

A. Objectives, Scope and Methodology

We have completed our review of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) for the period March 27, 2020 to September 30, 2020. Our review was conducted for the purpose of determining whether the City was providing oversight and compliance in an economical, efficient, and effective manner, whether CARES Act goals and objectives were being achieved, and whether the City was complying with applicable Federal, State, City, and Department guidelines.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion 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.

On June 9, 2020, the City Council approved an emergency appropriation of \$21,360,910, representing Chesapeake's allocation of CARES Act funding received from the State. The funds were intended to cover CARES act expenses during the period March 1, 2020 through December 30, 2020 directly related to City operation under Novel Coronavirus Disease 2019 (*COVID-19*). The City Council appropriated a second CARES Act State allocation of \$21,360,910 on September 8, 2020.

To conduct this audit, we reviewed and evaluated City and Department policies and procedures and operations documents and reports, both internal and external. We also reviewed applicable Federal and State laws, regulations, and guidance. We met with key individuals including the City's Project Manager for CARES Act Funding, Department Heads, Emergency Management staff, accounting staff, and various employees.

Major Observations and Conclusions

Based on our review, we determined the City had accomplished its overall mission of providing oversight of CARES Act funds in an economical, efficient and effective manner, was generally achieving its CARES Act goals and objectives, and was complying with applicable Federal, State, City, and Department guidelines. We did include one recommendation to help protect the City's interests in the event that future external oversight bodies choose to interpret certain payroll guidelines differently.

This report, in draft, was provided to City officials for review and response and their

comments have been considered in the preparation of this report. These comments have been included in the Managerial Summary, the Audit Report, and Appendix A. City staff were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

B. Performance Information

According to the United States Government Accountability Office's June 25, 2020 report on the CARES Act:

“Pandemic outbreaks can lead to catastrophic loss of life, as well as sustained damage to the economy, societal stability, and global security. The outbreak of Coronavirus Disease 2019 (COVID-19), a strain of coronavirus to which the public does not have immunity, was first reported on December 31, 2019, in Wuhan, China. In the weeks that followed, the virus quickly spread around the globe. On January 31, 2020, the Secretary of Health and Human Services declared a public health emergency for the United States, retroactive to January 27. On March 11, 2020, the World Health Organization (WHO) characterized COVID-19 as a pandemic.

In response to this unprecedented global crisis, Congress and the administration have taken a series of actions to protect the health and well-being of Americans. Notably, in March 2020, Congress passed, and the President signed into law, the CARES Act, which provides over \$2 trillion in emergency assistance and health care response for individuals, families, and businesses affected by COVID-19. In addition, the Paycheck Protection Program and Health Care Enhancement Act, enacted in April 2020, provides additional appropriations for small business loans, grants to health care providers, and COVID-19 testing.”

1. Who, What, and When

In late 2019, a communicable infectious disease was identified and designated Novel Coronavirus Disease 2019 (COVID-19). COVID-19 rapidly became an epidemic and then a pandemic. The United States, as well as every country, made emergency response decisions to mitigate the spread. Emergencies are typically not line items of an appropriated budget; therefore funding sources must be identified and appropriated.

2. Impact

After the emergency declarations, the Governor placed work and travel restrictions. Access to City Hall and other City buildings was limited to City employees. First responders and employees with direct interaction with citizens were outfitted with Personal Protective Equipment. Services were continued uninterrupted such as building inspections and lending of Library collection items. Payments of tax bills was facilitated with collection boxes. Customer services had Plexiglas dividers installed.

As for human impact, the City tracked metrics of citizens tested, positive test results, hospitalizations, those placed on ventilators, and deaths attributed to Covid-19. As of 9/30/2020 in Chesapeake:

- The City had 4,333 confirmed cases
- 20 people were hospitalized
 - 7/22/2020 reached a high of 174 hospitalizations.
- 76 people had died from COVID-19 infection.

3. Roles and Responsibilities:

Initially, Deputy City Managers, Department Heads, and other key staff met to establish protocols for eligible City expenses directly related the effects of COVID-19 from March 1st to December 30th 2020. These eligible expenses included:

- Additional personal protective equipment;
- Payments for client events directly related to COVID-19;
- Equipment directly related to telework support;
- Payments for services directly related to COVID-19 support;

Each department was required to certify that any program code 93005 entry was directly related to COVID-19 and was not a supplement to the City's approved operating budget. In July 2020, Finance began the transition of expenses entered under the 93005 program code to a new project code (3911014120) designated for the CARES Act. To provide daily project oversight, the City Manager's Office created a CARES Steering Committee, and also appointed a CARES Act Funding Project Manager.

4. Economic Development:

Economic Development was assigned \$690,158 in Community Development Block Grant (CDBG) funds for award to businesses for expenses directly related to COVID 19. Together with the City's Economic Development Authority, they targeted Women, Minority, or Veteran-owned small business located in Chesapeake. Four tiers of potential awards were established based upon number of employees: 1-5, \$2,500; 6-10, \$5,000; 11-25 \$7,500; and 26-49, \$10,000; and the City Attorney's Office helped create screening procedures. The grant was advertised and received 66 applications. The small businesses were reviewed and screened, resulting in 15 deemed eligible. On August 3, an additional \$3 million was made available through CARES Act funds. A second advertisement was initiated to include Chesapeake businesses with under 50 employees.

5. COVID 19 and CARES Act Related Expenditures

The following tables shows Fiscal Year 2020 and Fiscal Year 2021 expenditures for COVID 19 and the CARES Act through September 30, 2020.

**Table 1
FY2020 Totals for CARES Act Funds**

Dept	Description	Program	Description	Amount
111040	City Information Technology	93005	CITY Emerg Event 2020 - COVID	\$295,531.45
111050	City Planning	93005	CITY Emerg Event 2020 - COVID	\$192.00
111100	City Non Departmental	93005	CITY Emerg Event 2020 - COVID	\$199,828.45
112020	City Parks Rec and Tourism	93005	CITY Emerg Event 2020 - COVID	\$45,898.97
112030	City Public Utilities	93005	CITY Emerg Event 2020 - COVID	\$7,005.97
112040	City Public Works	93005	CITY Emerg Event 2020 - COVID	\$43,374.68
113020	City Fire	93005	CITY Emerg Event 2020 - COVID	\$491,362.87
113030	City Police	93005	CITY Emerg Event 2020 - COVID	\$930.67
113050	City Public Communications	93005	CITY Emerg Event 2020 - COVID	\$5,777.25
113070	City Human Svcs - Comm Corr	93005	CITY Emerg Event 2020 - COVID	\$898.25
113072	City Human Svcs - ChesJuvSvcs	93005	CITY Emerg Event 2020 - COVID	\$2,694.90
113073	City Human Svcs - Soc Serv	93005	CITY Emerg Event 2020 - COVID	\$1,586.62
113074	City Ches Integr Behav Health	93005	CITY Emerg Event 2020 - COVID	\$46,997.10
113080	City Development and Permits	93005	CITY Emerg Event 2020 - COVID	\$1,516.36
113090	City Libraries	93005	CITY Emerg Event 2020 - COVID	\$16,540.35
113100	City Human Svcs-Comm Programs	93005	CITY Emerg Event 2020 - COVID	\$7,051.50
210000	City Sheriff	93005	CITY Emerg Event 2020 - COVID	\$48,360.73
220000	City Treasurer	93005	CITY Emerg Event 2020 - COVID	\$134.74
234000	City Court Services Unit	93005	CITY Emerg Event 2020 - COVID	\$303.64
236000	City Magistrate	93005	CITY Emerg Event 2020 - COVID	\$754.97
240000	City Commonwealth's Attorney	93005	CITY Emerg Event 2020 - COVID	\$79.98
410000	CU Mosquito Control Commission	93005	CITY Emerg Event 2020 - COVID	\$1,492.47
Grand Total				\$1,218,313.92

**Table 2
FY21 COVID 19/CARES Act Expenditures through 9/30/2020**

Grant Title	Project #	Amount
CDBG HUD funding for COVID-19 - \$690,158 awarded 4/2/2020	3813081520	\$51,216.16
CARES ACT FUNDING RECEIVED FOR COVID-19 EMERGENCY CARES ACT	3911014120	\$642,743.54

<u>Grant Title</u>	<u>Project #</u>	<u>Amount</u>
FUNDING RECEIVED FOR COVID-19 EMERGENCY Response to Pandemic - \$9.5M estimated total		
CARES ACT FUNDING RECEIVED FOR COVID-19 EMERGENCY Direct Assistance - Citizen Assistance for Rent and Utilities \$2M estimate	3911034120	\$321,403.28
CARES ACT FUNDING RECEIVED FOR COVID-19 EMERGENCY Technology & Facility Improvements to support distance learning, teleworking & telemedicine - \$5M estimate	3911044120	\$30,534.07
CARES ACT FUNDING RECEIVED FOR COVID-19 EMERGENCY SCHOOLS - PPE	3911064120	<u>\$240,650.58</u>
Totals		<u>\$1,286,547.63</u>

C. Operational Issue

Based on our review, we determined the City had accomplished its overall mission of providing oversight of CARES Act funds in an economical, efficient and effective manner, was generally achieving its CARES Act goals and objectives, and was complying with applicable Federal, State, City, and Department guidelines. We did include one recommendation to help protect the City’s interest in the event that future external oversight bodies choose to interpret certain payroll guidelines differently.

Finding – While the City was generally following existing Federal guidance on the allowability of CARES Act payroll costs, the possibility did exist that, in the future, oversight agencies might have differing interpretations of that guidance.

Recommendation – The City should ensure that it maintains the referenced documentation for how it determined that costs charged against the CARES Act were for substantially dedicated employees.

Response - Under the oversight of the CARES Steering Committee, the staff team created a detailed framework for the personnel costs being submitted for reimbursement. Opinions from both the City Attorney’s Office and Audit Services were collected and documented. The guidance from the Treasury allows for the reimbursement of payroll costs of several categories of public safety and public health employees. Additionally, Treasury guidance allows for all benefits costs to be reimbursed. The City of Chesapeake is taking a conservative approach for the payroll reimbursement in that only four categories of public safety employees are included in the payroll costs and the only benefit included is FICA. The framework for payroll reimbursement is spelled out clearly (with related documentation attached) in the memo to the City Manager dated October 15, 2020. That memo was signed by the City Manager on October 16th. The signed copy is attached to this email.

Future Payroll Reimbursement Submissions:

If the amount of unspent funds exceeds available payroll given the aforementioned framework, payroll costs for dispatchers will likely be considered for reimbursement. Dispatchers are clearly outlined as an eligible expense given their direct support role to first responders. Even when adding dispatchers, the City’s approach would still be very conservative given the number of allowable categories of employees and benefits not being submitted for reimbursement.