

OFFICE OF AUDITS & ADVISORY SERVICES



CARES ACT EXPENDITURES AUDIT

FINAL REPORT

Chief of Audits: Juan R. Perez
Audit Manager: Franco D. Lopez, CPA, CIA, CISA, CISSP
Senior Auditor: Rani E. Gorgis, CPA
Auditor I: Mercedes Pereira-Trent

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County of San Diego

TRACY DRAGER
AUDITOR AND CONTROLLER

AUDITOR AND CONTROLLER
OFFICE OF AUDITS & ADVISORY SERVICES
5530 OVERLAND AVENUE, SUITE 330, SAN DIEGO, CA 92123-1261
Phone (858) 495-5991

JUAN R. PEREZ
CHIEF OF AUDITS

May 23, 2022

TO: James M. Weissenburger, Revenue & Budget Manager
Health and Human Services Agency

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: CARES ACT EXPENDITURES AUDIT

Enclosed is our report on the CARES Act Expenditures Audit. We have reviewed your response to our recommendations and have attached it to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report. As required under Board of Supervisors Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. You or your designee will receive email notifications when these quarterly updates are due, and these notifications will continue until all actions have been implemented.

If you have any questions, please contact me at (858) 495-5661.

A handwritten signature in blue ink, appearing to read "Juan R. Perez".

JUAN R. PEREZ
Chief of Audits

AUD:FL:nb

Enclosure

c: L. Michael Vu, Assistant Chief Administrative Officer
Ebony N. Shelton, Deputy Chief Administrative Officer/Chief Financial Officer
Tracy Drager, Auditor and Controller
Amy Thompson, Executive Finance Director, Health and Human Services Agency
Judy Ying, Group Finance Director, Finance and General Government Group

INTRODUCTION

Audit Objective The Office of Audits & Advisory Services (OAAS) completed an audit of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Expenditures. The objective of the audit was to determine whether Coronavirus Disease 2019 (COVID-19) related expenditure claims were adequately supported and were made in accordance with CARES Act provisions and federal guidance.

Background Passed in March 2020, the CARES Act was a \$2 trillion economic stimulus bill in response to the economic fallout of the COVID-19 pandemic in the United States. Through the Coronavirus Relief Fund (CRF), the CARES Act provided \$150 billion payments to State, Local, and Tribal governments. The County of San Diego (County) was awarded CRFs of:

- \$334.1M from the U.S. Department of the Treasury as a prime recipient.
- \$53.7M from the State of California as a subrecipient.

Under the CARES Act, the Department of the Treasury Office of the Inspector General (Treasury OIG) was assigned the responsibility to conduct monitoring and oversight of the receipt, disbursement, and uses of CRF payments. The Treasury OIG also has authority to recover funds from recipients that fail to comply with CARES Act requirements.

The CARES Act requires that the payments from the CRF only be used to cover expenses that:

1. Are 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 for the State or Local government; and
3. Were incurred during the period that begins on March 1, 2020 and ends on December 31, 2021.

The County created the Emergency Operations Center (EOC) Finance Section to approve department requests for funding from the CRF and other emergency funding sources available. Departments submit a reimbursement claim package, with all the appropriate support, to the EOC Financial Recovery Team for their review. Once approved, funding is released by the Auditor and Controller to the claiming department.

Audit Scope & Limitations

The scope of the audit focused on County controls in place which ensure that CRF expenditures claimed were adequately supported and were made in accordance with CARES Act provisions and federal guidance. The period under review primarily included March 1, 2020 to June 30, 2021.

At the time of the audit, County CRF expenditures had not been finalized and reconciled. As such, OAAS audited completed CRF department claims reviewed by the EOC Financial Recovery Team. These claims may be affected by future adjustments planned by the EOC Finance Section.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.

Methodology

OAAS performed the audit using the following methods:

- Interviewed key personnel on policies, procedures, and processes relevant to CARES Act provisions and federal guidance.
- Reviewed the CRF program documentation and guidance including:
 - Department of the Treasury Coronavirus Relief Fund program guidance.
 - The Families First Coronavirus Response Act (FFCRA).
 - County of San Diego CARES Act Guidelines and Procedures.
- Assessed risks and controls related to County CRF administration independent of, and in coordination with, management including:
 - County CRF funding and claim approval processes.
 - Procurement processes over CRF expenditures.
 - CRF reporting and records retention requirements.
 - Adequacy and sufficiency of claim support over salaries and benefits, mileage, materials and supplies, contracted services, and special programs.
- Conducted specific audit procedures on the following:
 - Verified that a sample of authorized County department CRF claims effectively underwent the appropriate review processes.

- Verified standardized procedures and contract provisions published by the Department of Purchasing and Contracting were adhered to for CRF related expenditures.

AUDIT RESULTS

Summary

Within the scope of the audit, CRF claims that went through the County review process were generally adequately supported and were made in accordance with CARES Act provisions and federal guidance. OAAS also identified the following areas for improvement related to County administration and oversight of CRF:

1. CRF Claim Adjusting Processes Need to be Formally Established
2. Improvements to the CRF Claim Review Process Identified

Finding I:

CRF Claim Adjusting Processes Need to be Formally Established

During the quarterly CRF reporting cycle, COVID-19 expenditures are optimized for reimbursement between CRF and other emergency funding sources. However, department claim packages affected by quarterly reporting adjustments were not updated to reflect those adjustments.

During the audit, the EOC Finance Section has:

- Identified the specific claim packages that need to be trued-up to reconcile with actual claimed costs, but further adjustments are still planned.
- Established the processes over how quarterly reporting adjustments affect department claim packages, but those processes have not been formalized.

CRF claimed expenditures cannot be finalized and reconciled until all adjustments are completed. Although all CRF claimed expenditures must have been made by December 31, 2021, the Treasury OIG allows adjustments to claimed expenditures to be made up until Cycle 10, due in October 2022.

Recommendation:

The EOC Finance Section should formalize the processes over how claim adjustments affect department claim packages. These processes should then be communicated to the appropriate stakeholders and scheduled for completion to assist in finalizing the CRF claim.

Finding II:

Improvements to the CRF Claim Review Process Identified

OAAS identified the following areas for improvement related to CRF claim review:

1. Claims from Special Programs Require Further Consideration.

2. All CRF Claims Should be Reviewed by the EOC Financial Recovery Team.

Claims from Special Programs Require Further Consideration – The review tools of the EOC Financial Recovery Team assist in assessing the adequacy of claims over standard expenditures such as compensation, mileage, supplies, and contracted services. However, for claims over special programs, the tools are generally not sufficient and require special consideration from reviewers to ensure that claims are appropriate, particularly when trying to assess the risks of fraud and abuse.

The COVID-19 Positive Recovery Stipend Program claim was 1 out of the 10 claims sampled for the audit. Through this special program, the County provided a stipend of \$1,000 for employed individuals who are confirmed COVID-19 positive and not otherwise eligible for paid time-off or State unemployment benefits. Due to the following issues, the claim is not adequately supported:

- The stipend claim package submitted had all personally identifiable information (PII) redacted for recipients of assistance. This limited the level of review possible by the EOC Financial Recovery Team.
- The claim had no annotations on whether general procedures were conducted on the unredacted master claim log to identify any unclaimable amounts based on the program requirements, such as duplicated recipients.

The Treasury OIG has indicated that it is committed to ensuring that CRF expenditures achieve their intended purpose, provide for accountability and transparency, and are free from fraud and abuse.

All CRF Claims Should be Reviewed by the EOC Financial Recovery Team – During CRF program review, the following claims were identified that did not undergo EOC Financial Recovery Team review:

- FR20-069: Claim 225 HHS for \$16,592,423
- FR20-070: Claim 226 HHS for \$2,188,419
- FFCRA supporting calculations for \$7,513,847

The Health and Human Services Agency (HHS) and FFCRA claims were not initially reviewed because immediate reimbursement was needed to address cash flow needs. Additionally, the FFCRA claim supporting calculations were centrally stored at Central Payroll. Management indicated these claims would be reviewed before the end of CRF program.

The EOC Financial Recovery Team has been effective at reviewing CRF claims to ensure that they are adequately supported and were made in accordance with CARES Act provisions and federal guidance. All County CRF claims should undergo EOC Financial Recovery Team review. Claims that do not undergo the review process have a greater risk of non-compliance which could lead to a return of CRF funds and greater scrutiny of other County CRF claims.

Recommendation: The EOC Finance Section should improve the claim review process by:

1. Creating processes to ensure claims submitted by the County are transparent and not redacted for future reviewers. For example, security and access controls can be implemented as needed for claims with PII, or other sensitive information, that are of concern to County departments.
2. Ensuring fraud and abuse considerations are documented within the claim review tools. Optimally, the claiming departments should indicate what analysis they have conducted to mitigate fraud and abuse.
3. After improving the claim review process, the EOC Financial Recovery Team should obtain the unredacted stipend claim file and conduct a full review that is not limited due to redacted information.
4. Ensuring all CRF claims are submitted to the EOC Financial Recovery Team for their review, including those mentioned above. Additionally, the EOC Finance Section should consider centrally locating and storing all supporting claim documentation for the required retention period once finalized.

Office of Audits & Advisory Services

Compliance Reliability Effectiveness Accountability Transparency Efficiency

VALUE

DEPARTMENT'S RESPONSE



County of San Diego

NICK MACCHIONE, FACHE
AGENCY DIRECTOR

HEALTH AND HUMAN SERVICES AGENCY
FINANCIAL AND SUPPORT SERVICES DIVISION
1600 PACIFIC HIGHWAY ROOM 206, MAIL STOP P-501
SAN DIEGO, CA 92101-2417
(619) 515-6555 • FAX (619) 515-6556

AMY THOMPSON
EXECUTIVE FINANCE DIRECTOR

May 11, 2022

TO: Juan R. Perez, Chief of Audits
Auditor and Controller

FROM: Amy Thompson, Executive Finance Director
Health and Human Services Agency

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: CARES Act Expenditures Audit

Finding I: CRF Claim Adjusting Processes Need to be Formally Established

OAAS Recommendation: EOC Finance Section should formalize the processes over how claim adjustments affect department claim packages. These processes should then be communicated to the appropriate stakeholders and scheduled for completion to assist in finalizing the CRF claim

Action Plan: Agree with the audit recommendation

As the CRF program period had officially expired at the time of the exit meeting, instead of establishing a claim adjustment process, the EOC Finance Section (thereafter referred as "EOC") and the EOC Cost Recovery team (thereafter referred as "the Recovery Team") worked together to establish a subsequent review and reconciliation process to address claim adjustments.

The review and reconciliation process began with the OIG report, requesting all departments to review and validate that the most recent OIG reported amounts are properly categorized and supported by fiscal reports such as project and expenditure report. The instruction for the subsequent review and reconciliation was done through quarterly OIG cycle report request emails. Next, the Recovery Team worked with each department to reconcile their OIG report to claims submitted to the Recovery Team via the SharePoint site titled "Financial Reimbursement Tracking" (Thereafter referred as "the SharePoint site"). During the review and reconciliation process, the Recovery Team identified disallowances in approved claims which were not reflected to in the OIG reporting. Additionally, the Recovery Team identified CRF expenses which were reported to OIG but not claimed for review and reimbursement from the CRF trust fund. After identifying reconciling items for each department, the Recovery Team instructed the departments to 1) submit updated OIG reports reflecting disallowance amount as prior cycle adjustment, and 2) submit claims for CRF expenses which were reported to OIG but not claimed for reimbursement.

Starting in Q3 FY2021-2022, a process was established that any disallowance noted during the claim review process must be reported by the department as an OIG report adjustment in the immediate proceeding OIG cycle report, and the CRF revenue accrual shall be adjusted for the disallowance amount immediately or by the next quarter end. Further, starting in Q3 FY2021-2022, the Recovery

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Team performs monthly reconciliation to ensure that the OIG reported amount, claimed amount, CRF revenue and revenue accrual amount, and amounts transferred from the CRF trust fund to the departments agree. Any discrepancies noted by the Recovery Team is reported to EOC and A&C PRGA via a weekly meeting and an excel reconciliation worksheet. The reconciliation worksheet indicates the discrepancy, action to be taken by the department and, target date to resolve the discrepancy.

Planned Completion Date: The processes are established and implemented during 3Q FY21-22.

Contact Information for Implementation: Melissa Baltimore, Principal Administrative Analyst (Melissa.Bartolome@sdcounty.ca.gov), Sawako Kobayashi, Senior Auditor (Sawako.Kobayashi@sdcounty.ca.gov)

Finding II: Improvements to the CRF Claim Review Process Identified

OAAS Recommendation:

The EOC Finance Section should improve the claim review process by:

1. Creating processes to ensure claims submitted by the County are transparent and not redacted for future reviewers. For example, security and access controls can be implemented as needed for claims with PII, or other sensitive information, that are of concern to County departments.
2. Ensuring fraud and abuse considerations are documented within the claim review tools. Optimally, the claiming departments should indicate what analysis they have conducted to mitigate fraud and abuse.
3. After improving the claim review process, the EOC Financial Recovery Team should obtain the unredacted stipend claim file and conduct a full review that is not limited due to redacted information.
4. Ensuring all CRF claims are submitted to the EOC Financial Recovery Team for their review, including those mentioned above. Additionally, the EOC Finance Section should consider centrally locating and storing all supporting claim documentation for the required retention period once finalized.

Action Plan:

1. Agree with the audit recommendation.

The Recovery Team requests unredacted information to the extent possible to perform sufficient review of the claim. Security and access control is in place within the SharePoint site and access is monitored by the Recovery Team. When necessary, password protection is placed on certain documents with personally identifiable information (PII).

Planned Completion Date: Completed in January 2022

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Contact Information for Implementation: Sawako Kobayashi, Senior Auditor
(Sawako.Kobayashi@sdcounty.ca.gov)

2. Agree with the audit recommendation

As the CRF program fund was exhausted by the end of FY20-21 and the program period expired on December 31, 2021, the Recovery Team does not expect to receive any new Special Program claims.

For future claims for special program expenses, the Recovery Team has established specialized review process and checklists. Recovery Team conducts inquiries with program lead concerning risk of fraud and abuse. Recovery Team lead considers the program processes and controls and evaluates fraud risk. The Recovery Team lead then designs review procedures based on the risk identified. For example, for the stipend program, the Recovery Team conducted inquiries with program and fiscal leads concerning the operation and controls in the program. The Recovery Team identified that there is a risk of program beneficiaries receiving stipend benefits more than once due to lack of sufficient controls around the eligibility review process. Based on the inquiries, the Recovery Team designed review procedures focusing on duplicate checks.

Planned Completion Date: Completed in January 2022

Contact information for Implementation: Sawako Kobayashi, Senior Auditor
(Sawako.Kobayashi@sdcounty.ca.gov)

3. Agree with the audit recommendation

EOC requested the unredacted stipend claim file be provided to the Recovery Team. EOC confirmed that the file was provided via the SharePoint Site.

Planned Completion Date: December 2021

Contact information for Implementation: Mike Weissenburger, Revenue and Budget Manager
(James.Weissenburger@sdcounty.ca.gov), Sawako Kobayashi, Senior Auditor
(Sawako.Kobayashi@sdcounty.ca.gov)

4. Agree with the audit recommendation

As discussed in the Finding I, Action Plan section, EOC and the Recovery Team have established procedures to ensure all CRF expenditures reported to OIG are reviewed and approved before the department receives CRF funding.

HSA and the review team had agreed to process for reimbursement HSA claims 225 and 226 before being reviewed due to cash flow reasons with the understanding that these claims would be reviewed before the end of CRF program. At the time of this letter, both claims 225 and 226 have been reviewed and approved.

In response to the audit recommendation regarding the FFCRA expense \$7,513,847, per inquiries with Central Payroll and review of FFCRA reports, EOC noted that Central Payroll recorded adjustments to the FFCRA expense, correcting errors. The error consisted of an overstatement of \$2,614 reported to OIG. EOC deemed this amount as immaterial and therefore an adjustment is unnecessary. Further, EOC noted the County elected not to apply CRF funding for FFCRA expenses in the amount of

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\$92,505, due to a delay by the department in reporting sick leave taken during the eligible period. Based on the above noted procedures, EOC deemed that the risk of FFCRA reported to OIG being overstated is remote and further review work was not performed.

From the beginning of the CRF program, the Financial Reimbursement Site has been designed to centrally store all claim information, including OIG reports and evidence of review and approval for each claim. At the conclusion of the CRF program, all information will be sent to the archive data center. Access to the archive data center is limited to avoid risk of data alteration. Data retention period will be set to County and Federal retention policies.

Planned Completion Date: Completed in March 2022.
Contact information for Implementation: Mike Weissenburger, Revenue and Budget Manager
(James.Weissenburger@sdcounty.ca.gov), Sawako Kobayashi, Senior Auditor
(Sawako.Kobayashi@sdcounty.ca.gov)

If you have any questions, please contact Amy Thompson at (619) 515-6923.

As the audit covered EOC Cost Recovery team activities under the Auditor & Controller's Office along with the activities of the HSA EOC Finance Section, the County Auditor and Controller has also reviewed and agrees with the response listed per signature below.


AMY THOMPSON
Executive Finance Director


TRACY L. DRAGER
Auditor & Controller









Department Response to Audit Recommendations

Final Audit Report

2022-05-12

Created:	2022-05-12
By:	Anthonette (Nanette) Marty (AnthonetteNanette.Marty@sdcounty.ca.gov)
Status:	Signed
Transaction ID:	CBJCHBCAABAaqX_WqcDasAnJDeZ8Xcg1FO2JRkBit6JO

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