



Audit of Coronavirus Aid, Relief, and Economic Security (CARES) Act - Interim Report 01

March 4, 2021

Mark S. Swann, City Auditor

Mayor

Eric Johnson

Mayor Pro Tem

Adam Medrano

Deputy Mayor Pro Tem

B. Adam McGough

Council Members

Carolyn King Arnold

Tennell Atkins

Adam Bazaldua

Paula Blackmon

David Blewett

Jennifer S. Gates

Lee M. Kleinman

Cara Mendelsohn

Omar Narvaez

Jaime Resendez

Casey Thomas, II

Chad West



Executive Summary

Objective and Scope

The audit objectives were to determine if: (1) expenditures claimed for CARES Act funding comply with the Act's expense eligibility requirements; (2) documentary evidence support expenditures claimed for CARES Act funding; and, (3) CARES Act periodic reports are accurate. The scope of the audit began on March 1, 2020 and is ongoing until the CARES Act funding has ended. The interim report covers the Airport Grants for the period June 10, 2020, through January 15, 2021.

What We Recommend

No recommendations were identified.

Background

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. The CARES Act provided federal funding for COVID-19 pandemic relief efforts in various forms. The City of Dallas received approximately \$388.4 million from the CARES Act. The interim report covers the Airport Grants, which is one of the largest sources of funding received by the City of Dallas. Approximately \$53.8 million was awarded to the City of Dallas for operating, maintenance, and debt service expenses of Dallas Love Field Airport. The money is received on a reimbursement basis through June 10, 2024.

What We Found

The expenditures tested comply with the CARES Act's eligibility requirements, and there is documentary evidence to support these expenditures. The Airport Grants periodic reports were materially correct and filed timely.

Appendix A: Background and Methodology

Background

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. The CARES Act provided federal funding for relief efforts in various forms. The City of Dallas received approximately \$388.4 million from the CARES Act. The following discusses the Airport Grants, which is one of the largest sources of funding received by the City of Dallas.

Airport Grants – The Federal Aviation Administration awarded the City of Dallas a grant in the amount \$49,813,334, that was later amended to \$53,813,334 to prevent, prepare for, and respond to COVID-19 pandemic impact, including support for continuing operations for the Dallas Love Field Airport. The funds are available to keep:

- The airport in reliable, safe operation to serve the traveling public.
- Airport workers employed.
- The airport credit rating stable.

The grant agreement requires the City drawdown the awarded funds within four years from the execution of the grant agreement, which was on June 10, 2020. However, the Federal Aviation Administration encourages spending the funds expeditiously to reduce the adverse impacts of the current public health emergency. The City of Dallas can use the funds for any purpose for which airport revenues may be lawfully used.

The Airport Grants money is received on a reimbursement basis and can be used as follows:

- For operating and maintenance expenses incurred from January 20, 2020 through June 10, 2024.
- Debt service payments directly related to the airport, and where such payments occurred on or after April 14, 2020 through June 10, 2024.
- Airport development in some cases.

By accepting the grant, the City agreed to continue to employ, through December 31, 2020, at least 90 percent of the number of individuals employed by the airport as of March 27, 2020. The City is required to provide reports on employment totals quarterly to the Federal Aviation Administration within ten business days of the end of each report period.

Methodology

To accomplish our audit objectives, we interviewed department personnel, reviewed procedures for processing CARES Act expenditures, tested a sample of expenditures for completeness of supporting documentation, and tested the accuracy of CARES Act reports. The risk of fraud, waste, and abuse was also considered.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major Contributors to the Report

Shino Knowles, CPA – In-Charge Auditor

Rory Galter, CPA – Audit Manager

Appendix B: Management's Response

Memorandum



DATE: March 4, 2021

TO: Mark S. Swann, City Auditor

SUBJECT: Response to Audit of Coronavirus Aid, Relief and Economic Security (CARES) Act - Interim Report 01

This letter acknowledges the City Manager's Office and the Department of Aviation received the *Audit of Coronavirus Aid, Relief and Economic Security (CARES) Act - Interim Report 01*.

We recognize the importance of utilizing grant funds for their intended purposes and retaining adequate documentation to demonstrate the appropriate use of the funds.

As an on-going recipient of FAA grants, the Department of Aviation is subject to routine audits. For the last several years, the Department of Aviation has maintained appropriate controls via ISO work instructions and procedures for all aspects of FAA grant receipt and reimbursement. As part of Aviation's standard operating procedures, staff in the Infrastructure and Development group conduct on-going reviews of eligible project work and invoices to ensure appropriate use of grant funds. Additionally, Aviation has maintained a payment routing process to ensure proper levels of internal approval/review, including adequate separation of duties in the accounts payable process.

Aviation routinely communicates with the FAA regarding grants to ensure all project assurances and financial requirements are met. Last year Aviation improved their airport financial risk status from Moderate to Nominal (top ranking available) via the FAA's Sponsor Risk Assessment Tool. As a result, Aviation is no longer required to provide supplemental invoices/documents for AIP grant reimbursement requests due to the nominal status.

The CARES Act was passed in an expedited manner in March 2020. Because this was an unprecedented event, there were not detailed instructions available at the time the CARES Act was passed. However, Aviation staff worked closely with the FAA to create work instructions that would ensure consistent and compliant process for the receipt and reimbursement of the grant.

Any future grants the Department of Aviation may receive from the FAA will follow the same basic policies and procedures to help ensure that we comply with the spirit, intent, and letter of the law.

"Our Product is Service"
Empathy | Ethics | Excellence | Equity

Sincerely,

A handwritten signature in black ink, appearing to read 'T.C. Broadnax', written over a large, stylized circular flourish.

T.C. Broadnax
City Manager

- C: Kimberly Bizer Tolbert, Chief of Staff
- M. Elizabeth Reich, Chief Financial Officer
- Majed Al-Ghafry, Assistant City Manager
- Mark Duebner, Director, Department of Aviation

"Our Product is Service"
Empathy | Ethics | Excellence | Equity