



Audit of Coronavirus Aid, Relief, and Economic Security (CARES) Act Final Report

September 30, 2022

Mark S. Swann, City Auditor

Mayor

Eric Johnson

Mayor Pro Tem

Carolyn King Arnold

Deputy Mayor Pro Tem

Omar Narvaez

Council Members

Tennell Atkins

Adam Bazaldua

Paula Blackmon

B. Adam McGough

Cara Mendelsohn

Jesse Moreno

Jaime Resendez

Paul E. Ridley

Jaynie Schultz

Casey Thomas, II

Chad West

Gay Donnell Willis



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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 report covers the Coronavirus Relief Fund for the period March 1, 2020, through December 31, 2020.

What We Recommend

Baker Tilly US, LLP recommendations are summarized as follows:

- Have documentation that supports the expenditure was incurred due to the City's COVID-19 response and justifies the amount of the expenditure.
- Prepare a memo describing the payroll approval process controls.
- Strengthen subrecipient monitoring in the risk assessment and information disclosure areas.

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 report covers the Coronavirus Relief Fund, which is the largest source of funding received by the City of Dallas. Approximately \$235 million was awarded to the City of Dallas. Coronavirus Relief Fund funds can only be used for necessary expenditures that:

- (1) Are incurred because of COVID-19.
- (2) Were not accounted for in the most recently approved budget as of March 27, 2020.
- (3) Are incurred between March 1, 2020 and December 31, 2021 (subsequently changed from December 30, 2020).

Baker Tilly US, LLP was retained to test the Coronavirus Relief Fund expenditures.

What We Found

The expenditures tested by Baker Tilly US, LLP complied with the *CARES Act*'s eligibility requirements. Baker Tilly US, LLP noted several best practices the City should consider. There was not always enough detailed documentary evidence to directly connect the expenditures to the City's COVID-19 response. Potential ineligible expenditures were identified, but the City of Dallas took immediate action to replace the expenditures with eligible expenditures. Documentation of the payroll approval process controls was incomplete. Finally, subrecipient monitoring had areas for improvement.

See Appendix A for Baker Tilly US, LLP's report.

Objectives and Conclusions

1. Did the expenditures claimed for Coronavirus Relief Fund funding comply with the expense eligibility requirements?

Yes. The expenditures tested by Baker Tilly US, LLP complied with the CARES Act's eligibility requirements.

From the expenditures selected for testing, potential ineligible expenditures were identified. However, the City of Dallas took immediate action to replace the expenditures with eligible expenditures. See [Appendix A, page 14, CRF Non-Payroll Expenditures recommendation 3](#) of Baker Tilly US, LLP's report.

2. Did documentary evidence support expenditures claimed for Coronavirus Relief Fund funding?

Generally, yes. Documentation that supports the expense incurred due to COVID-19 and justifies the amount of the expenditure was not always readily apparent. See [Appendix A, page 13, CRF Non-Payroll](#) and [page 14, CRF Payroll recommendation 1](#) of Baker Tilly US, LLP's report.

3. Are Coronavirus Relief Fund periodic reports accurate?

Yes. The City submitted the required interim and quarterly data in the manner and according to the timelines established by the Department of the Treasury Office of the Inspector General.

Audit Results

See [Appendix A](#) for Baker Tilly US, LLP's report.

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 *Coronavirus Aid, Relief, and Economic Security (CARES) Act – Interim Report 01* covered the Airport Grants, for which the City received approximately \$53.8 million. The following discusses the *Coronavirus Aid, Relief, and Economic Security (CARES) Act Final Report*, covering the Coronavirus Relief Fund, which is the largest source of funding received by the City of Dallas. Approximately \$235 million was awarded to the City of Dallas, all of which had been spent by June 2021.

Coronavirus Relief Fund – The U.S. Department of Treasury provided \$150 billion in direct payments (based on population) to state, local, and tribal governments impacted by COVID-19. Only local governments with populations of more than 500,000 were eligible.

As written in the Department of the Treasury Office of the Inspector General *Coronavirus Relief Fund Prime Recipient Quarterly Grant Solutions Submissions Monitoring and Review Procedures Guide*, OIG-CA-20-029, August 31, 2020:

“The CARES Act stipulates that Coronavirus Relief Fund recipients shall use the funds provided under a payment made under Title V to cover only those costs that:

- (1) are necessary expenditures incurred due to the public health emergency with respect to 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 between March 1, 2020, and December 30, 2020’ (subsequently changed to December 31, 2021).*

The *CARES Act* assigned responsibility for monitoring and oversight of the receipt, disbursement, and use of Coronavirus Relief Fund payments to the Department of Treasury Office of Inspector General. The Department of Treasury Office of Inspector General was assigned authority to recoup funds if it is determined that a recipient of a Coronavirus Relief Fund payment failed to comply with the requirements under Section 601 (d) of the Social Security Act, as amended by Title V of the *CARES Act*.

Recipients must submit quarterly reports to the Department of Treasury Office of Inspector General. The first quarterly report was due no later than September 21, 2020, for the period March 1 through June 30, 2020. Thereafter, quarterly reports are due no later than ten calendar days after the end of each calendar quarter.

Methodology

To accomplish our audit objectives, we performed the following steps;

- Interviewed City personnel.
- Reviewed procedures for processing *CARES Act* expenditures.
- Retained Baker Tilly US, LLP to test the Coronavirus Relief Fund expenditures.
- Considered the risk of fraud, waste, and abuse.
- Considered all five internal control components of the *Federal Internal Controls Standards*.

We conducted this performance audit 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

Baker Tilly US, LLP

Wendi Unger, CPA, Partner
Amanda Blomberg, CPA, Director
Casandra Chase, CPA, Manager

DWG CPA PLLC (sub-contractor to Baker Tilly US, LLP)

Darrell Groves, CPA, CFE, CGMA, Partner
Whitney Groves, Senior Associate
Dahlia Kohn, Senior Associate

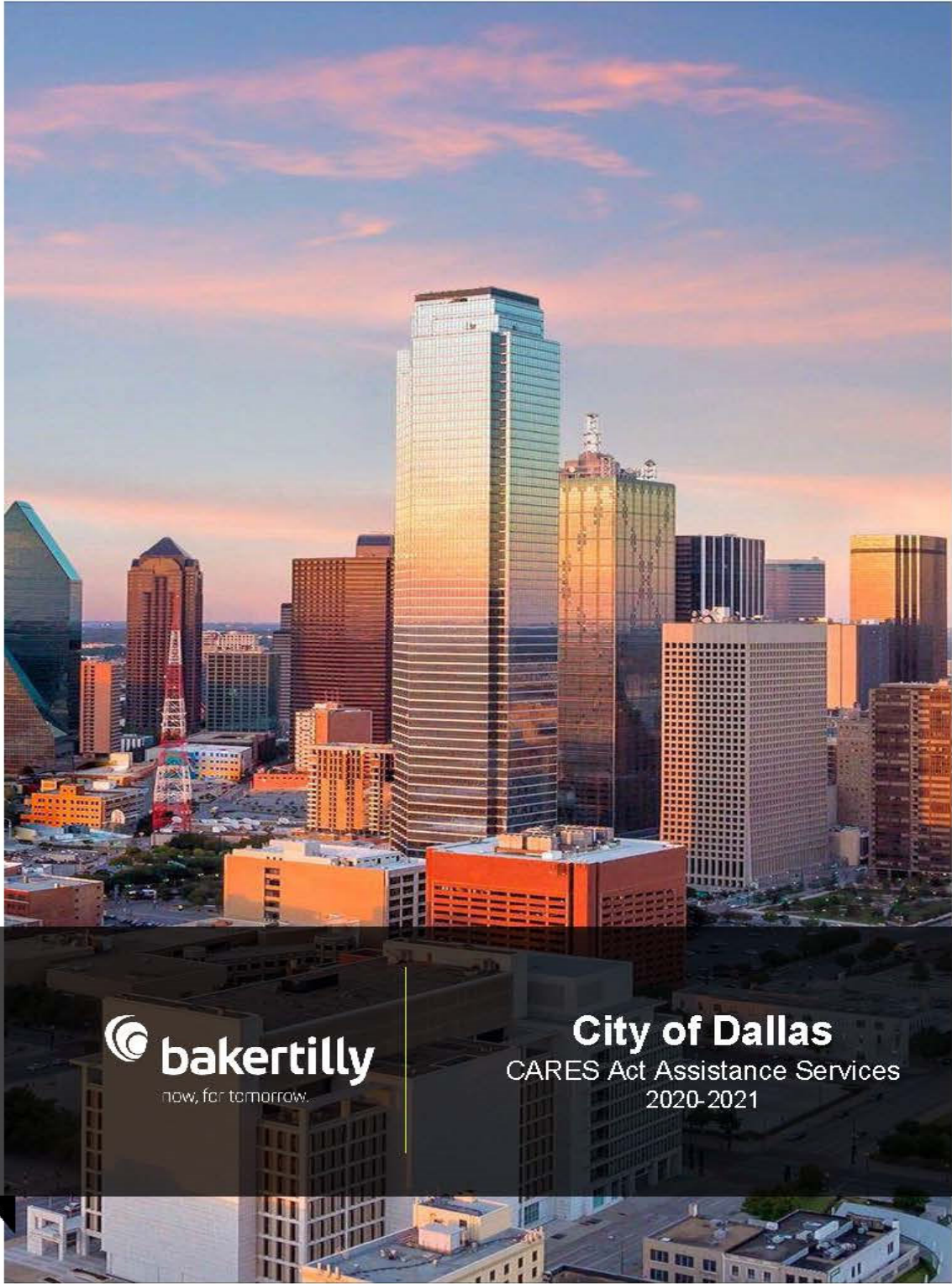
Office of the City Auditor

Shino Knowles, CPA – In-Charge Auditor
Rory Galter, CPA – Engagement Manager

Appendix A: Baker Tilly US, LLP Report

See next page for the Baker Tilly US, LLP Report

Note: Going forward in Appendix A the page numbers in black in the bottom center of the page are Baker and Tilly US, LLP's pagination for their report as a separate, stand-alone document.



City of Dallas
CARES Act Assistance Services
2020-2021

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Objectives and Responsibilities

Objectives

The overall objective of this engagement was to assist the Office of the City Auditor of the City of Dallas (“City”) by reviewing a sample of the City’s expenditures funded through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, specifically those charges funded through the Coronavirus Relief Fund, for compliance with the Uniform Guidance and the U.S. Department of Treasury’s authoritative standards specific to Coronavirus Relief Fund.

Our Responsibilities

As part of this engagement, we agreed to perform the following:

- Select and review a sample of expenditures from the City’s Coronavirus Relief Fund expenditure population for the period from March 1, 2020, through December 31, 2020.
- Identify any noncompliance or internal control issues and make recommendations for rectifying these issues to allow the City to maximize eligible reimbursement and to ensure compliance with federal regulations.
- Select and review a sample of subrecipient payments made under the Coronavirus Relief Fund program for the period from March 1, 2020, through December 31, 2020.
- Identify any issues with the City’s subaward contract language and provide recommendations on the City’s plans for subrecipient monitoring and processes for identifying and evaluating subrecipients to ensure compliance with federal and state regulations.
- Propose recommendations to City policies and procedures, if necessary.

City’s Responsibilities

To comply with the independence requirements of the American Institute of Certified Public Accountants (AICPA) and the Government Accountability Office (GAO), in connection with our performance of these services, the City agreed to:

- Continue to make all management decisions and perform all management functions.
- Designate an employee(s) with suitable skill, knowledge and/or experience, preferably within senior management, to oversee the services we perform.
- Evaluate the adequacy and results of the services we perform.
- Accept responsibility for the results of these services.
- Establish and maintain internal controls, including monitoring ongoing activities related to this non-attest function.

Procedures

Planning

During the planning phase, we met with individuals from the Office of the City Auditor and Office of Budget to gain an understanding of the classes of expenditures that were charged to Coronavirus Relief Fund (payroll, non-payroll, etc.), the City's control processes, the applicable compliance requirements to include in the Work Plan as well as the City's perspective on overall risks that may exist. Together with the City, we established the compliance categories to review. It was concluded that our main focus would be on compliance with expenditure allowability. We then worked with the Office of the City Auditor to develop the Work Plan. The Work Plan was a living document throughout the engagement and contained the objectives, procedures, sampling methodology, compliance attributes, and other relevant information for each applicable compliance category. The Work Plan was developed to enhance transparency and align the Office of the City Auditor and Baker Tilly's understanding of the various services to be provided throughout the duration of the project. While the Work Plan was developed in collaboration between the Office of the City Auditor and Baker Tilly, the Office of the City Auditor approved the Work Plan and ultimately decided what would be included in the scope of the project. Any changes to the Work Plan were discussed with and approved by the Office of the City Auditor.

Review

To begin reviewing the allowability compliance requirement identified during the planning phase, we selected samples for testing from the expenditure population provided by the City and facilitated all requests for support through the Office of Budget. The Office of Budget worked with various City departments to obtain the requested supporting documents and uploaded all items to an online document sharing portal. Further into the project the Office of the City Auditor requested that subrecipient monitoring compliance be included in Baker Tilly's scope. We worked with the Office of Budget and other City departments responsible for facilitating those subrecipient agreements and monitoring to complete our review of the City's compliance with authoritative guidance specific to the subrecipient monitoring requirement.

Recommendations

Recommendations resulting from the review of expenditures, control procedures and subrecipient agreements/monitoring were flagged for further analysis by Baker Tilly and the City. These recommendations were perpetually communicated to the appropriate individuals at the City due to the fluid nature of the funding source, as well as discussed at the periodic status meetings held between the City and Baker Tilly throughout the review process.

Expenditure Population and Sample Methodology

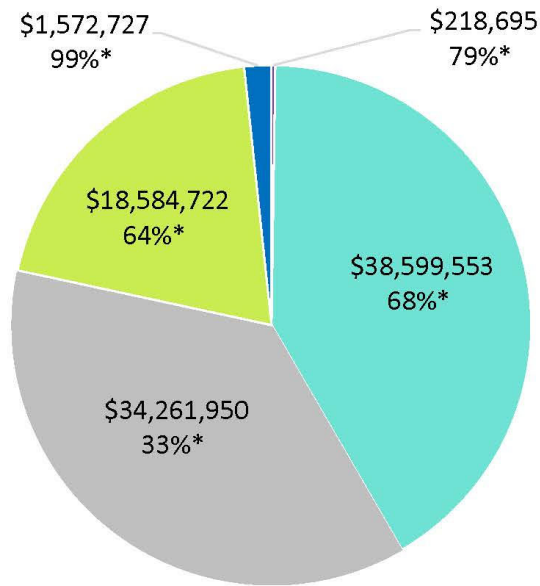
The Coronavirus Relief Fund expenditure population was provided in two batches. A separate sample was selected from each batch. The personnel services (payroll) sampled from the first population focused on the City's Lawson payroll system and the second sample was tailored to include only Workday payroll system items. Additionally, the second sample was also tailored to exclude payroll and non-payroll items that were concurrently tested by the City's external auditors. The following graphs and charts provide further quantitative details on the samples selected for review.

	Total Expenditures	Cutoff Period
Population #1	\$76,918,965	March 1, 2020 - June 30, 2020
Population #2	\$114,779,858	July 1, 2020 - December 31, 2020
Grand Total	\$191,698,823	

Total Coronavirus Relief Funds Spent	\$ 224,558,002
Percentage of Expenditures Provided for Sampling	85%
Total Expenditures Sampled	\$ 93,237,647
Percentage of Expenditures Sampled to:	
Total Coronavirus Relief Funds Spent	42%
Total Expenditures Provided for Sampling	49%

Coronavirus Relief Fund Expenditures Reviewed by Category

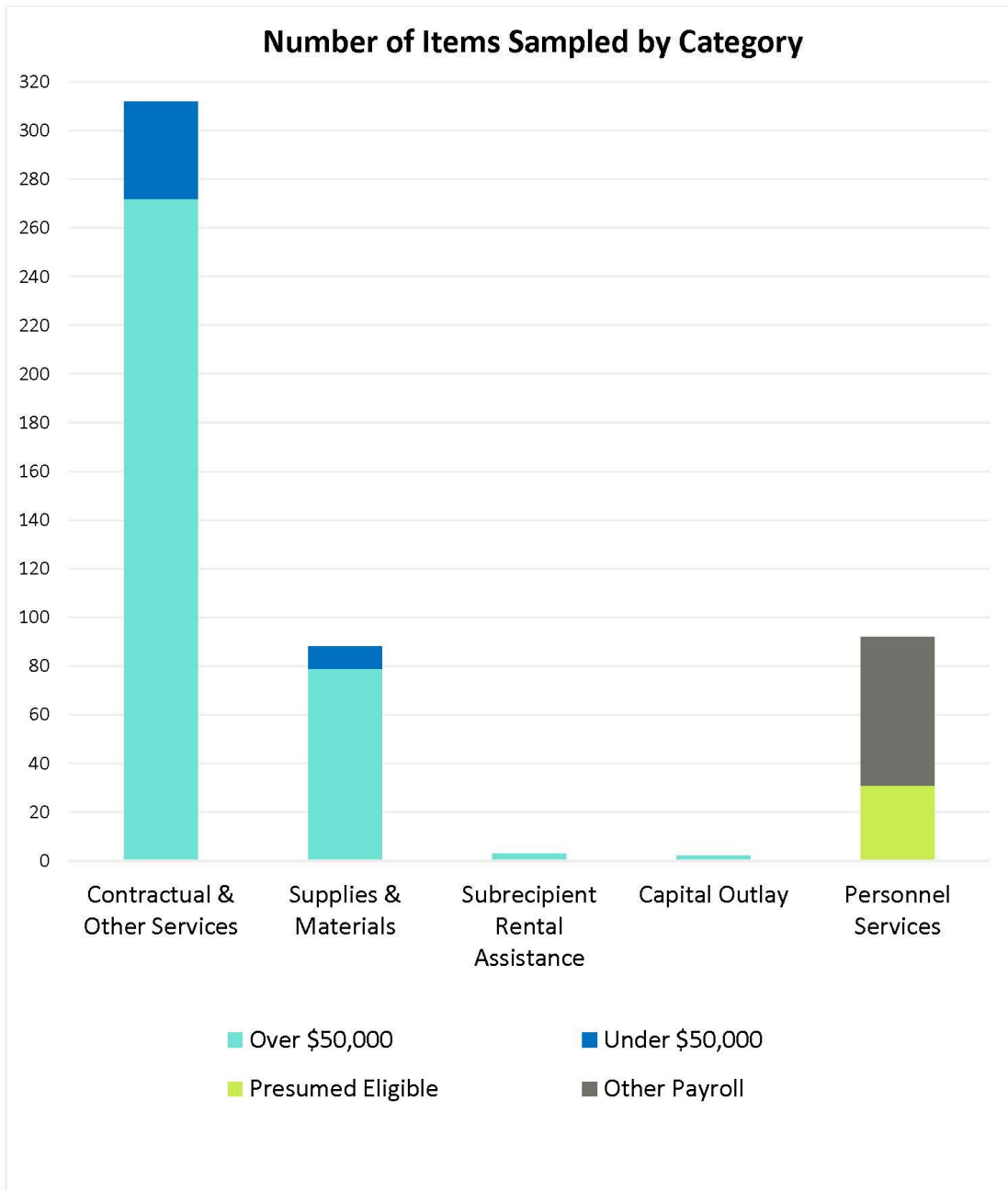
Total: \$93,237,647



- Capital Outlay
- Personnel Services**
- Subrecipient Rental Assistance
- Contractual & Other Services
- Supplies & Materials

*Percentage of expenditure category sampled for testing.

**Personnel Services: An initial sample of payroll transactions was made, totaling \$34.2M. The City provided details for these batch transactions from which several additional sub-selections were made, drilling down to the employee level. The individual employee transaction was then reviewed accordingly using the respective supporting documents provided by the City including timesheets, system reports, and documentation of review and approval. Count of items sampled for review are detailed on the subsequent page.



Concluding Notes and Recommendations

Our procedures were based on our knowledge of federal grant compliance regulations including the Uniform Guidance and the US Department of Treasury guidance and FAQs, as well as our experiences with other municipalities similar in size to the City of Dallas.

The Coronavirus Relief Fund guidance as published in the Federal Register indicates that the Uniform Guidance is not applicable except for the following sections:

1. 2 CFR 200.303 regarding internal controls
2. 2 CFR 200.330 through 200.332 regarding subrecipient monitoring and management
3. Subpart F regarding audit requirements

Notably missing from these sections would be the allowable cost principles typically found under Subpart E of 2 CFR 200. However, the Treasury guidance clearly states that Coronavirus Relief Fund may only be used to reimburse costs that meet all the following criteria:

1. Are 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 (the date of enactment of the CARES Act) for the State or government; and
3. Were incurred during the period that begins on March 1, 2020 and ends on December 31, 2021.

Our recommendations may be more conservative in nature than would be required under the Uniform Guidance based on the Treasury expenditure requirements noted above. To meet criteria #1, we would expect documentation to show why expenditures were necessary with respect to COVID-19. Our recommendations consider best practices for such documentation. The City should determine what recommendations, if any, it feels are appropriate given its interpretation of the guidance.

Non-Payroll Expenditures

- 1) In addition to the general ledger coding mechanism used to identify COVID-19 expenditures, we recommend that the City verify that all expenditures have readily available documentation to directly connect the transaction to the City's COVID-19 response.
- 2) More than half of the non-payroll expenditures that were reviewed included system reports indicating they were automated disbursements. The City confirmed documentation supporting the approval of these expenditures exists within the originating documents used to initiate the payment process. This documentation was not reviewed as a part of our testing, but we believe this to be sufficient support that an external auditor or federal agency may request for review.

-
- 3) The City should ensure only eligible expenditures are charged to the grant. During the review, potentially ineligible charges were identified and the City took immediate action to rectify those items by making journal entries to adjust the population accordingly and those adjustments will be accounted for in subsequent reimbursement requests.

Payroll

- 1) In addition to the general ledger coding mechanism used to identify COVID-19 expenditures, we recommend that payroll transactions, excluding those for public health and public safety employees, include a description of the individual's connection to mitigation of or response to the COVID-19 public health emergency.
- 2) About twenty-three percent of the payroll transactions tested did not include formal documentation of review and approval of the employee's time charged to the grant. Ninety-five percent of these transactions were made up of uniformed employee's payroll charges. While there appears to be informal processes in place around review of timesheets, or specific departmental policies that indicate time approvals are not required, we recommend the City ensures that time records and related payroll costs charged to the grant are reviewed for accuracy and that the City maintains documentation supporting that those review and approval controls exist. This might include a payroll lookback analysis. In addition, we advise the City's departments create a memo describing the controls around the approval process, specific to ensuring compliance with the Coronavirus Relief Fund, if not currently available.

Subrecipient Monitoring

- 1) The City should ensure that it has documented its risk assessment over all applicable subrecipients which should include the subrecipient's prior experience with managing grants, audit results and/or findings, key personnel or system changes, and any previous monitoring results known at the time of the assessment.
- 2) The level of monitoring performed by the City should be appropriate to the level of risk assigned to the respective subrecipient.
- 3) The City should review all subrecipient agreements to ensure all the necessary information required to be disclosed is included.

Appendix B: Management's Response

Memorandum



DATE: September 26, 2022
TO: Mark S. Swann, City Auditor
SUBJECT: Response to Audit of Coronavirus Aid, Relief and Economic Security (CARES) Act Final Report

This letter acknowledges the City Manager's Office and the Office of Budget received the *Audit of Coronavirus Aid, Relief and Economic Security (CARES) Act Final Report*.

The COVID-19 pandemic had a severe negative impact on Dallas's residents and businesses and stressed vital services and the resources of local non-profit organizations. City management is grateful for the financial resources Congress appropriated to help mitigate the negative impact of COVID-19 on the community. Further, we are satisfied with our efforts to ensure needed funding was promptly put into action to help shelter residents, perform COVID-19 testing, provide personal protection equipment, maintain adequate staffing levels of first responders, ensure equitable access to City services, and support other crucial initiatives.

City management is pleased that the expenditures tested by Baker Tilly complied with the CARES Act's eligibility requirements, despite incomplete Federal guidance. Additionally, we are pleased that documentation generally supports expenditures claimed for Coronavirus Relief Funding and required reports were accurate and timely.

However, we recognize there are generally opportunities to improve any process and appreciate the best practices suggested in the audit. The Office of Budget & Management Services agrees to implement the recommended best practices suggested in the audit.

Sincerely,



T.C. Broadnax
City Manager

C: Genesis D. Gavino, Chief of Staff
Jack Ireland, Chief Financial Officer
Janette Weedon, Director, Office of Budget & Management Services

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

Assessed Risk Rating	Recommendation	Concurrence and Action Plan	Implementation Date	Follow-Up/ Maturity Date	
SECTION 1: Coronavirus Relief Fund					
Moderate	We recommend the Director of the Office of Budget & Management Services:				
	A.1: Ensure all future non-payroll and non-public health and safety employee payroll expenditures have easily retrievable supporting documentation that directly connects the expenditure to the City's COVID-19 response.	Agree:	The Office of Budget & Management Services (BMS) will ensure all future non-payroll and non-public health and safety employee payroll expenditures have supporting documentation, such as job descriptions and program narratives, that directly connects the expenditure to the City's COVID-19 response.	3/31/2023	6/30/2023
	A.2: Prepare a memo describing the payroll approval process controls.	Agree:	BMS will work with the City Controller's Office and the Department of Human Resources to document the payroll approval process controls in a memo.	3/31/2023	6/30/2023
	A.3. Perform analytical procedures and sample-based testing on the Coronavirus Relief Fund expenditures to help ensure funds were used on eligible expenditures.	Agree:	BMS will perform analytical procedures to identify expense classifications for sample-based testing to help ensure funds were used on eligible expenditures.	12/31/2022	3/31/2023

Assessed Risk Rating	Recommendation	Concurrence and Action Plan	Implementation Date	Follow-Up/ Maturity Date	
SECTION 2: Subrecipient Monitoring					
Moderate	We recommend the Director of the Office of Budget & Management Services:				
	B.1: Ensure the risk assessment for each future applicable subrecipients is documented and the level of monitoring is consistent with the assigned risk levels of the subrecipients.	Agree:	BMS will ensure a risk assessment is performed for all future subrecipients. BMS will ensure departments use the results of the risk assessment to determine the appropriate monitoring activity for the subrecipient.	12/31/2022	3/31/2023
	B.2: Review all subrecipient agreements to ensure all the necessary information required to be disclosed is included.	Agree:	BMS will ensure departments review all subrecipient agreements to ensure all the necessary information required to be disclosed is included.	12/31/2022	3/31/2023