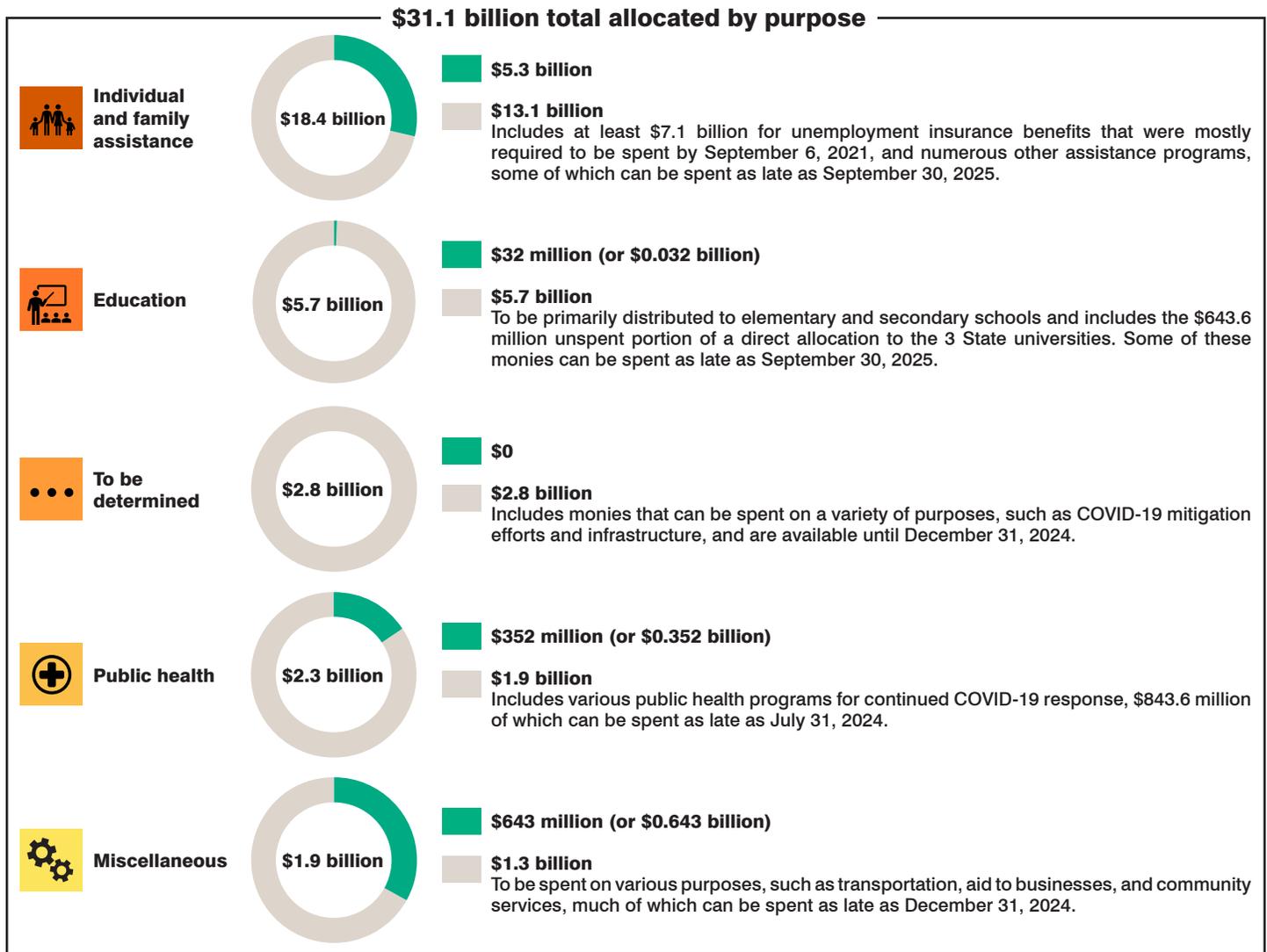
- 
Individual and family assistance
\$18.3 billion
 Includes \$17.7 billion of stimulus payments to individuals.
- 
Aid to businesses
\$18.0 billion
 Includes \$17.3 billion of PPP and Economic Injury Disaster loans to businesses.
- 
Miscellaneous
\$7.5 billion
 Includes \$4.3 billion allocated for a variety of purposes, such as public health, transportation, and education. The remaining \$3.2 billion was allocated to local governments and can be spent on a variety of purposes, such as COVID-19 mitigation efforts.

Annual federal compliance audit of Arizona State government

For fiscal year 2020—through June 30, 2020—we audited the \$6.3 billion Arizona State government spent or distributed of the \$31.1 billion of federal COVID-19 monies Arizona State government was allocated. We audited these monies as part of the annual compliance audit of federal monies the State spent and distributed, which we performed in accordance with State law and federal regulations and in conjunction with our audit of the State's financial statements.⁴ The illustration below indicates the uses of the federal COVID-19 monies we audited that Arizona State government spent or distributed in fiscal year 2020, which is the year they were required to be audited, and the amounts that will be subject to audit in later years when Arizona State government spends or distributes them.

Amount and purpose of Arizona State government federal COVID-19 monies spent/distributed and audited, and may be spent/distributed and subject to audit in future years

Fiscal years (FY) 2020 and later



⁴ Arizona State government reported a total of \$26.4 billion of federal monies spent or distributed during fiscal year 2020, including COVID-19 and non-COVID-19 monies. This special COVID-19 report addresses only the \$6.3 billion in federal COVID-19 monies Arizona State government spent or distributed in fiscal year 2020.

Audit findings

Summarized below are our findings related to the Arizona State government's use of federal COVID-19 monies that are included in the *State of Arizona 2020 Report on Internal Control and on Compliance* (Internal Control and Compliance Report) and *Single Audit Report* (Single Audit Report), which contain further information and the State's responses.⁵

- The Department of Economic Security (DES) did not put all critical identity verification or other anti-fraud measures in place before paying federal CARES Act unemployment insurance (UI) benefits and reported it paid over \$1.6 billion in fraudulent identity theft claims out of the \$5.1 billion in claims it had paid as of June 30, 2020. As of October 4, 2021, DES estimated it paid \$2.8 billion in fraudulent claims after June 30, 2020, through the end of its paying federal CARES Act UI benefits on September 4, 2021, for a total of \$4.4 billion of fraudulent claims paid. See finding 2020-01 in the Internal Control and Compliance Report and finding 2020-102 in the Single Audit Report.

DES estimated it paid over \$4.4 billion in fraudulent federal CARES Act UI benefits.
- DES paid claimants an estimated \$57 million of COVID-19 UI benefits that exceeded the minimum weekly benefit but has not yet determined whether claimants were qualified for them as required; therefore, it does not know how much in potential overpayments it may have paid and would need to recover and then return to the federal government. See finding 2020-02 in the Internal Control and Compliance Report and finding 2020-102 in the Single Audit Report.
- DES was required to comply with certain federal requirements when it administered the State's federal CARES Act UI programs. DES did not fully comply with some of these requirements when it reported incorrect financial information totaling over \$100 million to the federal government, inappropriately requested and received a net total of \$191 million in federal monies before it needed monies to pay claimants, and did not establish a process for billing and recovering any amounts it overpaid to claimants. Further information regarding this noncompliance is explained in our federal findings 2020-103, 2020-104, and 2020-105 in the Single Audit Report.
- Of the State's \$642.8 million expended and distributed Coronavirus Relief Fund (CRF) monies as of June 30, 2020, the Arizona Governor's Office of Strategic Planning and Budgeting (OSPB) approved the State to expend \$22.4 million and to distribute \$3.1 million to at least 7 local governments for unallowable costs—costs that were not incurred in response to the COVID-19 public health emergency as defined by federal regulations. As of August 2021, as permitted by federal regulations, the OSPB had worked with State agencies to replace all their \$22.4 million in unallowable costs with allowable costs the State incurred. Further, according to OSPB, 7 local governments had replaced their \$3.1 million in total unallowable costs. See finding 2020-101 in the Single Audit Report.
- The Arizona Department of Administration (ADOA) submitted the Single Audit Report to the federal audit clearinghouse 29 days later than allowed by the COVID-19 related single audit extension of September 30, 2021, which caused the federal agencies that administer programs to not have timely information to monitor them and impose corrective actions for the findings we reported. Further, the State, including its 3 universities, could potentially face federal agency actions that may affect the State's and universities' future federal awards. The late report submission was primarily because State agencies experienced personnel and resource challenges throughout the year responding to the COVID-19 pandemic, including administering the COVID-19 federal program monies and navigating their new requirements. See finding 2020-111 in the Single Audit Report.

ADOA's late federal Single Audit Report submission could potentially cause federal agencies to take actions that may affect Arizona State government's and its 3 universities' future federal awards.

⁵ Arizona Auditor General. (2020). *Report on Internal Control and on Compliance, June 30, 2020*. Phoenix, AZ. Arizona Auditor General. (2020). *State of Arizona. Single Audit Report. June 30, 2020*. Phoenix, AZ. (<https://www.azauditor.gov/reports-publications/state-agencies/arizona-state/report/state-arizona-june-30-2020-annual-financial>).

Methodology and sources

We used various methods to identify and summarize the information included in this report on the federal COVID-19 pandemic monies allocated to Arizona. These methods included reviewing information and summarizing amounts in the federal acts listed on page 1, which can all be obtained from <https://www.govinfo.gov/features/coronavirus>. We also determined various purposes and amounts from the *State Allocations Spreadsheet* obtained through our subscription to the nonprofit Federal Funds Information for States, Incorporated.⁶ We also obtained, analyzed, and summarized information and amounts from various federal resources, such as the COVID-19 spending database available at USAspending.gov, Pandemic Response Accountability Committee (PRAC) information, U.S. Department of Health and Human Services COVID-19 funding database, and the federal assistance listing database available at SAM.gov.⁷ Lastly, we used the information and amounts reported by the JLBC on various dates.⁸

⁶ Federal Funds Information for States, Incorporated. *State Allocations Spreadsheet*. Last retrieved on 10/12/2021 and is available to members from <https://ffis.org/COVID-19>.

⁷ USAspending.gov. *COVID-19 Advanced Search Filter*. Last retrieved on 10/21/2021 from <https://www.usaspending.gov/search/?hash=cb5e8ac7c53462a14d81c114ee7409cb>.

Pandemic Response Accountability Committee (PRAC). *Interactive Dashboards – Pandemic Response Funding*. Last retrieved on 10/5/2021 from <https://www.pandemicoversight.gov/data-interactive-tools/interactive-dashboards/pandemic-response-funding>.

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U.S. General Services Administration. *U.S. Government System for Assistance Listings*. Last retrieved on 10/21/2021 from https://sam.gov/search/?index=cfd&sort=-relevance&page=1&keywords=93.069&date_filter_index=0&date_rad_selection=date&pageSize=25&sfm%5Bstatus%5D%5Bis_active%5D=true&sfm%5Bstatus%5D%5Bis_inactive%5D=null.

⁸ Arizona Joint Legislative Budget Committee. (2021). *Federal Coronavirus Response Funding*. 2/25/2021 as updated through 8/31/2021. Phoenix, AZ. Last retrieved on 10/6/2021 from <https://www.azleg.gov/jlbc/COVID-19.htm>.

Arizona Joint Legislative Budget Committee. (2021) *Allocations of American Rescue Plan Act Funds*. 3/16/2021 and as updated through 10/22/2021. Phoenix, AZ. Last retrieved on 10/22/2021 from <https://www.azleg.gov/jlbc/COVID-19.htm>.