



CITY OF RICHMOND
CITY AUDITOR

DATE: July 7, 2020

TO: Lenora Reid
Acting Chief Administrative Officer

FROM: Louis Lassiter *LL*
City Auditor

SUBJECT: COVID-19 Project/Non-Audit Service

The City Auditor's Office has completed a review of the City's expenditure tracking practices for the COVID-19 State of Emergency from the Mayor's closure declaration to the current environment. This review was requested by the City Administration.

In agreement with management, we performed the following tasks:

- Reviewed practices for tracking COVID-19 related payroll and non-payroll expenditures;
- Reviewed the adequacy of tracking and systems/software for emergency management events; and
- Researched cost recovery funding sources for local government.

This document provides a summary of our observations and key points. This review was completed as a non-audit service and does not constitute an audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS).

We would like to thank the City of Richmond Administration and departments/agencies for their assistance and cooperation. We would also like to recognize and thank the numerous essential staff that have continued to provide critical services to citizens and businesses and maintain safe facilities during this public health crisis. Please contact us if you have any questions regarding this project.

Attachment

cc: The Richmond Audit Committee
The Richmond City Council
Melvin Carter, Fire Chief
Anthony McLean, Deputy Director II, Fire and Emergency Services
John Wack, Director of Finance
Jeff Gray, Senior Policy Advisor to the CAO

Background

The Corona Virus Disease 2019 (COVID-19) is a respiratory illness that can spread from person to person. The outbreak was first detected in China in December 2019. The World Health Organization characterized COVID-19 as a pandemic on March 11, 2020. Governor Northam declared a State of Emergency for Virginia on March 12, 2020. This disease has significantly impacted the United States economy and citizens' way of life. Most of the United States were under stay at home orders in an effort to minimize the spread of the disease. Citizens could only leave their homes for essential services (e.g. work or groceries); schools and non-essential businesses (e.g. movie theaters) were closed.

Below is a timeline summary of the significant COVID-19 events for the State of Virginia and the City of Richmond.

Date	Event
3/12/2020	Governor Northam declared a State of Emergency for Virginia.
3/13/2020	Mayor Stoney declared a local state of emergency for the City of Richmond.
3/23/2020	Governor Northam issued Executive Order 53 that ordered the closure of certain non-essential businesses (e.g. barber shops, nail salons, gyms, etc.), banned gatherings of more than 10 people, and closed K-12 schools for the remainder of the academic year. Food establishments were mandated to offer curbside takeout and delivery services only or close to the public. This order went into effect on March 24, 2020 at 11:59pm.
3/30/2020	<p>Governor Northam issued Executive Order 55 (Statewide Stay at Home Order) that mandated all Virginians to stay home. Individuals were allowed to leave their homes for allowable travel, such as seeking medical care; obtaining groceries and prescriptions, working, caring for family members and engaging in outdoor activity with social distancing.</p> <p>Virginia institutions of higher education were also directed to stop in-person classes and instruction. Private campgrounds were ordered to close for short-term stays and beaches were closed statewide except for fishing and exercise.</p> <p>This order took effect immediately and was to remain in effect until June 10, 2020 unless amended/rescinded.</p>

The City of Richmond government offices closed to the public and non-essential personnel on March 16, 2020 to ensure the health and safety of residents, employees and the general public in response to COVID-19. The City facilities and offices began re-opening in phases with Phase 1 occurring on June 1, 2020. The City along with the remainder of the State are currently in Phase 2, in which some of the above restrictions are gradually being relaxed. For example, food and beverage facilities can now offer dine-in services at 50% capacity and personal grooming and care services (e.g. hair or nail salons) can be provided by appointment at 50% capacity and face coverings are required.

As of 6/16/2020, there were approximately eight million confirmed COVID-19 cases globally. There were approximately 55,000 cases in the State of Virginia as of 6/14/2020. Of the confirmed cases for the State, 1,832 cases are located within the City of Richmond.

Below is a breakdown of the COVID-19 statistics.

	World Wide	United States	Virginia
Tested	-	23.99 million	476,573
Confirmed Cases	8.05 million	2.11 million	54,886
Deaths	437,266	116,127	1,552

Sources: Johns Hopkins University COVID-19 Dashboard and Virginia Department of Health

This pandemic has created a global health, human, economic and social crisis. The City of Richmond has pledged and/or taken the below actions in an effort to prepare, prevent and respond to the pandemic.

- Issued cleaning supplies and personal protective equipment (PPE) to employees and cleaned/sanitized City facilities.
- Coordinated with the Richmond City Health District to host COVID-19 testing events in the City’s high vulnerability communities;
- Distributed face masks and hand sanitizer to the City’s underserved neighborhoods;
- Provided disaster loans (up to \$20,000) to small businesses within the City limits to help pay employee wages to keep the businesses open;
- Allocated \$6 million of the federal funds received to the Eviction Diversion Program to provide rental assistance. Funding will help households with pending evictions in court as well as those at risk of eviction due to the economic challenges arising from COVID-19.
- Pledged \$5.8 million to meet emergency housing needs;
- Launched the COVID-19 First Responder Meal Program to support the local restaurants and the first responders. The restaurants approved to participate in the program provide meals to on-duty first responders and the City pays for the meals.
- Partnered with Richmond City Health District to provide quarantine spaces for COVID-19 positive patients who cannot safely isolate at home.
- Pledged a \$500,000 donation to the Robins Foundation Family Crisis Fund to provide one-time \$500 payments to eligible Richmond families with children that lost income due to COVID-19.

Based upon the third quarter projections provided to City Council, an \$18 million general fund revenue shortfall is anticipated for FY2020, which is primarily attributed to COVID-19, resulting in a net \$6.6 million deficit. A hiring freeze and moratorium on discretionary purchases were implemented as well as it is anticipated that money will be transferred from the Revenue Stabilization Contingency Reserve to help offset the anticipated revenue shortfall.

Methodology

The auditors performed the following procedures to complete this project:

- Interviewed/surveyed 35 City Departments to determine how they were tracking COVID-19 expenditures (payroll and operating costs);
- Surveyed nine Virginia localities to determine how they were tracking COVID-19 expenditures, what emergency management system they used, and what information was captured in their emergency management system;
- Attended the City’s virtual WEBEOC (emergency management system) training to determine how the system was being used;
- Interviewed a representative from WEBEOC to determine the full functionality of the system; and
- Researched cost recovery sources available for local government.

Observations and Key Points

COVID-19 is an active pandemic that continues to evolve. The below key points are reflective of observations made during the administration of an active pandemic. The City has responded quickly to the changes and will continue to modify processes as needed.

COVID-19 Expenditure Tracking

COVID-19 related expenditures totaling at least \$2.1 million were captured in RAPIDS as of May 31, 2020. Expenditures were for items such as PPE (e.g. mask, gloves), cleaning supplies/sanitizer, and equipment needed to enable teleworking, and COVID-19 related sick leave. However, this amount is not all inclusive. Inconsistent practices were used throughout the City's departments to track the expenditures despite the establishment of the centralized tracking tools. As such, the total dollar amount incurred due to COVID-19 is not readily known at this time.

Similar to the other surveyed localities, a service code and payroll elements were set up in RAPIDS to capture COVID-19 expenditures and activities.

- SV2614 – Code was established to track all expenditures related to COVID-19.
- COVID Closure – Payroll element was established to track non-essential personnel hours when the City of Richmond offices were closed due to the pandemic and staff were not required to work/telecommute.
- COVID Sick – Payroll element was established to track leave for employees that were self-quarantined, seeking medical diagnosis for COVID-19 symptoms, or caring for an individual in quarantine.
- COVID Child Care – Payroll element was established to track leave for employees caring for a child whose school/child care was closed due to COVID-19.

Also, a meeting tracking tool was set up in RAPIDS to capture personnel time related to COVID-19. However, based upon department surveys and interviews, it was noted that:

- COVID-19 related expenditures were not consistently posted to the established service code. Thirty-one percent (11/35) of the interviewed/surveyed departments indicated they tracked the expenditures internally on spreadsheets.
- Labor costs beyond COVID-19 Sick and Closure were not being tracked citywide. Five of the interviewed/surveyed departments had over-time expenditures that were tracked internally using different means. The overtime for these departments were captured in the general operating expenses in RAPIDS.
- The RAPIDS COVID-19 Meeting Tracking Tool was not consistently used by departments to track their labor hours related to this pandemic. There were some differences of opinions on what needed to be captured in this tool and who had access. Also, it was noted that some departments were not aware this tool existed.

The following actions were taken in an effort to address the above observations that were noted as part of this review and to centralize the tracking of COVID-19 expenditures.

- Standardized spreadsheets were developed and implemented on May 8, 2020 for each department to track COVID-19 related labor and non-labor expenditures. The departments are responsible for populating the spreadsheets for all purchases and labor costs that have been incurred thus far for the pandemic and updating the spreadsheets on a weekly basis for new costs. The information from the departments' spreadsheets are designed to roll up into the Office of Emergency Management's (OEM) master spreadsheet. This will allow for the centralized tracking of all COVID-19 costs. The spreadsheets along with the use of the COVID-19 service code will allow for reconciliations of the captured costs as well as allow for

detailed information to be captured regarding why the costs were incurred. Trainings and workshops have been conducted as well as frequently asked questions (FAQs) have been issued for this new tracking process.

- The use of the meeting tracking tool was discontinued. The information that was keyed in the tool was transferred to the applicable Departments’ labor spreadsheets.

Despite the various trainings and workshops that have been hosted, it was noted that some departments still have not updated their spreadsheets with incurred costs. Fourteen departments still have the test data that was originally set up in the spreadsheets. The below Departments reported payroll and/or operating expenditures in their departments’ survey responses that were remitted to Audit during mid to late May 2020. As of June 16, 2020, the costs had not been input into the centralized spreadsheets.

Department/Agency	Reported Operating Expenditures	Reported Payroll Expenditures
City Attorney	\$2,000.00	\$0
City Clerk	\$339.92	\$0
City Treasurer	\$500.00	\$0
Office of the Press Secretary	\$200.08	\$3,074.14
Commonwealth Attorney	\$40,718.27	\$0

Per guidance from the State and Federal government sources, expenditure tracking and documentation are key to cost recovery. All expenditures incurred for the pandemic should be tracked, differentiated from operating costs and adequately documented to justify the expenditures and how they directly related to responding to COVID-19. The Virginia Department of Emergency Management recommended the below documentation practices for cost recovery.

- Labor – Document the type of work performed, type of employee (budgeted or unbudgeted), regular/overtime hours worked and hourly rate
- Equipment – Document the type of equipment leased, work being performed, and cost
- Materials and supplies – Document justification for the purchase needed to respond to or recover from incident and cost
- Contract services – Document work and costs; description of work performed; and estimate, bid, or executed contract

Key Point:

- 1. Ensure all costs are tracked and adequately supported to demonstrate expenditures were incurred in response to COVID-19 to maximize cost recovery.**

COVID-19 Cost Recovery

The COVID-19 pandemic has created a significant economic impact for the City of Richmond. In addition to the operating and personnel costs incurred and the pledged funding assistance to address and respond to the pandemic, the City is also anticipating an \$18 million general fund revenue shortfall

in FY2020 resulting in a net \$6.6 million deficit. The revenue shortfall is mainly anticipated for local sales, lodging and prepared foods taxes due to COVID-19.

Three federal legislative packages have been passed to aid federal, state and local governments, non-profits and businesses to combat COVID-19 and the financial ramifications.

- **Coronavirus Preparedness and Response Supplemental Appropriation Act (H.R. 6074)** – Was signed into law on 3/6/2020 and provides FY2020 supplemental appropriations to fund items, such as develop/manufacture/procure vaccines and supplies; grants for state, local and tribal health agencies and organizations; and loans for small businesses.
- **Family First Coronavirus Response Act (H.R. 2601)** – Was signed into law on 3/18/2020 and includes paid sick leave; insurance coverage for coronavirus testing, nutrition assistance, and unemployment benefits.
- **Coronavirus Aid, Relief, and Economic Security (CARES) Act (H.R. 748)** – Was signed into law on 3/27/2020 and provides financial aid to families, governments, and businesses impacted by COVID-19 including items, such as direct payments to taxpayers, expanded unemployment insurance, liquidity loans, and ventilators and equipment purchases.

The majority of the funding to aid state and local governments is included in the CARES Act. The CARES Act provided \$2 trillion in economic relief with \$150 billion allocated for state and local governments. Supplemental funds were also allocated to various existing programs under the CARES Act.

Below is a list of funding that the City has received thus far to respond to and mitigate the COVID 19 public health emergency.

- **Coronavirus Relief Fund (\$20.1 million)** – Funds were allocated from the State. Funding can be used to cover costs that were/will be incurred due to COVID-19 between March 1, 2020 and December 31, 2020 that were not accounted for in the City’s most recently approved budget as of March 27, 2020. Funding can only be used for direct costs associated with COVID-19 and cannot be used for revenue shortfalls.
- **Community Development Block Grant (\$2.7 million)** – Supplemental funding can be used for expenditures, such as acquisition and rehabilitation costs to establish treatment centers, expand hospital accommodations, provide grants/loans to businesses to create jobs and manufacture medical supplies, and provide financial assistance to small businesses to enable job retention for low and moderate income people.
- **Emergency Solutions Grants Program (\$3.3 million)** – Supplemental funding can be used for emergency shelter operations, street outreach, expanded staffing, and other services to reduce the spread of COVID-19 and protect the homeless and at risk populations.
- **Housing Opportunities for Persons with Aids – HOPWA (\$194,445)** – Supplemental funding can be used to provide food, supplies, transportation services, assistance payments, etc. for eligible households.

- Bureau of Justice Assistance Coronavirus Emergency Supplemental Funding Program (\$477,498) – Funding is provided to law enforcement for expenditures, such as overtime, personal protective equipment, training and inmate medical needs.

The City can also seek Federal Emergency Management Agency (FEMA) Disaster Relief Funds to aid in cost recovery. Currently, only emergency protective measures that do not qualify under another state or federal grant program are eligible for reimbursement. FEMA reimburses costs at 75%. The majority of the funding to aid state and local governments was allocated directly to the State. However, the State has not issued local distributions, uses, and guidelines for many of the funding opportunities. Therefore, additional funding may be available for local governments.

In order to maximize cost recovery, the City needs to track all costs incurred due to COVID-19, maintain adequate supporting documentation and be able to demonstrate the expenditures were incurred to prepare, prevent and respond to the pandemic. The pandemic continues to evolve and available funding and applicable guidance is subject to change. As such, it is important that the City stay abreast of the available funding and guidance changes. In addition, adequate controls need to be implemented to prevent the duplication of reimbursements of the same expenditures.

Key Points:

- 2. Ensure that reimbursements are not duplicated for the same expenditures.**
- 3. Stay abreast of changes in available funding and corresponding guidance.**

COVID Sick and Child Care

The Family First Coronavirus Response Act (FFCRA) requires the City to provide employees with up to two weeks (80 hours) of paid sick leave for specified COVID-19 related reasons between April 1, 2020 and December 31, 2020. The sick leave is to be paid at the higher of their regular pay rate or applicable minimum wage as noted below.

- 100% of pay (*up to \$511 daily and \$5,110 total*) for employees in quarantine/self-isolation or experiencing COVID-19 symptoms and seeking medical diagnosis;
- 2/3 of pay (*up to \$200 daily and \$2,000 total*) for employees caring for someone in quarantine/self-isolation or is experiencing any other substantially-similar condition specified by US Department of Health and Human Services (HHS).
- 2/3 of pay (*up to \$200 daily and \$12,000 total*) for up to 12 weeks of paid sick leave and expanded FMLA leave for employees caring for children whose school/child care is closed due to COVID-19 reasons. The maximum leave related to child care is 12 weeks, which includes the hours under the traditional FMLA, and reduces the employees' FMLA accrual balance.

The COVID Sick and Child Care payroll elements were set up in RAPIDS to track the above paid leave. The Child Care element was put into production on June 4, 2020. Prior to this, the associated hours were charged to the COVID Sick payroll element. Also, a COVID FMLA payroll element is being developed to track the paid expanded FMLA but has not been put into production as of this summary date. Currently, the Departments' timekeepers are manually tracking this leave.

Approximately \$369,000 in COVID Sick leave (15,000 hours) was paid as of the pay period ending May 22, 2020. Manual adjustments will need to be made to reduce the employees' FMLA accrual balances for child care related leave hours charged to COVID Sick and use of expanded FMLA. These adjustments are necessary to ensure the maximum number of hours are not exceeded. The expansion of the FMLA only added a new leave type but did not increase the number of available hours. As such, any use of FMLA within the past 12 months would limit the number of available hours for the expanded FMLA.

Key Points:

- 4. Process necessary adjustments to reduce the employees' FMLA accrual balance for child care leave and expanded FMLA leave.**
- 5. Develop and implement FMLA COVID payroll element to electronically track leave in RAPIDS.**

Use of Cares Act funding for COVID Sick and Expanded FMLA Leave

Paid sick and expanded FMLA leave related to COVID-19 for public employees are allowable expenditures under the CARES Act funding. The Family First Coronavirus Response Act (FFCRA) provisions outline the minimal percentage of pay that employees should receive based upon the qualifying COVID-19 reasons and specify the daily cap amounts.

Based upon a discussion with Human Resources staff, it was noted a management decision was made to pay employees 100% of pay for all qualifying reasons for the first two weeks. Also, the payments will not be capped at daily amounts specified in the FFCRA. There is nothing preventing the City from providing more compensation to the employees than outlined in the FFCRA provisions. However, based upon an opinion obtained from eCivis¹, the additional compensation beyond the FFCRA specified provisions would need to come from the City's normal funding source. Audit attempted to contact federal and state representatives to obtain clarification regarding this; but, a response was not received. Management should seek guidance from the United States Department of the Treasury and/or the Commonwealth of Virginia Office of Secretary of Finance to verify how much of the emergency paid sick and expanded FMLA leave can be charged to the CARES Act funding.

Key Point:

- 6. Seek additional guidance to determine if emergency paid sick and expanded FMLA leave beyond FFCRA provisions can be charged to the CARES Act funding.**

Employer Share of Social Security Tax

Per Section 7005 of the FFCRA, emergency paid sick and expanded FMLA leave are not considered wages for the employer's portion of the social security tax (which is 6.2%) or compensation for the employer's share of the railroad tax (7.65%). As such, the City does not have to remit payments to the IRS for this. However, based upon review of the payroll reports, it appears the payroll system is calculating the employer's share of the social security tax for the emergency paid sick and expanded

¹ eCivis is a private organization that helps government entities navigate through the grant funding process.

FMLA leave. The employee and employer share of the social security tax is 6.2% each. In comparing the recorded employer and employee shares in the Tax Deduction Report, the Tax Remittance Report, and GL Details for the Payroll Bank Account for the May 1st, 14th, 29th and June 6th pay cycles, minimal differences were noted. If adequate controls are not in place to reduce the tax payments remitted to the IRS for this, the City will issue overpayments thereby reducing the available cash flows. Given the total dollar amount of COVID Sick paid for the reviewed check dates, the City may have issued a tax overpayment totaling approximately \$12,000 (\$199,574*.062). The amount could be higher as the expanded FMLA leave is manually tracked and auditor could not determine the total dollar amount of leave that has been paid.

Key Point

7. Controls need to be implemented to ensure that the employer's portion of the social security tax is not paid for the COVID sick and expanded FMLA leave.

Emergency Management System (WEBEOC)

WEBEOC is the City's web-based crisis management system and was implemented in 2016. It is used to support emergency management processes and functions by providing a real time common operating picture. The system provides multi-tiered situational awareness of incident support and management activities including event tracking, resource request processing, resource tracking and incident action plan development. The use of WEBEOC in the City of Richmond is similar to surrounding localities. Finance and administrative activities are tracked in the localities' financial systems with limited or no integration into WEBEOC. In addition to tracking in the financial system, recently centralized spreadsheets were developed and implemented to track the City of Richmond COVID-19 expenditures. The spreadsheets are manually updated by the Departments. Currently, there is not a standardized integration to move information between WEBEOC and RAPIDS. However, there is an option to develop an interface to correct this gap, which can be done in house through the Department of Information Technology (DIT) or by the WEBEOC vendor for a fee. Also, there is a template, which the City could upload into WEBEOC to track cost information similar to what is being captured in the centralized spreadsheets.

The City is not using the most recent version of WEBEOC. As a result, the City cannot utilize the new features that were specifically developed for the COVID-19 event. Per the Office of Emergency Management staff (OEM), the City will upgrade to the latest version after the COVID 19 pandemic. In addition, it was noted that limited resource requests were keyed into WEBEOC. City Departments were instructed to utilize WEBEOC for COVID-19 requests (for resources), however use of WEBEOC for this purpose has been minimal. As of June 8, 2020 there have been 19 requests submitted via WEBEOC. Requests for resources were predominantly received via email.

Key Point:

8. Opportunities exists to maximize the usage of WEBEOC by:

- **Upgrading to the latest version of the system to take advantage of the new features and updates;**
- **Integrating/capturing financial information into the system; and**
- **Keying all resource requests into the system.**