

**Performance Audit:
Controls Over
CARES Act and FEMA Funding
in Response to COVID-19**

February 2021

City Auditor's Office

City of Atlanta

File #21.02



CITY OF ATLANTA
City Auditor's Office
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February 2021

Performance Audit:

Controls Over CARES Act and FEMA Funding in Response to COVID-19

What We Found

The city has generally designed controls to ensure CARES Act funds and FEMA reimbursements are spent in accordance with federal law; however, we noted some gaps in the framework that could lead to errors. Due to the circumstances of the COVID-19 virus, the city was required to put a framework of controls in place quickly to manage related expenses to reasonably comply with federal funding guidelines.

The city hired Landmark Consulting, LLC to provide assistance and support to the city for federal grants and compliance management; however, the city is ultimately responsible for ensuring compliance with federal guidelines. Landmark supports the city and provides transparency by managing an online database of grant sources and by reviewing supporting documentation for compliance with federal guidance. The city has established a process to monitor and report the spending.

While the control design appears adequate to ensure compliance, there are potential risks. We identified a few weaknesses that had not been flagged by current controls. It is possible that ineligible city employees received hazard pay in error in July, August, and September 2020. Our analysis flagged 25 employees who appear to have received more than \$1,500 between July and September 2020. We also noted potential anomalies in positions of employees who received the payments, which were intended for mission critical employees who are unable to perform work remotely. Finally, uncorrected issues that we raised in our 2019 audit of citywide overtime could pose problems if the city seeks FEMA reimbursement of overtime costs related to the COVID-19 emergency.

Why We Did This Audit

We undertook this audit to review the controls in place related to CARES Act funding and FEMA Public Assistance reimbursement. The CARES Act was signed into law on March 27, 2020, creating the Coronavirus Relief Fund. The city received \$88 million from the Department of Treasury in Coronavirus Relief Funds and has the ability to apply for FEMA Public Assistance reimbursement for eligible expenditures. The audit will review the appropriateness, existence, and design of internal controls.

What We Recommended

We recommend the Chief Financial Officer work with the Commissioner of Human Resources to document their monthly review process for hazard pay and store the documentation on the SharePoint site.

We recommend the Chief Financial Officer follow-up with the Commissioner of Human Resources to review the 25 employees who received over \$1,500 in hazard pay from July - September 2020.

For more information regarding this report, please use the "contact" link on our website at www.atlaudit.org

Management Responses to Audit Recommendations

Summary of Management Responses

Recommendation #1: We recommend the Chief Financial Officer work with the Commissioner of Human Resources to document their monthly review process for hazard pay and store the documentation on the SharePoint site.

Response & Proposed Action: The Chief Financial Officer will assign the Director of ERM to work with the Commissioner of Human Resources to develop a written document for the monthly review process for hazard pay. **Agree**

Timeframe: March 2021

Recommendation #2: We recommend the Chief Financial Officer follow-up with the Commissioner of Human Resources to review the 25 employees that received over \$1500 in hazard pay from July – September 2020.

Response & Proposed Action: The Chief Financial Officer will assign the Director of ERM to work with Commissioner of Human Resources to review the employee list provided by Internal Audit and take appropriate action as required. **Agree**

Timeframe: March 2021



CITY OF ATLANTA

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Honorable Mayor and Members of the City Council:

We undertook this audit to review the controls in place related to CARES Act funding and FEMA Public Assistance reimbursement. The city received \$88 million from the U.S. Department of Treasury in Coronavirus Relief Funds and has the ability to apply for FEMA Public Assistance reimbursement for eligible expenditures. The city was required to put a framework of controls in place quickly to manage related expenses to reasonably comply with federal funding guidelines.

While the city has generally designed controls to ensure CARES Act funds and FEMA reimbursements are spent in accordance with federal law, we found potential errors in hazard pay in July, August, and September 2020. We also found potential anomalies in positions of employees who received the payments intended for mission critical employees. Our recommendations focus on how the city should document the monthly verification of employee eligibility for hazard payments and retain the documentation on the city's SharePoint site.

The Audit Committee has reviewed this report and is releasing it in accordance with Article 2, Chapter 6 of the City Charter. We sent the draft report to management on December 18, 2020 and received the final response January 29, 2021. We appreciate the courtesy and cooperation of city staff throughout the audit. The team for this project was Randi Hadeen and Patty Westerfield.

Amanda Noble
City Auditor

Danielle Hampton
Chair, Audit Committee

Controls Over CARES Act and FEMA Funding in Response to COVID-19

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Introduction

We undertook this audit to review the controls in place related to the CARES Act funding and FEMA Public Assistance reimbursement. The CARES Act was signed into law on March 27, 2020, creating the Coronavirus Relief Fund. The city received \$88M from the Department of Treasury in Coronavirus Relief Funds and has the ability to apply for FEMA Public Assistance reimbursement for eligible expenditures. The audit reviews the appropriateness, existence, and design of internal controls.

Background

In early 2020, a respiratory illness was identified by the World Health Organization as the 2019 novel coronavirus (COVID-19). On March 11, 2020 the World Health Organization declared the COVID-19 outbreak a pandemic. On March 13, 2020, the President of the United States of America declared a national public health emergency for all 50 states and territories because of COVID-19. On March 14, 2020, the Governor of the State of Georgia declared a public health state of emergency related to the spread of COVID-19. On March 16, 2020, the Mayor of Atlanta issued an executive order declaring a state of emergency due to COVID-19.

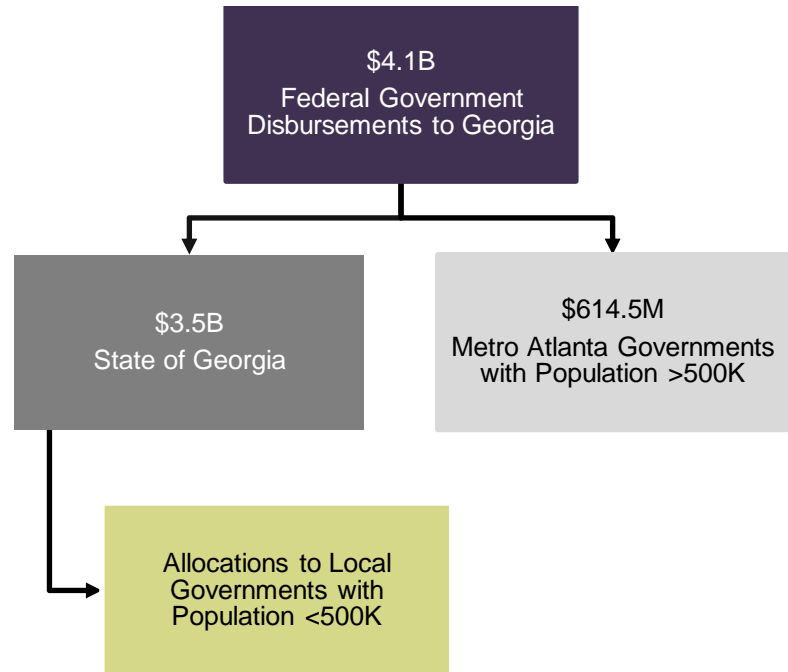
Congress signed the Coronavirus Aid, Relief, and Economic Securities (CARES) Act into law on March 27, 2020, to provide financial assistance for states and cities to respond to the COVID-19 crisis in H.R. 748 (Public Law No. 116-136). In addition, pursuant to section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. 5121-5207 (the “Stafford Act”), local government entities and others are eligible to apply for FEMA (Federal Emergency Management Administration) Public Assistance reimbursement for eligible COVID-19 related expenditures.

Atlanta Received \$88 Million in CARES Act Funding

The CARES Act established the Coronavirus Relief Fund and appropriated \$150 billion to the fund. Under the CARES Act, the Fund is to be used to make payments for specified uses to states and certain local governments. Local governments with populations of 500,000 or more qualify for direct federal subsidy, while smaller cities and counties must

depend on allocations from the state. The State of Georgia received \$4.1 billion; of this \$3.5 billion was paid directly to the State of Georgia and another \$614.5 million was disbursed to metro Atlanta governments with 500,000 or more residents (see Exhibit 1).

Exhibit 1: Georgia CARES Act Disbursements from Federal Government



Source: U.S Office of the Treasury website

The CARES Act states that payments from the Fund may only be used to cover costs that are: (1) necessary expenditures incurred due to the public health emergency with respect to 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), and (3) were incurred between March 1, 2020, and December 30, 2020.

The CARES Act provides a list of eligible expenditures. Expenses include, but are not limited to:

- medical expenses for hospitals and other medical facilities
- COVID-19 testing and emergency medical response, such as transportation
- public health expenses, such as communication and enforcement, acquisition and distribution of medical supplies and personal protective equipment (PPE) for public health and safety workers (PPE refers to items such as N95 masks and other filtering respirators, surgical masks, gloves, protective eyewear, face shields, and protective clothing)

- cleaning/disinfecting supplies
- technical expenses for mitigation
- quarantine expenses for individuals; care of homeless populations; and maintaining jails and prisons for sanitation and social distancing
- payroll expenses for public safety, public health, and other employees whose services are dedicated to mitigating or responding, including hazard pay
- expenses to facilitate compliance with public health measures, such as food delivery to vulnerable populations, to facilitate distance learning for school closings, and expenses to improve telework capabilities for public employees
- providing paid sick and leave under the Family and Medical Leave Act (FMLA) to public employees to enable compliance with COVID health precautions
- providing grants to small businesses to reimburse costs of business interruptions
- unemployment insurance costs that will not be otherwise reimbursed by the federal government
- any other related expenses reasonably necessary for the function of government that satisfies eligibility criteria

The CARES Act guidance states that a government may presume that payroll costs for public health and public safety employees are payments for services “substantially dedicated” to mitigating or responding to the COVID-19 public health emergency, unless the chief executive (or equivalent) of the relevant government determines that specific circumstances indicate otherwise.

The U.S. Treasury has included payroll and benefits expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency. The full amount of payroll and benefits expenses of substantially dedicated employees may be covered using payments from the Fund. The federal Guidance for State, Territorial, Local, and Tribal Governments, updated on September 2, 2020, states that Treasury has not developed a precise definition of what “substantially dedicated” means, given that there is not an exact way to define this term across different employment types. It also states that the relevant unit of government should maintain documentation of the “substantially dedicated” conclusion with respect to its employees.

The CARES Act also provides a list of ineligible expenditures. Expenses that have been or will be reimbursed under any federal program, such as the reimbursement by the federal government pursuant to the CARES Act of contributions by states to state unemployment funds, are not eligible uses of Fund payments. Other expenses that would not be eligible expenditures of payments from the Fund include:

- expenses for the state share of Medicaid
- damages covered by insurance
- payroll or benefit expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency
- expenses that have been or will be reimbursed under any federal program, such as the reimbursement by the federal government pursuant to the CARES Act of contributions by states to state unemployment funds
- reimbursement to donors for donated items or services
- workforce bonuses other than hazard pay or overtime
- severance pay
- legal settlements

If CARES Act funds are not spent between March 1, 2020, and December 30, 2020, they must be returned to the U.S. Treasury. Section 601(f)(2) of the Social Security Act, as amended by section 5001(a) of the CARES Act, provides that Treasury can recoup amounts received from the Fund that have not been used in a manner consistent with section 601(d) of the Social Security Act.

City Established a Team to Allocate COVID-19 Funds

The Mayor established a COVID-19 Compliance and Cost Recovery Coordination Group. The group is tasked with ensuring that effective policies, procedures, and frameworks are in place for the expenditure and cost recovery of COVID-19 funding. The city determined how to allocate spending for eligible expenditures based on U.S. Treasury guidance. The allocation recommendation was determined by a subcommittee called the Relief Fund Committee, a component of the COVID-19 Compliance and Cost Recovery Coordination Group. The committee was tasked with developing a framework for eligible uses of the funds and an allocation recommendation.

The committee met in May 2020 to discuss and identify the framework of and leads for each subcategory. Additionally, the committee gathered information on the funding needed and planned deployment

methods, made funding recommendations, and reviewed the allocation recommendation for submission. The committee included representatives from the following:

- Mayor’s Office
- Department of Finance
- Department of Enterprise Asset Management (DEAM)
- Department of Law
- Department of Human Resources
- Department of Procurement
- Atlanta Information Management (AIM)
- Chief Housing Officer
- Chief Health Officer
- President and CEO of Invest Atlanta
- Executive Director of Partners for HOME
- Senior Director of Programs and External Affairs, One Atlanta

The spending plan for the CARES funding was approved by City Council on June 15, 2020, in Ordinance No. 20-O-1362. The Chief financial officer has the authority to transfer up to \$1.5 million between expense categories (see Exhibit 2) without further council approval.

Of the \$88 million, the city has allocated \$22 million to efforts to prevent homelessness in the wake of the pandemic. Another \$7 million, within the public health measures category below, will pay for those affected by homelessness and expenses associated with care and public health precautions. The legislation also allocates funds to support food delivery services for vulnerable populations, for medical and payroll expenses for healthcare professionals and essential workers. Exhibit 2 shows the city’s planned allocations for the CARES Act funding within spending categories.

Exhibit 2: City Planned Allocation of \$88 Million in CARES Act Funding

Category	Allocation
Provision of Economic Support	\$44,000,000
Public Health Measures	\$14,750,000
Payroll	\$13,184,611
Medical Expenses	\$8,000,000
Public Health	\$4,500,000
Other	\$4,000,000
Total	\$88,434,611

Source: Auditor’s summary based on Ordinance 20-O-1362

City Categorized CARES Act Expenses by Priority Area

The COVID-19 Compliance and Cost Recovery Coordination Group's committee recommendation, approved by City Council, also includes additional information on the uses and deployment methods of the funds. The committee identified staff to manage the different categories of funding, and some of the categories are managed by internal staff and external organizations. The categories, subcategories, and management partner(s) are as follows:

- Provision of economic support includes:
 - expenditures related to consumer grant program to prevent eviction and assist in preventing homelessness; managed by the city and United Way of Greater Atlanta
 - expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures; managed by the city and Invest Atlanta
- Public health measures include:
 - expenses for homeless populations provided to mitigate COVID-19 effects and enable compliance with COVID-19 public health precautions; managed by the city and Partners for HOME, Inc.
 - expenses to improve telework capabilities for public employees to enable compliance with COVID-19 for public health precautions; managed by AIM (Atlanta Information Management)
 - expenses for food delivery to residents, including, for example, senior citizens and other vulnerable populations, to enable compliance with COVID-19 health precautions; managed by the Mayor's Office
 - expenses to facilitate distance learning, including technological improvements, in connection with school closings to enable compliance with COVID-19 precautions; managed by the Department of Parks and Recreation
 - cost related to compliance with public health measures and protocols within public facilities; managed by the Department of Enterprise Asset Management
- Payroll expenses include:
 - payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or

responding to the COVID- 19 public health emergency; managed by the Department of Human Resources and Department of Finance

- Medical expenses include:
 - costs of providing COVID-19 testing, including serological testing, and tracing; managed by the city's chief health officer and Fulton County Board of Health
- Public health expenses include:
 - expenses to acquire and distribute medical and protective supplies, including sanitizing products and personal protective equipment, for medical personnel, police officers, social workers, child protection services, and child welfare officers, direct service providers for older adults and individuals with disabilities in community settings, and other public health or safety workers in connection with the COVID-19 public health emergency; managed by Emergency Preparedness
 - expenses for state and local governments to communicate and enforce public health orders related to COVID-19; managed by the Executive Office of Communications
 - expenses for technical assistance to local authorities or other entities on mitigation of COVID-19-related threats to public health and safety; managed by Emergency Preparedness
 - expenses to disinfect public areas and other facilities, e.g., nursing homes, in response to the COVID-19 public health emergency; managed by the Department of Enterprise Assets Management
- Other includes:
 - any other COVID-19 related expenses reasonably necessary to the function of government that satisfy the Fund's eligibility criteria; managed by the Department of Finance Office of Risk Management

City Distributed a Portion of CARES Act Funds to External Partners

Of the \$88 million in CARES Act funding, \$59 million is managed by external city partners—the city pays these funds directly to the external partner. For example, United Way of Greater Atlanta is an external partner and receives funding directly from the city. United Way of Greater Atlanta handles the review process to identify and allocate the funds to individuals in need.

City is Responsible for CARES Act Reporting and Compliance Monitoring

The city is required to report CARES Act spending quarterly to the U.S. Department of Treasury’s Office of Inspector General. Governments are responsible for determining which expenses are necessary to respond to COVID-19, and for submitting actual expenditures to the U.S. Department of Treasury as justification. The reporting periods are on a staggered schedule. The reporting cycles, periods, and due dates are shown in Exhibit 3.

Exhibit 3: U.S. Treasury Office of Inspector General Requires CARES Act Reporting

Reporting Cycle	Reporting Period	OIG Reporting Due Date
Cycle 1	March 1, 2020 – June 30, 2020	September 21, 2020
Cycle 2	July 1, 2020 – September 30, 2020	October 13, 2020
Cycle 3	October 1, 2020 – December 31, 2020	January 11, 2021
Cycle 4	January 1, 2021 – March 31, 2021	April 12, 2021
Cycle 5	April 1, 2021 – June 30, 2021	July 12, 2021
Cycle 6	July 1, 2021 – September 30, 2021	October 12, 2021

Source: Auditor’s summary based on information from Landmark Consulting staff

The six reporting cycles apply to funds received from Treasury. The reports are reviewed by the Office of Inspector General. The Treasury OIG states that recipients of Coronavirus Relief Fund payments shall maintain and make available to the Treasury OIG upon request all documents and financial records sufficient to establish compliance. The city is required to maintain records for five years after final payment is made using Coronavirus Relief Funds.

City Council adopted four pieces of legislation that required the chief financial officer to prepare and submit certain reports regarding the financial impact of COVID-19:

- Resolution No. 20-R-3773 requests the Chief Financial Officer to provide a report on the accounting of all federal and state funds the City of Atlanta has received, or will receive, to assist with battling the harmful effects of the COVID-19 pandemic
- Resolution No. 20-R-3774 requests the Chief Financial Officer to provide the Council President and all members of the City Council an accounting of all funds that will be contributed to

non-profit and philanthropic organizations as part of the City's emergency assistance in response to the COVID-19 pandemic

- Resolution No. 20-R-3787 (not to exceed \$5 million) and 20-R-3914 (not to exceed \$20 thousand) requires that the Chief Financial Officer to submit a monthly report listing details of all donations the previous month to the City Council and the Ethics Office

CARES guidance states that a government should keep records sufficient to demonstrate that the amount of Fund payments to the government has been used in accordance with Section 601(d) of the Social Security Act. If a total of \$750,000 dollars in program funds are expended within the program year, a Single Audit is required. The city has been issued a catalog of federal financial assistance number (CFDA). The federal government should be providing the city an amendment to the 2020 compliance supplement to address CARES Act compliance requirements.

City Receives Additional Funding From FEMA

The city has also been allocated funding through the Federal Emergency Management Agency (FEMA). During the task force meeting, the committee considered FEMA as an alternative funding source to CARES Act funding. Unlike CARES Act funding, the task force did not define the spending plan to use FEMA funding. These expenses include PPE for city employees, expenses for cleaning facilities, and COVID-19 related overtime for employees. FEMA's Public Assistance Program provides supplemental grants to state, tribal, territorial, and local governments, and certain types of private non-profits so that communities can quickly respond to and recover from major disasters or emergencies.

Atlanta Received \$1.6 Million in Expedited Funding from FEMA. The city is eligible for FEMA reimbursement through the FEMA Public Assistance (PA) Grant. FEMA usually reimburses emergency expenses after the fact but allows local governments to make a one-time request for expedited funding to address COVID-19, which is an advance of estimated expenses. The FEMA reimbursement period is from March 1, 2020, to September 14, 2020.

In July 2020, the city requested \$1.6 million in expedited funding from FEMA. In response to COVID-19, the city identified an immediate need for funding to conduct response activities to address the threat. FEMA provided the city with \$1.6 million in expedited funding for emergency protective measures. To receive the expedited funding from FEMA, the city provided a scope of work and cost estimate for response activities related to COVID-19. FEMA used the information provided by the city to

estimate the cost and calculate the expedited project funding amount. We note that this is not a detailed spending plan, similar to the CARES Act spending plan that was approved by the city. Unlike CARES Act funding, the task force did not define the spending plan to use FEMA funding. The total cost estimate is \$4.2 million. FEMA generally funds 75% of eligible costs and will pay half of the expected reimbursement in advance.

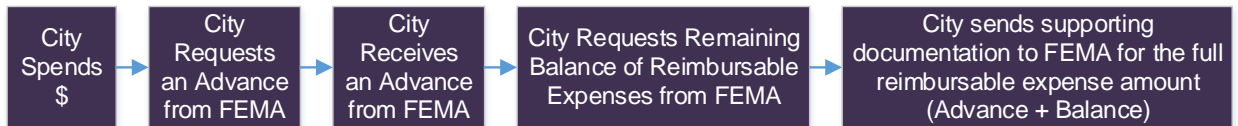
FEMA’s Expedited Funding Calculation

$$\begin{aligned} & \text{Total Cost Estimate} \times 75\% \times 50\% \\ & = \text{Expedited Funding} \end{aligned}$$

Source: FEMA Public Assistance Guidance

The COVID-19 pandemic allowed the city to submit an initial request for supplemental funding. Exhibit 4 displays the process by which the city requested expedited funding from FEMA to assist in the COVID-19 response effort.

Exhibit 4: FEMA Offered Expedited Process for COVID-19 Assistance



Source: Developed by auditors based on interview with Finance

The city determined how to allocate spending for eligible expenditures based on FEMA general public assistance eligibility guidelines. To be eligible for FEMA reimbursement, costs must be reasonable, directly tied to the performance of eligible work, adequately documented, reduced by applicable credits and consistent with internal policies. Eligible costs for FEMA reimbursement include applicant force account labor, applicant force account equipment and purchased equipment, leased equipment, supplies. Ineligible costs for FEMA reimbursement include loss of revenue, loss of useful service life, cost related to tax assessments, and increased operating costs.

City Council reporting requirements for CARES Act funding also apply to FEMA funding. City legislation requires the Chief Financial Officer to prepare and submit information to City Council related to the financial impact of COVID-19, this includes CARES Act funding and FEMA reimbursement¹.

¹ 20-R-3773, 20-R-3774, 20-R-3787, and 20-R-3914.

The federal government requires detailed information to support claims for reimbursement of FEMA funds. Funding will be approved or denied based upon the information supplied by applicant agencies. Documentation supporting all costs claimed will be required and all information must relate back to individual original source records. Detailed records should be kept from the onset of an incident or event to include, but not be limited to:

- appropriate extracts from payrolls, with any cross references needed to locate original documents
 - labor costs should be compiled separately from vehicle and/or equipment expenses
- schedule of vehicles used for emergency operations
 - documentation should include the miles and/or hours operated by location and operator
 - vehicle operating expenses should include fuel, tires and maintenance
- schedule for heavy equipment used for emergency operations
 - documentation should include exactly where the equipment was used and for what, hours and minutes used, and the name of the equipment operator if applicable
- invoices, warrants, and checks issued and paid for materials, supplies, and equipment expenses used for emergency operations
 - costs for supplies and materials must include documentation of exactly where resources were used and for what purpose
- copies of requests for proposals issued for work that is contracted out to support eligible disaster-related response or recovery work
- justification for all non-competitive procurements
- final contracts
- invoices submitted by the contractor
- warrants authorizing check issuance
- work done under inter-community agreements and mutual aid
- revenues and subsidies for emergency operations must be subtracted from any costs claimed
- expenditure tracking should commence upon notice or obvious occurrence of disasters that require expense of labor, equipment use, materials and other expenses

The City Monitors FEMA Public Assistance Grant Funds for Compliance

FEMA requires support for reimbursable expenses. The FEMA public policy guide states that FEMA may require additional information or documentation from the city to evaluate eligibility. The city should keep adequate records to ensure timely response to a request for information from FEMA. FEMA deadlines are based on the nature of the request and take into consideration the type and volume of information requested. For verification of eligibility requests, FEMA usually requires a response within 15 days of requesting the information. For requests for information on appeals, FEMA usually requires a response within 30 days of requesting the information.

City Contracted with a Third Party to Manage CARES Act Spending and FEMA Reimbursement

The city entered into an agreement with Landmark Consulting, LLC, to manage the city's CARES spending and FEMA reimbursement. Landmark Consulting, LLC is a subcontractor on the Willis Towers Watson agreement FC-8100. On October 10, 2015, the city entered into FC-8100 agreement with Willis Insurance Services of Georgia, Inc. to provide services at Hartsfield-Jackson Atlanta International Airport. On April 16, 2020, Willis Towers Watson Southeast Inc., successor to Willis Insurance Services of Georgia, Inc. began providing consulting services related to cost recovery under FEMA and the CARES Act as a result of the COVID-19 pandemic. The city amended FC-8100 B Insurance Brokerage and Consulting Services contract with Willis Towers Watson on August 12, 2020.

The amendment to FC-8100 B stated that Landmark Consulting, LLC would provide consulting-related services for FEMA cost recovery and CARES Act cost recovery. The amendment allows for consulting services to begin on April 16, 2020 and costs for consulting services is not to exceed \$200,000.

The agreement provides that Landmark Consulting would be incorporated into the agreement and work as a subcontractor for Willis Towers Watson, which would include professional fees and expenses incurred by Landmark Consulting in the invoices to the City of Atlanta.

According to Finance, as of October 2020, the total amount billed to the city by Landmark Consulting, LLC and Willis Towers Watson for consulting services is \$207,871 (see Exhibit 5). Finance stated that the original \$200,000 legislated (FC-8100B Amendment 1) was not sufficient and additional funding has been allocated from the CARES Act funding.

Finance plans to file legislation to allow for the appropriation of additional funding.

Exhibit 5: Consulting Services Billed as of October 2020 Exceeded Allocation

Vendor	Payment Status	Amount
Landmark Consulting, LLC	Paid	\$138,658
Landmark Consulting, LLC	Paid	\$23,198
Willis Towers Watson	Pending	\$23,609
Willis Towers Watson	Paid	\$22,407
		\$207,871

Source: Auditor's summary based on discussion with Finance

The city is ultimately responsible for complying with federal guidelines for using FEMA and CARES Act funding but contracted out the compliance, reporting, and tracking of spending to Landmark Consulting. Landmark Consulting is responsible for ensuring that the city is complying with federal regulations regarding eligible coronavirus related expenses. This includes costs incurred through December 30, 2020, for CARES Act funding and costs through September 14, 2020 for FEMA reimbursements. Landmark reviews 35% of the files for the programs for compliance for eligibility for the specific program funded by the CARES Act. All expenditures are reviewed for both funding sources.

Audit Objectives

This report addresses the following objectives:

- Is the design of controls appropriate to ensure CARES Act funding is spent in accordance with federal law?
- Are controls in place to ensure documentation is sufficient to support FEMA Public Assistance Grant requests for reimbursement?
- Are key controls operating as designed?

Scope and Methodology

We conducted this audit in accordance with generally accepted government auditing standards. Our audit methods included:

- Assessing relevant city, state, and federal laws, regulations, and city policies and procedures related to coronavirus related

expenses under the CARES Act, Stafford Act, and other FEMA Public Assistance regulations to understand program requirements

- Reviewing best practices from other cities to understand the response of other municipalities to CARES Act funding and FEMA reimbursement
- Compiling a process map of CARES and FEMA reimbursement processes to determine controls in place
- Participating in a walkthrough of Landmark Consulting, LLC's QuickBase dashboard to understand the processes the city has in place to manage expenses
- Reconciling Oracle total dollar amount purchase orders to Landmark Consulting, LLC's dashboard to verify the amounts recorded by Landmark on the dashboard
- Evaluating hazard pay data to compare hazard payments to the city policy
- Reviewing the city's contract with United Way of Greater Atlanta to document controls established by the contract
- Reviewing City Council's Finance Executive Committee presentations to understand how the city reports information publicly
- Interviewing staff from Finance, Enterprise Risk Management, Landmark Consulting, LLC, Independent Procurement Review, Human Resources and Procurement to understand the role of city staff and the function of the consultants
- Reviewing related media articles

Generally accepted government auditing 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.

Findings and Analysis

Control Design Appears Adequate to Ensure Compliance with Federal Guidelines

The city has generally designed controls to ensure CARES Act funds and FEMA reimbursements are spent in accordance with federal law; however, we noted some gaps in the framework that could lead to errors. Due to the circumstances of the COVID-19 virus, the city was required to put a framework of controls in place quickly to manage related expenses to reasonably comply with federal funding guidelines.

The city hired Landmark Consulting, LLC to provide assistance and support to the city for federal grants and compliance management. Landmark supports the city and provides transparency by managing an online database of grant sources and by reviewing supporting documentation for compliance with federal guidance. The city also uses SharePoint to house supporting documentation related to spending of federal funds received. The city has established a process to monitor and report the spending. City Council receives updates. The city has also submitted required status reports to the federal government agencies.

While the control design appears adequate to ensure compliance, there are potential risks. We identified a few weaknesses that had not been flagged by current controls. It is possible that ineligible city employees received hazard pay in error in July, August, and September 2020. The financial incentive for mission critical employees allowed for \$500 per month in hazard pay. Our analysis flagged 25 employees who appear to have received more than \$1,500 between July and September 2020. We also noted potential anomalies in positions of employees who received the payments, which were intended for mission critical employees who are unable to perform work remotely. We requested support from Human Resources but did not receive the information during the audit period. We recommend that the city consistently apply eligibility criteria for hazard pay. Human Resources should verify employee eligibility for hazard payments. We also recommend the chief financial officer review the 25 employees receiving more than \$1,500 in hazard pay over three months for compliance with the city's hazard pay policy.

Finally, uncorrected issues that we raised in our 2019 audit of citywide overtime could pose problems if the city seeks FEMA reimbursement of overtime costs related to the COVID-19 emergency.

Third-Party Vendor Reviews Transactions for Compliance

The city is responsible for CARES Act fund management and management of FEMA reimbursement requests. Federal and state programs require local governments to establish a process to ensure transparency on how funds are used. The city hired a consulting firm to assist the city in the management responsibilities, which according to Finance staff, is an allowable expense under the CARES Act. The city hired Landmark Consulting, LLC to provide assistance and support to the city for federal grants and compliance management; however, the city is ultimately responsible for ensuring compliance with federal guidelines.

Landmark supports the city and provides transparency by managing an online database of grant sources and reviewing a portion of related transactions. The city also uses SharePoint to house supporting documentation related to federal funds received, which is then reviewed by Landmark Consulting staff for compliance. The database not only allows the city to have up-to-date reports on grant funds, but also identifies the status of Landmark's compliance review.

Landmark Consulting provides cost recovery services to maximize the city's \$88 Million received in federal funding. Landmark's contract with the city states that the firm will provide assistance and support to the city for federal grants compliance management as needed for federal and state programs. Specifically, Landmark Consulting's scope of services includes:

- grant management advice for maximizing cost recovery funding
- compiling and summarizing costs for presentation ensuring compliance with applicable regulations
- developing a document management plan and funding strategy to identify eligible grant activities across departments
- attending meetings
- negotiating and presenting grant applications
- preparing correspondence to local, federal and state officials
- providing written performance and status reports
- preparing and conducting the close-out process
- providing updates on project development, formulation, and processing
- preparing, submitting, and tracking federal grant program applications
- obtaining all costs and backup documentation from city departments
- reviewing eligibility issues and present justifications to ensure eligible activities are identified, quantified, and presented

- reviewing contracts, procurement documentation, force account labor, equipment and other records to support the proper preparation and presentation of grant applications and eligible activities

Landmark Consulting staff work directly with Finance and user departments to monitor the city's spending of the funds received in federal funding through its dashboard, which contains spending and balance information for each program under the CARES Act and FEMA Public Assistance Program. The firm facilitated cost recovery training for representatives of city user departments to ensure proper coding of coronavirus related expenses and understanding of eligibility requirements under CARES Act and FEMA. Landmark Consulting is also responsible for monitoring regulation changes and keeping the city current on these changes as they occur.

Landmark Consulting facilitates tracking of program spending and compliance review status through an online dashboard. The firm is responsible for managing and updating the dashboard. The firm's Monitoring Plan requires the agency to perform remote monitoring to ensure that federal funds are used in compliance with laws, regulations, contract provisions. Landmark focuses on eligibility, records, reporting, and internal controls. The firm will assist the city to identify program progress, performance, financial management systems, general management practices, recordkeeping, reporting and compliance with applicable regulations and procedural requirements.

The dashboard provides information on purchase orders, invoices, and a running total of expenses. The information in the dashboard is supported with documentation; Landmark gathers the purchase orders, invoices, solicitation documents, and contracts and uploads this information to the city's SharePoint site. As new programs are implemented, Landmark updates the dashboard.

The dashboard includes the grant source name, eligible status, funding amount, obligated cost allocation (which includes purchase order obligations and direct pay spending), and hazardous cost allocation. It has the ability to export reports and generate graphs, such as:

- Encumbered Cost by Vendor
- Encumbered Cost by Account
- Contract Tracker (By Department)
- Donations
- Committed Funding Report
- Committed Funding Remaining Balance
- FEMA PW Status Report

- Treasury Spend Status
- Treasury Reporting
- Monthly Report

Finance provides an Oracle report to Landmark, and Landmark imports the information into the Landmark Dashboard. User departments are required to code coronavirus related expenses in Oracle with a specific function activity code. Landmark receives a purchase order detail report from Finance and a paid invoices report from general accounting. The purchase order detail report is generated in Oracle and includes purchase orders with the function activity code for COVID-related expenses. The paid invoices report is also generated in Oracle and is a list of payments with the COVID-19 function activity code the city made to vendors. Both reports are created based on the fund parameters. Landmark staff combines the two reports to capture both purchase orders and purchases made without purchase orders (referred to as “direct pays”). The city could miss potential expenses if departments do not use the designated COVID-19 function activity code; however, Finance stated that Landmark Consulting reviews comprehensive purchase order and paid invoice reports from Oracle weekly to flag potentially missed eligible expenditures. Landmark uses live reporting within the dashboard during weekly meetings with Finance.

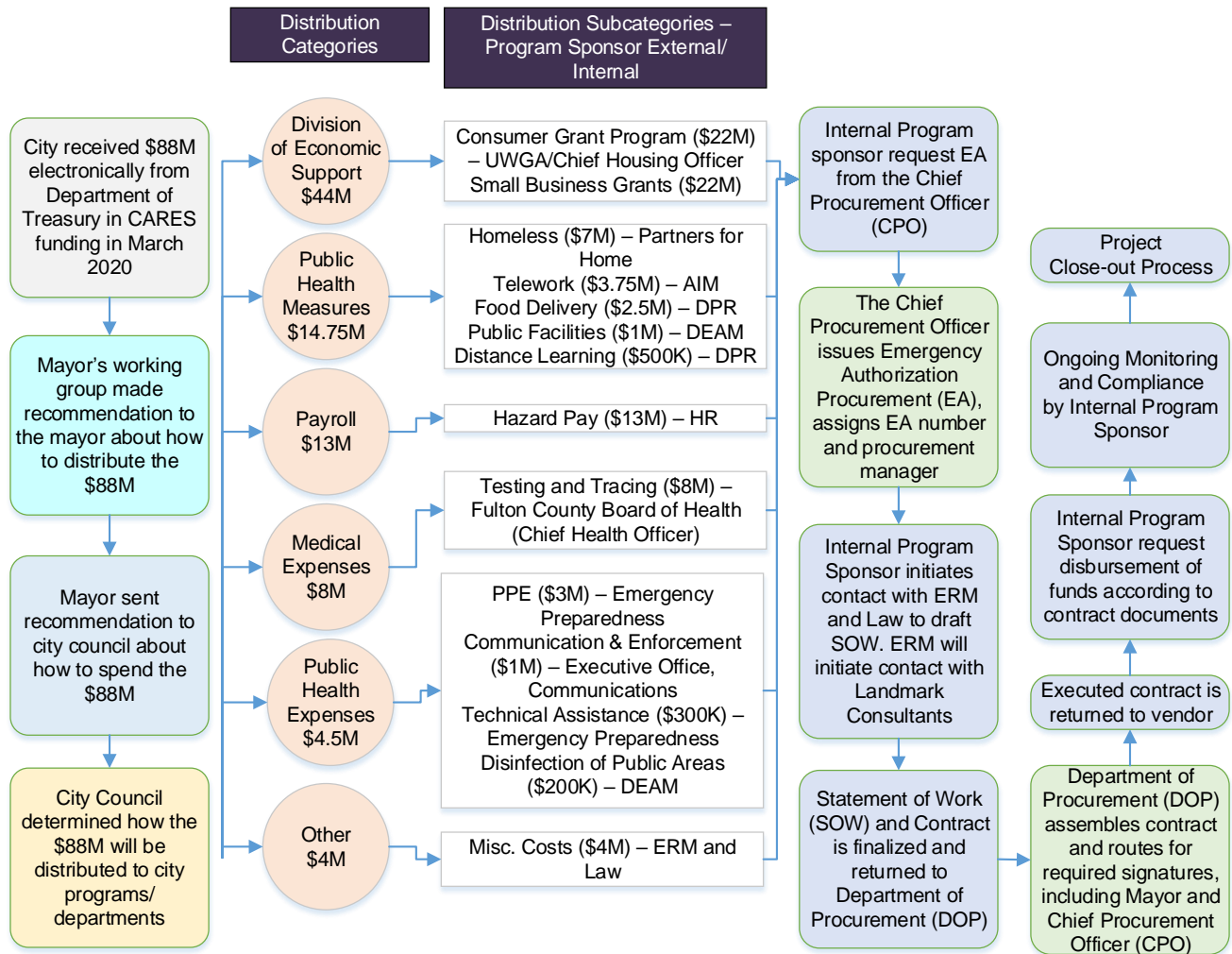
The Department of Finance is responsible for managing CARES Act spending and FEMA reimbursements. Finance stated that ultimately the city is responsible for fund management. However, some direct management responsibility (see pages 4 and 5) is delegated to individuals outside of the city (external partners) and internal city departments (internal partners). The Controller’s Office has provided guidance for Finance to follow regarding accounting of funds received from the U.S. Treasury as a direct payment for expenditures related to COVID-19. Specifically, the Controller’s Office speaks to the following accounting areas:

- payment request when the requestor is a city department or with a partner organization
- allocation of funds
- reimbursement of cash pool and cash payments
- recording revenue entries
- budget allocation

State, territorial, local, and tribal governments receiving funds from Treasury are required to ensure that funds transferred to other entities, whether pursuant to a grant program or otherwise, are used in accordance with section 601(d) of the Social Security Act as

implemented in the Guidance. Landmark Consulting reviews CARES Act internal spending and spending by external partners (see Exhibit 6).

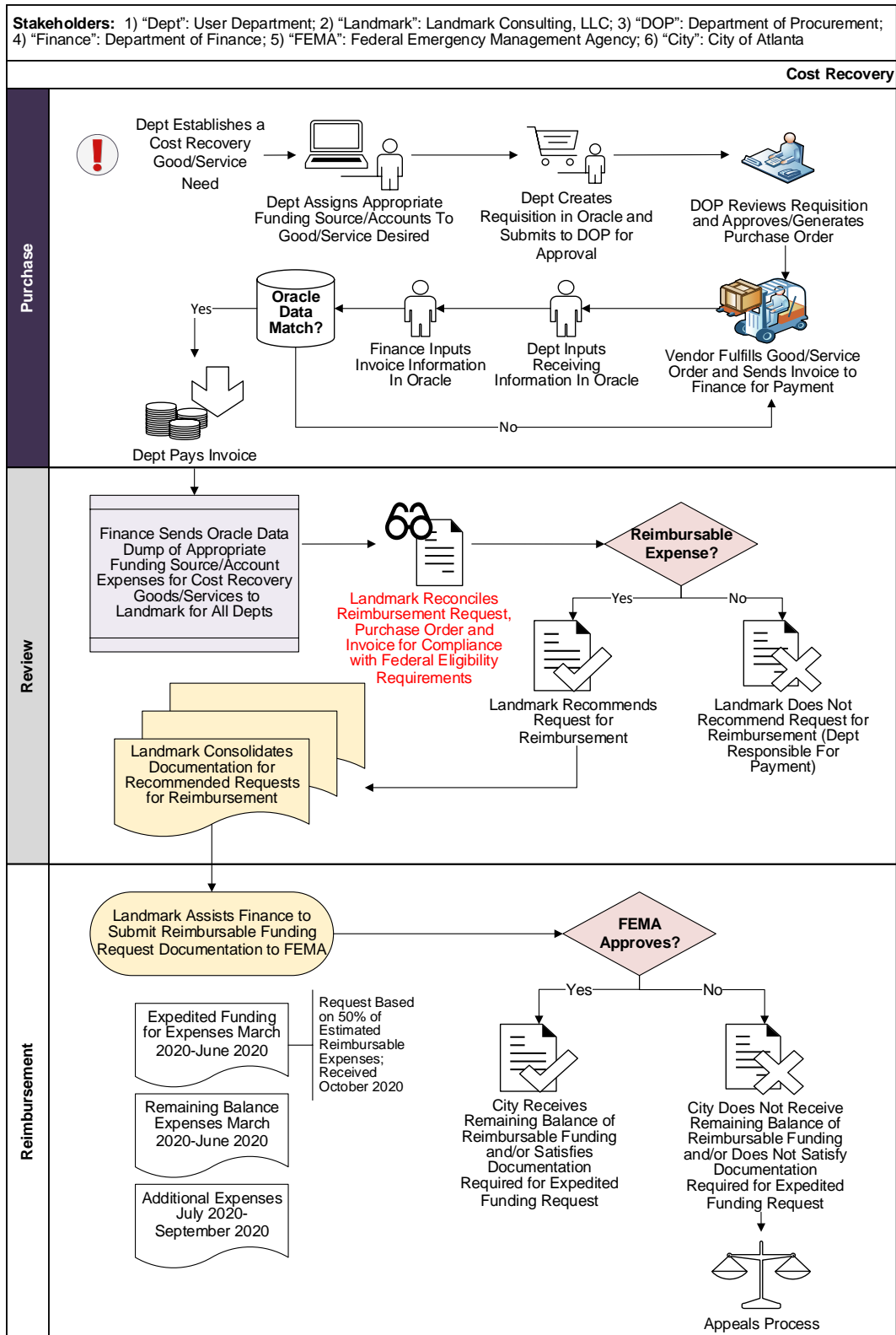
Exhibit 6: Process Designed to Meet CARES Act Requirements



Source: Developed by auditors from interviews with Finance

Landmark also compiles data for FEMA reimbursement. The city's cost recovery process for FEMA can be divided into three areas: purchase, review, and reimbursement. The purchase process follows the standard procurement process. In the review process, Landmark Consulting and Finance determine if expenses meet FEMA eligibility requirements. In the reimbursement process, the city requests advance and reimbursement from FEMA for eligible expenditures. Specific controls established for each stage of the process are shown in Exhibit 7.

Exhibit 7: Process Designed to Meet FEMA Requirements



Source: Auditor's creation based on interview with Finance

Landmark Consulting performs compliance reviews of city transactions for CARES Act spending and FEMA reimbursements. Landmark Consulting staff stated that the company reviews user departments' Oracle transactions coded as coronavirus activities and corresponding records to ensure that the city is complying with federal CARES Act and FEMA regulations for eligible transactions. Local governments are required to provide to the U.S. Treasury, FEMA, and Office of Inspector General, detailed information to support coronavirus related expenses for both funding sources. Records required under the CARES Act include invoices and purchasing detail. Records required for compliance with FEMA's guidelines include invoices and support detailing amounts charged and paid for materials, supplies, and equipment, and that identify the purpose of the expense. According to Landmark Consulting staff, examples of records that Landmark Consulting uses to support eligible costs include:

- invoices
- purchase orders
- proposals
- contracts
- proof of payment
- cost analysis

To review compliance of eligible transactions, Landmark staff reviews user departments' purchases and requests for reimbursement to ensure that they comply with federal eligibility requirements. During its review, Landmark Consulting will determine whether a user department's request is eligible. If it is not, the transaction is denied as an eligible expense, and the user department is responsible for payment. If the transaction is an eligible expense, the request is approved, and the firm collects the appropriate records for payment or reimbursement. The records that are used for the review are uploaded and stored on the city's SharePoint site by Landmark staff.

Reporting Enhances Transparency

The city has established a process to monitor and report CARES Act fund spending, FEMA public assistance grant reimbursement requests, and funds received. The city also updates City Council during monthly committee meetings and reports information to the federal government as required, which increases transparency.

The city must have processes to ensure that data reported is of sufficient quality for public reporting and internal decision-making purposes. The city submits reports prepared by Landmark Consulting to City Council. Finance reported to City Council June through October,

and December 2020. The city submits reports prepared by Landmark Consulting to the Office of Inspector General and the Coronavirus Relief Fund (CRF) report to the Department of Treasury. We received the CARES filing submitted on October 13, 2020.

Controls Failed to Flag Hazard Pay Anomalies

While the control framework for managing the federal COVID-19 funds appears adequate to ensure compliance with guidelines, there are potential risks. We identified a few weaknesses that had not been flagged by current controls including concerns related to hazard payments and the eligibility for potential reimbursement from FEMA of overtime costs. Control weakness related to hazard pay makes the city vulnerable to error or abuse.

City Processes Pose Some Risk

City employees who work in essential, mission critical positions received a financial incentive from March 11, 2020, to June 30, 2020. The financial incentive included \$500 per month in hazard pay and hazard pay compensatory time at the rate of twenty-four hours per week. Eligibility was determined by department heads. Human Resources did not provide information to show the completeness of records. Our previous audits have found that completeness of timekeeping records varies by department. Human Resources' timekeeping policy requires department heads to keep complete attendance, tardy, and payroll records, including annual leave, sick leave, and overtime. Poor recordkeeping practices leave the city at risk for error or abuse.

City employees may have received hazard pay in error. From July through September 2020, 4,904 employees received hazard pay related to the COVID-19 emergency. Of the 4,904 employees, 79 employees received over \$500 in a single month, which could include retroactive payments; however, 25 employees received more than \$1,500 in total hazard payments from CARES Act funds over the three months. According to Administrative Order No. 2020-7; signed March 30, 2020, mission critical employees who are unable to perform work remotely are eligible for up to \$500 monthly in hazard pay and compensatory time. We also noted potential anomalies in positions of employees who received the payments. Ten employees in data reporting analyst positions received hazard pay. Seventy-one ATL311 employees who are eligible for telework also received hazard pay. As a possible explanation, the acting commissioner of Human Resources noted that some employees have been assigned tasks outside of their normal duties. The acting commissioner also noted that some ATL311

employees did not move to telework immediately at the start of the COVID-19 pandemic.

Landmark is using its dashboard to monitor the city’s compliance with CARES Act spending, but the dashboard shows blank position names for \$3.1 of the \$13 million in hazard pay and blank employee identification numbers for \$1.4 million of the hazard pay. Landmark staff explained that the format the city sent the information to Landmark is the cause of the blanks. Landmark staff also stated that they did not go back and update the information once they received the new format.

The acting commissioner of Human Resources described a monthly validation process between Human Resources and Payroll to ensure hazard payments are correct. We requested additional information to support the hazard pay. Finance directed us to Human Resources. We requested documentation from Human Resources in October 2020. As of January 2021, we have not received the information from either Finance or Human Resources; therefore, we were unable to confirm compliance with the city’s hazard pay policy.

The city has spent a little more than \$13 million on hazard pay, which is the total amount allocated to payroll related expenses from CARES Act, as of September 30, 2020 (see Exhibit 8).

Exhibit 8: Hazard Pay Was 15% of CARES Act Spending through September 30, 2020

Funding Amount	Purchase Orders and Direct Pays	Hazard Pay
\$88,434,611	\$31,585,881	\$13,184,611

Source: Landmark Consulting Dashboard

We recommend that the city consistently apply eligibility criteria for hazard pay. The departments of Finance and Human Resources should document the monthly verification of employee eligibility for hazard payments and retain the documentation on the city’s SharePoint site. We recommend the chief financial officer review the 25 employees receiving more than \$1,500 in hazard pay over three months for compliance with the city’s hazard pay policy.

City timekeeping practices pose risk. Our prior audit work on overtime identified risks related to poor timekeeping records across most city departments. Additionally, we found that Police pays overtime more generously than FLSA, which could pose difficulties related to Police seeking reimbursement related to the COVID-19 emergency. According to Finance, if there are eligible expenses for force labor account, the city will submit a FEMA request for

reimbursement. FEMA requires eligible costs to be documented and reasonable. We recommended in our 2019 report, *Citywide Overtime*, that the city enforce the FLSA and city policies by paying sworn officers for premium overtime after employees have worked 171 hours and that the overtime calculation should not include leave taken as hours worked. We also recommended the chief operating officer and the human resources commissioner compel departments to maintain documentation to support prior approval and justification of overtime hours. These recommendations have yet to be implemented.

Recommendations

To ensure compliance with city policy and federal guidance:

1. We recommend the Chief Financial Officer work with the Commissioner of Human Resources to document their monthly review process for hazard pay and store the documentation on the SharePoint site.
2. We recommend the Chief Financial Officer follow-up with the Commissioner of Human Resources to review the 25 employees who received over \$1,500 in hazard pay from July - September 2020.

Appendices

Appendix A: Management Review and Response to Audit Recommendations

Report # 21.02	Report Title: CARES/FEMA	Date: February 2021
<p>Recommendation 1: We recommend the Chief Financial Officer work with the Commissioner of Human Resources to document their monthly review process for hazard pay and store the documentation on the SharePoint site.</p>		
<p>Proposed Action: The Chief Financial Officer will assign the Director of ERM to work with the Commissioner of Human Resources to develop a written document for the monthly review process for hazard pay.</p> <p>Additional Comments: N/A</p>	<p>Response: Agree</p>	
<p>Person Responsible: Jerry L. De Loach, Director, Office of Enterprise Risk Management</p>	<p>Implementation Date: March 2021</p>	
<p>Recommendation 2: We recommend the Chief Financial Officer follow-up with the Commissioner of Human Resources to review the 25 employees that received over \$1500 in hazard pay from July – September 2020.</p>		
<p>Proposed Action: The Chief Financial Officer will assign the Director of ERM to work with Commissioner of Human Resources to review the employee list provided by Internal Audit and take appropriate action as required.</p>	<p>Response: Agree</p>	
<p>Person Responsible: Jerry L. De Loach, Director, Office of Enterprise Risk Management</p>	<p>Implementation Date: March 2021</p>	