



# AUDIT OF COVID-19 RESPONSE

Disaster Reimbursements Follow-Up Review

## ABSTRACT

In general, the City has issued additional guidance that will help to maximize current and future disaster reimbursements.

## Internal Audit Department

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## Follow-Up at a Glance

### Why we did this Follow-Up:

This report is intended to provide information on what changes have been made in response to the COVID-19 Response: Disaster Reimbursements Audit issued in July 2020. The original audit evaluated the adequacy of controls over disaster-related expenses to maximize COVID-19 related reimbursements. This follow-up is included on the City's Fiscal Year 2020-21 Audit Plan as approved by the City Council.

### What we Found:

In general, the City has adjusted processes and released guidance that should help to maximize COVID-19 related reimbursements. In addition, Finance is close to finalizing a revised version of the Finance Disaster Plan, which will help improve the process for submitting disaster reimbursement packets for future non-weather emergency events including pandemics. The status of each recommendation is summarized below:

Recommendation	Mgmt. Response	Status
1. Release general guidance on what expenses are COVID-related.	Concur	Implemented
2. Ensure Requisition Forms are complete and accurate for all COVID- 19 related purchases.	Concur	Implemented
3. Ensure all COVID-19 related timecards are complete and signed.	Concur	Alternative Solution
4. Formalize the process for preparing, reviewing, and submitting disaster reimbursement packets to grantors.	Concur	Implemented



# Introduction

The Internal Audit Department is responsible for providing: (a) an independent appraisal<sup>1</sup> of City operations to ensure policies and procedures are in place and complied with, inclusive of purchasing and contracting; (b) information that is accurate and reliable; (c) assurance that assets are properly recorded and safeguarded; (d) assurance that risks are identified and minimized; and (e) assurance that resources are used economically and efficiently and that the City's objectives are being achieved.

The Internal Audit Department has completed a follow-up review of the COVID-19 Response: Disaster Reimbursement Audit issued in July 2020. 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 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.

## Management Responsibility

City management is responsible for ensuring that resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

## Audit Objectives, Scope, and Methodology

This report is intended to provide a progress update on recommendations from the [COVID-19 Response: Disaster Reimbursements Audit \(July 2020\)](#), which evaluated the adequacy of controls over disaster-related expenses to maximize COVID-19 related reimbursements.

Audit fieldwork was conducted during February 2021. The scope of review varied depending on the procedure being performed. The following list summarizes the major procedures performed:

- Reviewed documentation from the issued audit to develop criteria including industry standards, best practices, policies, and procedures;
- Examined supporting documentation for COVID-19 related purchase orders and non-public safety payroll expenses;<sup>2</sup> and
- Interviewed City staff from the Finance Department and Procurement & Compliance Department.

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<sup>1</sup> The City of Denton Internal Auditor's Office is considered structurally independent as defined by generally accepted government auditing standard 3.56.

<sup>2</sup> Procurement card (p-card) transactions and public safety payroll expenses were excluded from this review, as there were no recommendations issued that involved p-card transaction supporting documentation.

## Recommendation Status Update

On March 13<sup>th</sup>, 2020, the City of Denton (City) issued a declaration of local disaster for public health emergency to minimize the potential impact of COVID-19. As of February 12<sup>th</sup>, 2021, the City has expended almost \$10.4 million in COVID-related expenses. About \$7.7 million of this amount has been reimbursed through Coronavirus Relief Funds distributed by Denton County and the Federal Emergency Management Agency’s (FEMA) Public Assistance Programs distributed through the Texas Department of Emergency Management.

**Table 1:** COVID-19 Costs (March 13<sup>th</sup> – February 12<sup>th</sup>, 2021)

Expense Category	Total Expenditures	Reimbursed Amount
Personnel Costs	\$7,240,000	\$5,731,000
Capital Expenditures	\$1,555,000	\$1,086,000
Assistance Costs	\$1,048,000	\$803,000
Materials and Supplies	\$523,000	\$103,000
Total:	\$10,367,000	\$7,723,000

It should be noted that the original audit evaluated disaster reimbursement procedures based on FEMA’s requirements as they are generally the most stringent. In addition, the City continues to incur COVID-related expenses. It is possible that there will be additional opportunities to have these expenses reimbursed in the future.

### Disaster Expense Tracking is Effective; Additional Guidance May Increase Efficiency

- 1. Release general guidance for employees on what categories of work and expenses are considered COVID-19 related.**

Management Response: Concur

Finance Department Comments: The Finance Department concurs with this recommendation. In March, at the start of the pandemic, the Finance Department emailed all City departments with instructions for tracking COVID related expenses. This communication was focused on casting a wide net through the organization capturing all possible COVID related expenses. However, prior to submitting for reimbursement the Finance Department will review all expenses for accuracy and supporting documentation. Today all COVID related expenses are being tracked accounting to this initial communication. However, the Finance Department agrees that updated communication and documentation should be sent to departments regarding COVID expenses. In response to this recommendation the Finance Department will send additional communication to departments in the coming weeks.

**Audit Follow-Up Finding: Implemented**

On Sept. 11, 2020, the Finance Department issued an email to all City employees that asked employees to track costs associated with the management, control, and reduction of immediate threats to public safety (i.e. emergency operation center cots, disinfection of eligible public facilities, emergency medical care, and medical sheltering). In addition, some clarification was released on August 27, 2020 regarding what types of work could be classified as COVID-19 Response.

## Reimbursable Expenses are Generally Well Supported

2. Ensure Requisition Forms are complete and accurately correspond to the purchase order and any associated contract for all COVID-19 related purchases.

Management Response: Concur

Procurement Department Comments: The Procurement Department concurs with the recommendation. Before submitting the final documentation for reimbursement, Procurement staff will work with the using department to ensure all documentation is clear and accurate. Procurement staff have corrected the incomplete or inaccurate requisition forms. We have also requested itemized receipts from the p-card holders who did not provide those initially. The Procurement Department is sending a reminder communication to remind supervisors wo approve p-card transactions to check for itemized receipts before approving.

### Audit Follow-Up Finding: Implemented

Since May 2020, 15 COVID-related purchase orders have been issued by the City. When requesting a purchase order, departments must complete a Requisition Form that outlines what is being purchased and how it is being purchased with regards to procurement regulations. In order to be considered complete and accurate, a Requisition Form should indicate the procurement process to be used to make a purchase – including the reasoning for any procurement regulation exemptions – and any necessary supporting documentation.

Table 2 summarizes the results of a review to determine if the Requisition Forms for these COVID-19 related purchase orders were complete and accurate. Based on this review, one purchase order was incorrectly marked as using quotes when it was instead procured as an emergency exemption to procurement regulations. All other COVID-19 related purchase orders appeared to have complete and accurate Requisition Forms – helping to minimize the risk that expenditures will be excluded from reimbursement.

**Table 2:** Summary of Purchase Order Review (May – Dec. 2020)

Determination	No. of Purchase Orders	Value
Adequate	14	\$432,787
Inaccurate	1	\$50,000
Incomplete	0	\$0
All:	15	\$482,787

3. Ensure all COVID-19 related timecards are complete and signed.

Management Response: Concur

Finance Department Comments: We agree. As part of the Finance department’s review process before submitting expenses to federal funding, we have procedures in place to document the status of all time coded to COVID-19. It documents whether a timecard exist, what function was worked, is the timecard signed, and is the time worked eligible. If any of the information is missing, Finance will reach out to the department for completion before any submittal. Additionally, as part of the department’s submittal process, secondary reviews will take place before submittal to ensure the backup is complete, accurate, and eligible.

**Audit Follow-Up Finding: Alternative Solution**

Table 3 below summarizes the results of a review of 40 non-public safety, COVID-19 related timesheets<sup>3</sup> submitted to Finance between August 2020 and December 2020. While not all reviewed physical timesheets were approved, all City employees’ COVID-19 work hours are approved electronically in the City’s timekeeping system.

**Table 3:** Summary of Non-Public Safety Timesheet Review (Aug. – Dec. 2020)

<b>Determination</b>	<b>No. of Timesheets</b>	<b>COVID-Related Hours</b>
Adequate	23	162.25
Missing Signatures	6	39.50
Missing Time Details	5	142.00
Missing Both	6	107.00
All:	40	450.75

This recommendation was intended to address the risk that non-public safety COVID-19 related personnel expenses submitted may be excluded from reimbursement due to inadequate documentation. This is no longer a risk to the City, as non-public safety personnel expenses are not eligible for reimbursement through the CARES Act nor FEMA’s Public Assistance Programs.

**Reimbursement Submission Process is Well Designed by Should be Formalized**

- 4. Formalize the process for preparing, reviewing, and submitting disaster reimbursement packets to grantors.**

Management Response: Concur

Finance Department Comments: The Finance Department concurs with this recommendation. The City’s Disaster Finance Plan was last updated in 2017 and doesn’t address pandemics. Additionally, the plan needs clarification on preparing and submitting reimbursement packets to FEMA. However, the existing plan is considered our official reimbursement guidance document for the current disaster. The Finance Department will update the plan in the fall of 2020 and make it available to all City Departments.

**Audit Follow-Up Finding: Implemented**

The Finance Department has generally updated the Disaster Finance Plan to include references to pandemics and generalize financial disaster response processes that were previously focused on responding to natural events. In addition, the revised Plan allows for remote communications during disaster management periods.

The Finance Department has distributed the revised Disaster Finance Plan to key stakeholders to solicit feedback. Once this feedback is obtained, the Disaster Finance Plan will be finalized and distributed throughout the City.

<sup>3</sup> Public Safety timecards were not included in this review because the original audit determined that they were generally adequately supported for reimbursement purposes.