

Information Brief - Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

Background:

Section 601 of the Social Security Act, as added by section 5001(a) of Division A of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), established the Coronavirus Relief Fund (*the "Fund" or "CRF"*). The Treasury appropriated \$150 billion for states, Tribal governments, and specific local governments. As a result, the City of Norfolk received \$42 million, \$21M appropriated during May 2020 and \$21M during September 2020, as well as supplemental funding totaling \$19.6M (not included in the scope of this review).

The recipients may only use CARES Act funding to cover costs which—

- incurred due to the public health emergency concerning the Coronavirus Disease 2019 (COVID-19);
- 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 local government; and,
- incurred from March 1, 2020 through December 31, 2021.

The City appointed a Coronavirus Stimulus Coordinator (*Assistant Director of Community Development*) to manage, monitor, and oversee funding received from the CRF (Coronavirus Relief Fund). On May 22, 2020, the Coordinator issued a memorandum to the Senior Executive Team, Constitutional Officers, and Council Appointees to communicate the Treasury Department guidelines for eligible expenditures and management to develop a spending plan with an ending date 12/32/2020. The Department of Treasury extended the deadline date to 12/31/2021.

The Coordinator sent an updated memo for the Coronavirus Relief Fund (CRF) Spending Plan on June 16, 2020, listing the "Proposed Spending Plan" for the funds. In addition, the memo included specific guidelines for various types of expenditures allowed and disallowed along with "Documentation Requirements" for non-personnel and personnel expenses. After the City Council appropriated the spending Plan and the budget office established the budgets, the Coordinator communicated to the departments the City process that required the CRF Eligibility Documentation form to record all CRF expenditures for tracking purposes.

The departments received virtual training and technical assistance throughout the year, and the Coordinator and staff reviewed expenses at least monthly for appropriate documentation and eligibility. If eligibility information was missing or costs identified as unallowable, the Coordinator and staff requested additional documentation or removed the expense from grant funds.

Scope of Review: Our limited review focused on expenditures for the period 7/01/2020 through 11/05/2021 funded by the CARES Act totaling \$42M received during the calendar year 2020. Specifically, we did not review payroll expenses related to mitigating and responding to COVID-19; however, we noted the Coordinator prepared spreadsheets for Departments to use describing reasons and listing personnel handling job functions.

Objective(s): To determine whether CARES Act expenditures were allowable and in compliance with the Department of the Treasury's Coronavirus Relief Fund program guidance.

Methodology: To accomplish the stated objective, we performed the following:

- Reviewed the Department of the Treasury's Coronavirus Relief Fund (CRF) and City of Norfolk's program guidelines, including eligibility requirements and used as criteria compared to CARES Act expenditures.
- Downloaded expenditures from the City's finance system, AFMS Info-Advantage report AF04000D - Expense Online General Ledger Report and randomly selected 25 items for period 7/01/2020-11/05/2020 and 41 for the period 11/06/2020 – 11/05/2021.
- Downloaded supporting documentation from AFMS, which was to include the CRF Eligibility Documentation form
- Used report AF04000D - Expense Online General Ledger Report to schedule the expenditure review and added columns to determine compliance with the Act's eligibility requirements.
- Exceptions noted were sent to the Coronavirus Stimulus Coordinator.

Observations:

- Based on our review, the City has staff in place reviewing CARES Act expenditures. In addition, the Coronavirus Coordinator responded promptly to our questions providing explanations and supporting documentation.
- The City tracked CARES Act expenditures in AFMS (finance system) using Fund Code-2275 and Appropriation Unit Code-9522.

Noted:

- The City placed orders for two prepaid service agreements within the eligible timeline; however, each service agreement period extends beyond the 12/31/2021 deadline, which appears unallowable.

On December 14, 2021, Federal guidelines were updated, and prepaid expenditures may fall within the guidelines for allowable expenses. However, we recommend the City gain further clarification from the Virginia Department of Accounts (DOA), which monitors all localities receiving pass-through funding.

- The City developed a process and provided guidance and instructions requiring the "Coronavirus Relief Fund (CRF) — Eligibility Documentation" coversheets to be completed and uploaded by Departments in AFMS. The City developed this form to justify and confirm that the City did not include coronavirus-related costs incurred in the current budget.

We found expenditure support in AFMS did not consistently include the CRF-Eligibility Documentation form. Although the Coordinator explained the CRF expenditures with the missing documentation, the City's established, specified criteria communicated to City Departments should be adhered to and followed.

APPENDIX A

The following table lists the Coronavirus Spending Plan, presented at the City Council meeting on October 6, 2020, compared to actual expenditures as of December 31, 2021.

1. Earned interest of \$40,331 was added to funding and expended during the covered period from March 1, 2020, through December 31, 2021. Earned interest is allowable under the Treasury's guidelines to cover CARES Act expenditures.

2. Variances resulted from unspent allocated funds shifted to the payroll category for dedicated COVID services provided. One category, "Open Norfolk," was over-budget by \$110,000 due to purchasing outdoor heaters for restaurants/ small businesses.

3. A posting error of \$188 by NCSB was noted and handled by the Coronavirus Stimulus Coordinator.

Program/Expense Category	ACTIVITY	10.06.2020 Meeting CRF Plan	Council Spending Per AFMS as of 12/31/2021	Variance ²
COVID-dedicated payroll reimbursement	PAYR	\$19,128,304	\$24,558,982	\$5,430,678
Hazard Pay Plan	HAZD	\$4,050,000	\$3,076,942	(\$973,059)
Information Technology for Remote Work Transition	ITEQ	\$3,750,000	\$3,199,216	(\$550,784)
Permanent and Temporary Building Improvements	BLDG	\$2,628,304	\$2,072,616	(\$555,688)
Financial (Rent, Mortgage, Utility) Assistance	RENT	\$3,500,000	\$2,122,267	(\$1,377,733)
Business and Nonprofit Grants	GRNT	\$4,000,000	\$3,831,838	(\$168,162)
Open Norfolk Program	OPEN	\$1,170,000	\$1,280,000	\$110,000
Beach Ambassador Program	BEAC	\$50,000	\$49,892	(\$108)
Other Public Health Measures	OTHE	\$780,000	\$421,825	(\$358,175)
Public Wifi	WiFi	\$250,000	\$29,105	(\$220,895)
Public Health Communications	SIGN	\$50,000	\$49,096	(\$904)
Homeless Shelter Building Acquisition	HOME	\$3,000,000	\$1,705,350	(\$1,294,650)
TOTAL		<u>\$42,356,608</u>	<u>\$42,397,127</u>	<u>\$40,519</u>
Posting error - NCSB				\$188 ³
Earned Interest				\$40,331 ¹