

OFFICE OF AUDITS & ADVISORY SERVICES

ARPA FUNDS ADMINISTRATION AUDIT

FINAL REPORT



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JUAN R. PEREZ
CHIEF OF AUDITS

December 5, 2024

TO: Dr. Liz Hernandez, Director of Departmental Operations
Health and Human Services Agency – Public Health Services

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: ARPA FUNDS ADMINISTRATION AUDIT

Enclosed is our report on the American Rescue Plan Act (ARPA) Funds Administration 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.

JUAN R. PEREZ
Chief of Audits

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Enclosure

- c: Kimberly Giardina, Deputy Chief Administrative Officer, Health and Human Services Agency
Brian Albright, Deputy Chief Administrative Officer, Finance and General Government Group
Joan Bracci, Chief Financial Officer, Finance and General Government Group
Patty Kay Danon, Chief Operations Officer, Health and Human Services Agency
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JUAN R. PEREZ
CHIEF OF AUDITS

December 5, 2024

TO: Barbara Jiménez, Director of Regional Operations
Health and Human Services Agency – Homeless Solutions & Equitable Communities

FROM: Juan R. Perez
Chief of Audits

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JUAN R. PEREZ
CHIEF OF AUDITS

December 5, 2024

TO: Rick Wanne, Director of Departmental Operations
Health and Human Services Agency – Self-Sufficiency Services

FROM: Juan R. Perez
Chief of Audits

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Christy Carlson, Director, Business Assurance & Compliance Office, HHSA

About the Office of Audits & Advisory Services

The mission of the Auditor and Controller's Office of Audits & Advisory Services (OAAS) is to provide independent, objective assurance and consulting services designed to add value and improve the County of San Diego's operations. OAAS helps the County accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Audit Authority

OAAS derives its authority to conduct audits of County departments and programs primarily from the County Charter, County Administrative Code, Board of Supervisors Policy Manual, and California Government Code.

Statement of Auditing Standards

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.



AUDIT OBJECTIVE & SCOPE

The Office of Audits & Advisory Services (OAAS) completed an audit of the American Rescue Plan Act (ARPA) Funds Administration. The objective of the audit was to determine whether ARPA funded programs/activities are adequately managed in accordance with ARPA requirements and program objectives.

The scope of the audit included a review of the County of San Diego's (County) use of ARPA established Coronavirus State and Local Fiscal Recovery Funds (SLFRF) to ensure compliance with Federal requirements, including program reviews, subrecipient monitoring, contract award processes and monitoring, and compliance with requirements established by the County. The period under review primarily included March 1, 2021, to April 30, 2024.

At the time of the audit, many of the ARPA programs approved in the Board of Supervisors (BOS) ARPA framework were still in development. OAAS audited ARPA programs that were active and had awarded funds to program applicants or to third-party subrecipients or contractors.

OAAS encountered a scope limitation when requesting information for testing of the Family Income for Empowerment Program (FIEP) due to confidentiality of program participants, which is minors under the age of 18 and their families. OAAS access to this information was restricted and an adequate review of the overall program could not be completed.

Support for the Direct Cash Assistance for Populations Disproportionately Impacted Program was requested, but the funding source for the program was changed from ARPA to the County's General Relief Fund. The new funding source for the program fell outside of the scope of the ARPA Funds Administration review.

AUDIT RESULTS

Within the scope of the audit, OAAS determined that the ARPA funded programs and activities are adequately being managed in accordance with federal ARPA requirements and program objectives. However, we identified the following area as an opportunity for improvement to ensure ARPA funded programs and activities are adequately meeting contract terms.

Finding I: Opportunity to Assess Contractual Reporting Requirements

Contract agreements for administering ARPA programs include County determined requirements for data collection and reporting to ensure proper program monitoring as well as some administrative tasks. OAAS found that although data collection and reporting are being conducted for each of the reviewed ARPA programs, some of the reporting did not meet the specific agreed-upon terms in the following contracts (see Table 1).

Table 1: ARPA Program and Reporting Requirements

ARPA Program	Contract Statement of Work (SOW) Terms	Noncompliance Identified
Specialized Funding for Imminent Needs (SFIN)	Contractor shall provide a weekly report due by close of business every Friday of each week. (SOW 9.2.1)	Weekly status report is not being submitted.
Community Food Production (CFP)	Contractor shall provide a monthly report providing a brief description of activities that have occurred, funds that have been expended, and any problems encountered. (SOW 6.1)	Monthly progress reports are being provided for grantee and 3 to 5 subrecipient projects, not all activities and expenditures.
Fresh Nutrition Incentive Program & Nutrition Incentives Beyond SNAP to Medi-Cal	Contractor shall submit monthly reports by the 15th of the following month. (SOW 8.1)	Monthly reports are being provided on or after the 15th of the following month.

For the SFIN program, staff from Homeless Solutions & Equitable Communities deemed monthly reports to be sufficient and weekly reports have not been requested from the contractor.

For the CFP program, staff from Public Health Services kept the integrity of the SOW terms by requiring the grantee to provide monthly reports of their progress and expenditures, but agreed with the grantee that monthly reporting would be difficult to provide due to the volume of subrecipients and beneficiaries. A quarterly progress report was created and provided to the contractor to provide updates on all contract reporting requirements. For the months a quarterly report is not submitted, a monthly report with administrative updates and updates of three to five ongoing projects is provided.

For the Fresh Nutrition Incentive Program & Nutrition Incentives beyond SNAP to Medi-Cal program, OAAS reviewed a sample of two monthly reports that were both provided after the 15-day requirement. The contractor indicated the difficulties obtaining information for the monthly reports as it is obtained from numerous program partners; however, the contractor's goal is to provide the information by the 15th of the following month per contract terms.

Although reporting is being performed for each these programs, the agreements include language that provides specificity in a manner that results in reporting requirements not technically being met. However, since these administrative requirements do not impact contract results, nor are they funding requirements, some consideration should be taken as to the need for such level of specificity.

The County's BOS Policy A-81 establishes that department heads are responsible for the overall performance of the contracts, and program managers are responsible for contract administration. This includes an evaluation of established quantifiable objectives to ensure contractor is performing contracted services. Each ARPA contract is managed by an assigned Contracting Officer's Representative (COR) and the Department of Purchasing and Contracting COR Training describes COR overall responsibilities to ensure contract compliance and program effectiveness.

Without adequate management oversight of contract management and monitoring practices, the ARPA program agreements may be subject to legal risks due to non-compliance with contractual requirements.

RECOMMENDATION:

To ensure compliance with contract terms,

For SFIN program,

1. Amend contract terms with actual program reporting processes and timelines to ensure the reporting requirement is accurately reflected.

For CFP program,

2. Amend contract terms with actual program reporting processes and timelines to ensure the reporting requirement is accurately reflected.

For the SFIN, CFP, and Fresh Nutrition Incentive Program & Nutrition Incentives Beyond SNAP to Medi-Cal programs,

3. As part of the procurement process, County staff should review standard contract language and terms to ensure that administrative actions are appropriate and aligned to the contract deliverables and funding requirements. Where possible, County staff should look to remove those items that are not managed and are non-value-added administrative actions within contracts.

BACKGROUND

Signed into law in March 2021, ARPA established the SLFRF to deliver \$350 billion to state, local, and tribal governments to support their response to the COVID-19 pandemic and its economic effects, and to build a stronger, more equitable economy during the recovery. The County was allocated just over \$648 million in SLFRF.

Under ARPA, the United States Department of the Treasury (Treasury) was assigned the responsibility to conduct monitoring and oversight of receipt, disbursement, and uses of SLFRF funds. ARPA requires that SLFRF funds be used to:

- a) Respond to the public health and negative economic impacts of the pandemic.
- b) Provide premium pay to eligible essential workers.
- c) Replace lost public sector revenue.
- d) Invest in water, sewer, or broadband infrastructure.

The coverage period on the use of ARPA funds is March 3, 2021, through December 31, 2026. The Treasury requires ARPA funds to be obligated by December 31, 2024, and fully expensed by December 31, 2026.

The BOS adopted an ARPA framework¹ (see Appendix A) on June 8, 2021, to guide the spending priorities of the SLFRF allocated to the County. The ARPA framework was developed using an equity lens and a quantitative and qualitative data-driven approach to prioritize and integrate

¹ See Appendix A for a breakdown of the ARPA framework approved by the County's BOS and Appendix B for most recent adjustments approved by the BOS.

consideration of equity where possible, along with input from community workshops and stakeholders, consideration of other available funding sources, and the Treasury's Interim Final Guidelines (Final Rule).

Updates on program activities listed under the ARPA Framework, including projected spending levels of each program, are presented to the BOS. Any allocations of remaining resources of the ARPA Framework will be presented to the BOS to ensure they are used to respond to the priorities and needs across the region within the coverage period for use of the funds.

METHODOLOGY

OAAS performed the audit using the following methods:

- Reviewed Federal guidance on ARPA administration provided by the Treasury, including Compliance and Reporting Guidance and Final Rule detailing rules and regulations.
- Reviewed County ARPA programs, policies, and procedures related to the use and administration of SLFRF.
- Interviewed key personnel overseeing ARPA administration to identify and evaluate procedures and internal controls relevant to the County's various ARPA programs.
- On a sample basis, conducted limited testing to verify the following:
 - Performance indicators, including output and outcome measures, are being provided for each ARPA program reviewed.
 - FIEP (also known as Innovation in Foster Care: Cash Transfer for Youth At-Risk Families), Specialized Funding for Imminent Needs, Community Food Production, and Fresh Nutrition Incentive programs were adequately administered by third-party contractors and funds were properly provided per County agreement terms and applicable Federal regulations.
 - Security Deposit Assistance program properly awarded funds based on applicable eligibility requirements.
 - Any additional ARPA funds received, such as ARPA funds received from the California Government Operations for the Community Health Workers program, were adequately recorded, tracked, and monitored.
 - Monitoring is being performed and in compliance with Federal regulations and County agreement terms for all organizations recognized as a subrecipient of the County's ARPA SLFRF.
 - The County adhered to the Department of Purchasing and Contracting's procurement procedures and required contract provisions for Federal funds.

Appendix A: ARPA Framework Approved by County's BOS on June 8, 2021

County Framework Component	Amount	% Of Total Allocation	SLFRF Expenditure Category
Prior and On-Going COVID-19 Response	\$311.5M	48%	Public Health; Services to Disproportionately Impacted Communities; Administrative
Premium Pay for Government Essential Workers	\$36M	5%	Premium Pay
Mental Health Services	\$32M	5%	Public Health
Homeless Services	\$85M	13%	Services to Disproportionately Impacted Communities
Food Assistance	\$20M	3%	Negative Economic Impacts
Senior and Youth Services	\$10M	2%	Services to Disproportionately Impacted Communities
Child Care Subsidies	\$16M	2%	Services to Disproportionately Impacted Communities
Direct Stimulus Payments	\$40M	6%	Negative Economic Impacts
Legal Services	\$15M	2%	Negative Economic Impacts
Small Business and Non-Profit Stimulus Payments	\$56M	9%	Negative Economic Impacts
Infrastructure	\$32M	5%	Water, sewer, and broadband infrastructure; Public Health; Administrative
Total	\$653.5M		

Appendix B:

COUNTY OF SAN DIEGO

AMERICAN RESCUE PLAN ACT (ARPA) FRAMEWORK

The San Diego County Board of Supervisors approved the following revised framework to guide the spending of the funds received through the American Rescue Plan Act of 2021 (ARPA).

(Amounts reflect adjustments made per 2/27/24 Board Action)

Prior and On-Going COVID-19 Response (\$227.1M)**Premium Pay for Government Essential Workers (\$26.9M)****Mental Health Services (\$15.9M)**

- Behavior Health Services Support for Children and Youth (\$15.6M)
- In-Home Supportive Services: Technology for Social Inclusion and Wellbeing (\$0.3M)

Homeless Services (\$107.9M)

- Housing, Shelter, Including Acquisition of Facilities and Wrap-Around Services (\$67.9M)
- Housing Vouchers & Local Rent Subsidy Program & Services (\$35M)
- LGBTQ Homeless Services/Housing (\$5M)

Food Assistance (\$20M)

- Food Distribution Programs (\$9M)
- Expansion of Mas Fresco More Fresh Nutrition Incentive Program (\$2M)
- Nutrition Incentives Beyond Supplemental Nutrition Assistance Program to Medi-Cal (\$1M)
- Community Food Production Projects (\$7M)
- Food System Sustainability and Equity Procurement Guidelines (\$1M)

Senior & Youth Services (\$10M)

- Career Pathways for Foster Youth (\$5M)
- No-Cost Transportation to Youth and Seniors (\$3M)
- Grant Program for Youth Sports and Youth Camps (\$2M)

Child Care Subsidies (\$16.1M)

- Child Care Workforce Investment (\$10M)
- Child Care Bridge Program (\$0.6M)
- Child Care Shared Services Alliance (\$2M)
- Employee Child Care and Older Adult Care Benefit Program (\$1M)
- Child Care Infrastructure, Database Efforts, Startup Support for Providers, and Peer-Based Needs (\$2.5M)

Direct Stimulus Payments (\$17.5M)

- Innovation in Foster Care: Cash Transfer for Youth At-Risk Families (\$7.5M)
- Direct Cash Assistance for Populations Disproportionately Impacted (Recovery Action Fund for Tomorrow (RAFT)) (\$10M)

Legal Services (\$15.1M)

- Coordinated Eviction Counseling Program (\$3.6M)
- Tenant Legal Services (\$11.5M)

Small Business & Non-Profit Stimulus Payments (\$52.4M)

- Small Business & Non-Profit Stimulus Program (\$30M)
- Restaurant Fee Waivers (\$6.9M)
- Special Event Fee Waiver (\$1.5M)
- Arts & Culture (Augment Community Enhancement Funds) (\$5M)
- Rental Assistance for Small Landlords with No Other Source of Rental Assistance (\$5M)
- Security Deposit Assistance Program (\$4M)

Infrastructure (\$30M)

- Broadband for County Region (\$10M)
- Investments in Stormwater, Sewer and Drinking Water (\$13M)
- Investment in Electric Vehicle Replacement/Infrastructure (\$3M)
- Invest in Local, Independent Fire Districts (\$4M)

Other (\$116.2M)

- Project Homekey (\$24.5M)
- Assistance for Homeworkers and Childcare Workers (\$0.5M)
- FEMA Disallowance Contingency (\$10.6M)
- Evergreen Components (\$80.6M):
 - SB 43 (\$15M)
 - Behavioral Health Workforce (\$10M)
 - Housing Every Homeless Person in Addiction Recovery (Recovery Residence) (\$8M)
 - Addressing Hospital Overcrowding with Recuperative Care Homeless Beds (\$8M)
 - Investing in Wellness One-Time Payments (\$13M)
 - January 2024 Storm Recovery (\$10M)
 - Innovative Housing Trust Fund (\$10.6M)
 - Asylum Seekers Support (\$6M)



Note: Some programs will be funded directly/indirectly via revenue loss and/or other ARPA revenue strategies.

07.08.24

DEPARTMENT'S RESPONSE
(HEALTH AND HUMAN SERVICES AGENCY)



County of San Diego

KIMBERLY GIARDINA, DSW, MSW
DEPUTY CHIEF ADMINISTRATIVE OFFICER

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CHRISTY CARLSON
DIRECTOR, BUSINESS ASSURANCE AND COMPLIANCE

12/5/2024

TO: Juan R. Perez
Chief of Audits

FROM: Christy Carlson
Director, Agency Operations
Business Assurance and Compliance

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: ARPA Funds Administration Audit

Finding I: Opportunity to Assess Contractual Reporting Requirements

OAAS Recommendations:

- Amend contract terms with actual program reporting processes and timelines to ensure the reporting requirement is accurately reflected.
- As part of the procurement process, County staff should review standard contract language and terms to ensure that administrative actions are appropriate and aligned to the contract deliverables and funding requirements. Where possible, County staff should look to remove those items that are not managed and are non-value-added administrative actions within contracts.

Action Plan: HHSA Management recognizes and acknowledges the standard template language in contracts often does not match necessary funding expectations or service and contractor deliverables. As appropriate, Public Health Services and Homeless Services and Equitable Communities are working to amend the identified contracts to accurately reflect reporting processes and timelines. Additionally, HHSA will incorporate into the procurement process a review of standard contract language to ensure appropriate language for administrative actions as suggested by OAAS.

Planned Completion Date: 2/28/2025

Contact Information for Implementation:

Christy Carlson, Director, Agency Operations, Business Assurance and Compliance

If you have any questions, please contact me at (619) 338-2807.

A handwritten signature in blue ink that reads "Christy Carlson".

CHRISTY CARLSON
Director, Agency Operations
Business Assurance and Compliance