



**CARES Act Audit
No. A2021-01**

Issued by the
Internal Audit Office
June 23, 2021

**City of El Paso
Internal Audit Office
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EXECUTIVE SUMMARY

The Internal Audit Office has concluded the CARES Act Audit of the Coronavirus Relief Fund (CRF) appropriation of \$118,956,278.90 received by the City of El Paso. Based on the results of the audit, one finding was identified. The finding is considered significant in nature due to violations of Subrecipient Agreements and City procedures.

Listed below is a summary of the programmatic finding identified in this report:

1. A review of three (3) Coronavirus Relief Fund (CRF) Subrecipient Agreement/Programs monitored by the Department of Community & Human Development (DCHD) identified the following deficiencies:
 - One (1) out of three (3) Subrecipient Agreements/Programs (33%) reviewed did not submit Performance Reports and client data required by the Nonprofit Organization's corresponding Subrecipient Agreements. The noncompliant Subrecipient has not submitted the required reports and client data for three separate agreements. As a result, DCHD could not confirm the following Subrecipient's performance targets were met for the three agreements:
 - \$500,000.00 Treasury Grant Agreement – serve 29,400 food boxes to eligible clients,
 - \$2,500,000.00 Treasury Grant Agreement – serve 150,000 food boxes to eligible clients,
 - \$700,000.00 CDBG-CV Grant Agreement – serve 40,600 food boxes to eligible clients.

DCHD is in the process of working with the Nonprofit Organization (subrecipient) to obtain the required reports and client data in order to confirm the three Grant Agreement's requirements were met.

For a detailed explanation of the programmatic finding, please refer to the body of this Audit Report.

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BACKGROUND

On March 13, 2020, the Governor of the State of Texas declared a State of Disaster and the President of the United States of America declared a National Emergency in relation to COVID-19. On March 27, 2020 the Federal Government enacted the CARES Act. The CARES Act established the Coronavirus Relief Fund (CRF) and \$150 billion was appropriated to address the economic fallout caused by the pandemic. On April 23, 2020, the City of El Paso received \$118,956,278.90 from the Coronavirus Relief Fund and established 40 CRF programs that were broken down into three (3) categories: (1) Public Health & Safety (2) Community Response/Recovery (3) Economic Response/Recovery.

The City of El Paso set up CRF General Ledger (GL) Fund 2235 in order to track expenditures incurred from the \$118,956,278.90 CARES Act CRF allocation received from the U.S. Department of the Treasury. As of May 17, 2021, CRF Fund 2235 was overspent by \$1,134,664.79 for COVID-19 related costs. In order to properly balance the account, \$684,508.37 will be charged to a Federal Emergency Management Agency (FEMA) Grant and \$450,156.42 to the City of El Paso's General Fund.

	Amount
Sum of CRF GL Postings as of 5/17/2021	\$ 120,090,943.69
Coronavirus Relief Funds Received from United States Treasury	\$ 118,956,278.90
Overage in CRF postings as of 5/17/2021	\$ 1,134,664.79
Payroll cost to be charged to a FEMA Grant	\$ 330,593.60
Accounts Payable & Procurement Card charges to be charged to a FEMA Grant	\$ 353,914.77
FEMA Grant subtotal:	\$684,508.37
Remainder to be transferred to General Fund	\$450,156.42
Total to be reallocated:	\$1,134,664.79

The CARES Act stipulates that CRF recipients shall use the funds 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 incurred between March 1, 2020 and December 30, 2020. (On Dec 27, 2020, the US Congress passed a bill which included the extension of the CRF end period to December 31, 2021); and
3. Were not accounted for in the budget most recently approved as of March 27, 2020.
 - o Payroll reimbursements for public safety, public health, healthcare, human services and similar can be reimbursed (even if budgeted) if substantially dedicated.
 - o Up to the entity to determine what substantially dedicated means.
 - o If substantially dedicated, then can reimburse 100 % of salary for administrative convenience.

The CARES Act assigned the Department of the Treasury (Treasury) Office of Inspector General (OIG) with the responsibility for monitoring and oversight of the receipt, disbursement, and use of CRF payment. Each prime recipient must report COVID-19 related costs incurred during the covered period into the GrantSolutions portal used by Treasury OIG, as outlined in the *Coronavirus*

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Relief Fund Reporting Requirements Update (OIG-CA-20-025, July 31, 2020). Expenditure documentation must “sufficiently” support the payment obligation, expenditure, payment date, and associated project, if any.

For the City of El Paso, the Grants Administration Division (GAD) of the Office of the Comptroller (OTC) serves as a clearinghouse of grant activity that generates reporting and tracking of grant submittals, awarded grants and grant reporting requirements. The GAD is responsible for general oversight of the City’s grant application, award acceptance and reporting process. All Grant activity (federal, state, local, foundation and private) must be routed through the GAD in accordance with the policies and procedures set forth in the *Grants Management Manual Pre-Post Grants Policies & Procedures* dated February 2019.

AUDIT OBJECTIVES

The objectives of the CARES Act Audit were to:

- Establish the number and classification of the Contracts or Agreements issued by the City of El Paso and CARES Act – Coronavirus Relief Fund.
- Select a sample of CARES Act – Coronavirus Relief Fund expenditures and tie them in with the Contracts/Agreements and determine if they are valid.
- Read and review the Contracts/Agreements to see if there are any other requirements or deliverables.
- Determine if the CARES Act – Coronavirus Relief Fund Contracts/Agreements are being reported accurately on the U.S. Department of the Treasury Quarterly Reports.
- Identify and determine if there are any required “close-out” procedures for the CARES Act – Coronavirus Relief Fund and if they were properly performed.

AUDIT SCOPE

CARES Act – Coronavirus Relief Fund expenditures for Fiscal Year 2019-2020 & Fiscal Year 2020-2021

AUDIT METHODOLOGY

To achieve our audit objectives, we:

- Obtained an understanding of the CARES Act – Coronavirus Relief Fund,
- Interviewed Grants Administration Division personnel,
- Established the number and classification of the Programs and Contracts or Agreements issued by the City of El Paso using CARES Act – Coronavirus Relief Funds,
- Obtained an understating of the reports/documents that are provided to the Grants Administration Division by fund recipients for quarterly submissions of the Coronavirus Relief Fund to the U.S. Department of the Treasury,
- Reviewed and documented policies and procedures in place by Grants Administration Division to review and approve the information in the reports/documents,
- Determined if the policies and procedures contain adequate controls in order to provide proper oversight,

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- Conducted a review of a sample of non-construction CRF expenditures,
- Conducted a review of a sample of Subrecipient Agreements administered using CRF funds,
- Conducted a review of COVID-19 Response Facilities,
- Verified that Grants Administration Division has established a system to track expenditures against budget and/or funded amounts,
- Conducted a review of OIG Financial Progress Report for the period of 01/01/2021 to 03/31/2021 to ensure CRF expenditures are reported accurately and to identify any expenditures that were not submitted for reimbursement,
- Verified if CRF “close-out” procedures were properly performed.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. 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 on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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***SIGNIFICANT FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES***

The definition of a “Significant Finding” is one that has a material effect on the City of El Paso’s financial statements, identifies an internal control breakdown, is a violation of a City procedure, or a violation of a law and/or regulation, which the City is required to follow. The definition of a “Programmatic Finding” is one that is program-specific. Any finding not meeting these criteria will be classified as a “Regular Finding”.

Programmatic Finding 1

Subrecipient Non-Compliance

City of El Paso Strategic Plan:

- Goal 6.12 *Maintain systems integrity, compliance and business continuity.*

City of El Paso Office of the Comptroller Grants Administration Division Grants Management Manual Pre-Post Grants Policies & Procedures dated February 2019:

- Section 7.0 Reporting: *Programmatic grant reports are the responsibility of the Department receiving the grant funds...The Department will have programmatic reports readily available if requested by auditors.*
- Section 11 Sub-Recipients: *City department that have sub-recipients must ensure the sub recipients are following the grant requirements.*

City of El Paso *Coronavirus Relief Fund Manual* dated February 3, 2021:

- Reporting Requirements: *The Grants Administration Division will review to ensure all expenditures are eligible and have appropriate back up documentation.*
- Internal Audit and Grants Administration Division: *Departments are ultimately responsible to ensure that charges are in compliance with the Cares Act guidelines. Any deviation that causes the City to absorb the cost or fail to comply with the guidelines is the responsibility of the department.*

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Recommendation

The Grants Administration Division (GAD) should continue to ensure the Department of Community & Human Development (DCHD) works with the Nonprofit Organization to obtain the required reports and client data in order to confirm the three Grant Agreement's requirements were met.

Management's Response

As noted in the Audit Report, the City of El Paso continues to work with the subrecipient to verify programmatic compliance under the terms of the associated agreements as well as governing federal regulations. Precedent set and accepted by the Department of Housing and Urban development has been established as meeting a national objective for provision of service for food banks by validating nature and location of service. At this time, the subrecipient has supplied the City of El Paso with additional information regarding regulatory compliance for nature and location under 24 CFR 570.208 (d). DHCD has been tasked with assembling that information in the form of a proxy analysis paired with a 100% review of eligible expenses under the grant agreement. OTC will follow up with DCHD as per grant management policy to ensure that DCHD continues to work with the subrecipient in order to provide the required documentation.

Office of the Comptroller GAD respectfully disagrees with conclusion item No. 2. GAD maintains constant communication with the City Departments tasked with monitoring a Subrecipient Agreement and provides continued trainings and guidance in grants management. In addition, OTC was aware of the monitoring activities DCHD was conducting with the subrecipient. The monitoring activities were successful and indicated that there was a potential issue with the subrecipient providing backup documentation. At which point, DCHD worked diligently with the subrecipient to address the concern.

Responsible Party

DCHD: Responsible for completing the proxy analysis and expense review

OTC: Responsible for following up with DCHD to ensure the issue with the subrecipient has been addressed.

Implementation Date

Completion date to obtain final proxy analysis and finalize the 100% expense review September 30, 2021.

Chief Internal Auditor's Response

The Chief Internal Auditor was provided a copy of a letter the City of El Paso received from the U.S. Department of Housing and Urban Development (HUD) dated October 8, 2021. In the letter, HUD informs the City of El Paso that the Proxy Analysis provided does not meet the criteria for low- and moderate-income limited clientele (L/M Income Limited Clientele) national objective. HUD reminds the City of El Paso of the required compliance with the L/M income national objective. The City of El Paso is running the risk of being required to reimburse its line of credit with HUD.

The Chief Internal Auditor continues to emphasize the importance of obtaining the required HUD documentation. The City of El Paso's Department of Community and Human Development should continue working with the subrecipient on obtaining the required HUD documentation.

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INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods beyond the Audit Report date are subject to the risk that procedures may become inadequate due to changes in conditions, management override of internal controls, or that the degree of compliance with the procedures may deteriorate. This was a limited scope audit which only reviewed the areas stated in the Audit Objectives during the Audit Scope period. No representations of assurance are made to other areas or periods not covered by this audit.

CONCLUSION

We have concluded our work on the objectives of the CARES ACT Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the findings and conclusion. In accordance with *Generally Accepted Government Auditing Standards*, we are required to conclude whether the Grants Administration Division (GAD) met the objectives of this audit. Based on our audit work, we have determined that:

1. The Grants Administration Division met the audit objectives in the following areas:
 - Establishing and maintaining a Coronavirus Relief Fund (CRF) Manual and CRF program codes,
 - Establishing a reporting and review process within the GAD for CRF expenditures,
 - Ensuring CRF expenditures are valid and tie in with the Contracts/Agreements,
 - Establishing a reporting process of CRF expenditures to the U.S. Department of the Treasury via the GrantSolutions portal,
 - Identifying if there are any required “close-out” procedures for CRF and performing procedures established by U.S. Department of the Treasury Office of Inspector General.
2. The Grants Administration Division did not meet the audit objectives in the area of:
 - Ensuring City Departments tasked with monitoring a Subrecipient Agreement obtain appropriate back up documentation and inform GAD of subrecipient non-compliance.

We wish to thank the Grants Administration Division management and staff for their assistance and courtesies extended during the completion of this audit.

Signature on File

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Chief Internal Auditor

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