Coronavirus Relief Fund (CRF) Monitoring Results

Colorado Department of Education

January 28, 2021
Zoom Web-Conferencing

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Office of the State Controller
Department of Personnel & Administration

AGENDA

- Welcome

- Summary of Monitoring Project

- Discuss Risks, Observations, and Recommendations

- Open Discussion & Feedback

Summary of Monitoring Project

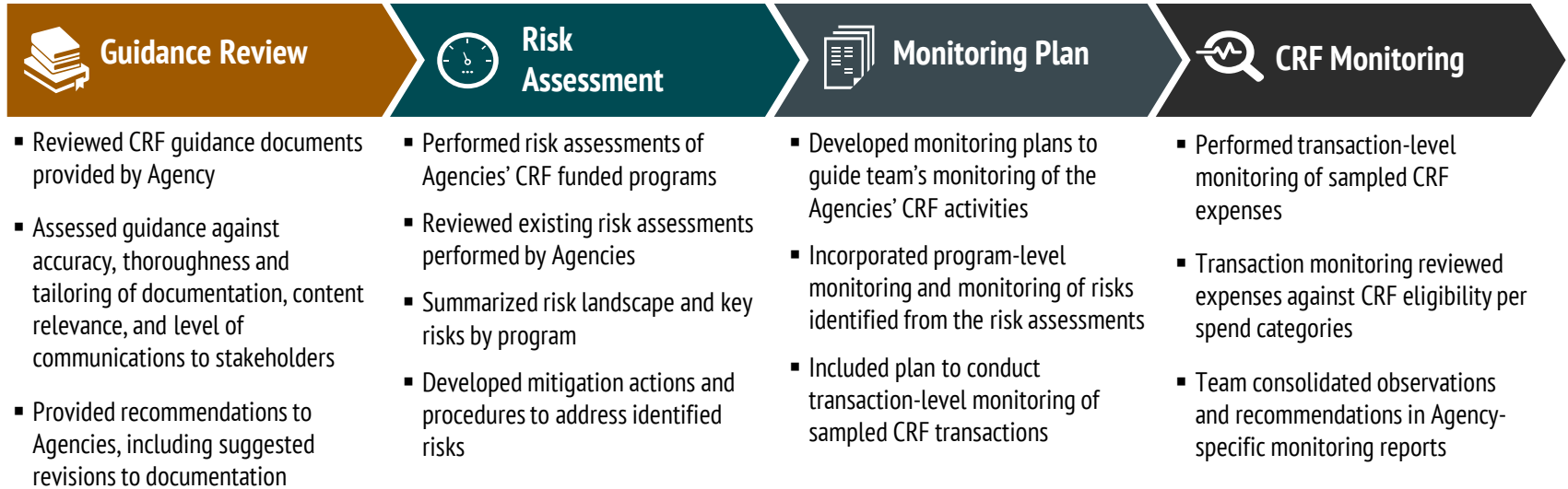# CRF Monitoring Engagement Summary

Background: Executive Order 2020-070 directed the Office of the State Controller (OSC) to monitor the expenditure of CARES Act Coronavirus Relief Fund. Colorado's State government received approximately $1.674 billion in CRF.

Objectives: KPMG was engaged to provide **oversight**, **compliance** and **monitoring** of the State's Coronavirus Relief Fund:

✓ Review existing CRF compliance guidance and propose revisions

✓ Provide guidance on risk assessments and identify appropriate monitoring measures

✓ Develop a comprehensive plan for and conduct CRF monitoring of Agencies

✓ Develop communications about monitoring

✓ Provide general observations, lessons learned, and a path moving forward

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Summary of CRF Monitoring Activities

Guidance Review → **Risk Assessment** → **Monitoring Plan** → **CRF Monitoring**

Guidance Review

- Reviewed CRF guidance documents provided by Agency

- Assessed guidance against accuracy, thoroughness and tailoring of documentation, content relevance, and level of communications to stakeholders

- Provided recommendations to Agencies, including suggested revisions to documentation

Risk Assessment

- Performed risk assessments of Agencies' CRF funded programs

- Reviewed existing risk assessments performed by Agencies

- Summarized risk landscape and key risks by program

- Developed mitigation actions and procedures to address identified risks

Monitoring Plan

- Developed monitoring plans to guide team's monitoring of the Agencies' CRF activities

- Incorporated program-level monitoring and monitoring of risks identified from the risk assessments

- Included plan to conduct transaction-level monitoring of sampled CRF transactions

CRF Monitoring

- Performed transaction-level monitoring of sampled CRF expenses

- Transaction monitoring reviewed expenses against CRF eligibility per spend categories

- Team consolidated observations and recommendations in Agency-specific monitoring reports

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Discuss Risks, Observations and Recommendations

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CRF Risk Assessment Observations and Mitigants

Risk Assessment Overview:

Risk Scenarios	Recommended Mitigation Procedures for Each Scenario
Risk that **payroll/salary expenses** were paid with CRF monies when employees were not substantially dedicated to COVID-19 activities.	Supporting documentation for payroll expenses should address the following : - Does the expenditure meet the U.S. Treasury presumption of being "substantially dedicated" to COVID-19 - Justification for why the employees job/function performed is "substantially dedicated" to COVID-19 - Did the agency maintain documentation to record time among personnel who were not substantially dedicated to COVID-19 response or recovery, but logged time related to such purposes that could be reimbursed using CRF - Proof of completion of the job/function - For all personnel for which CRF was used to cover payroll, did the Agency maintain documents and financial records sufficient to establish compliance with CRF rules - Any costs related to other allowable payroll related expenses (e.g., hazard pay)
Risk that expenses were incurred and allocated to COVID-19 activities when the **expenses do not satisfy the CRF eligibility** requirements.	Supporting documentation for purchases of assets & equipment should address the following: - Purpose of purchase (e.g. infrastructure, general purpose assets) - COVID-19 use/need - Proof of payment - Date of purchase request - Date of asset/equipment delivery and use by December 30th, 2020 (now December 31, 2021) - Proof that asset/expense was not included in the most recently approved budget as of March 27th, 2020

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Monitoring Observations and Recommendations

General Observations Based on Overall Use of CRF:

✓ It was not always evident from the supporting documentation whether the expense was budgeted before March 27, 2020.

✓ It was not always evident from the supporting documentation how the expense related to a specific COVID-19 activity.

✓ The supporting documentation did not always include proof of payment or charge related to the expense.

✓ Payroll related samples included the name of personnel and dates but there were no notations as to the position or personnel's COVID-19 response relevancy.

✓ It was unclear what processes school districts had put in place to consider whether a Duplication of Benefit is occurring for CRF expenses.

✓ It was unclear what processes school districts had put in place to remediate waste, fraud, and abuse.

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Monitoring Observations and Recommendations *(cont'd)*

CRF Use Monitoring Recommendations and Best Practices:

✓ School districts should monitor CRF activity to ensure it is being used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of agreements. School districts should conduct Desk Reviews as part of monitorship, and ensure all documents are centrally managed and readily available for the next 5 years.

✓ To assist in avoiding duplication of benefits, school districts should create a detailed budget plan for any funding received related to COVID-19, regardless of the source and provide a detailed account of how the funding was being used.

✓ To ensure that CRF funding is used as intended, school districts should measure the efficacy of allocations and monitor for uncompetitive pricing or fraud, waste, and abuse. This should include setting strict rules on who has the authority to make reimbursement decisions—and how—which is another way to reduce or eliminate fraud risk.

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Monitoring Observations and Recommendations *(cont'd)*

CRF Use Oversight Recommendations and Best Practices:

✓ Maintain a **detailed transaction list** of all CRF expenses.

✓ Require **supporting documentation** of CRF expenses from subrecipients and/or subgrantees.

✓ Demonstrate **approval** of CRF expenses.

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Monitoring Observations and Recommendations *(cont'd)*

CRF Use Supporting Documentation Recommendations and Best Practices:

✓ Maintain General ledger and subsidiary ledgers used to account for: (a) the receipt of Coronavirus Relief Fund payments; and (b) the disbursements from such payments to meet eligible expenses related to the public health emergency due to COVID-19.

✓ Budget records for 2019 and 2020. Including notation by transaction that indicates if the transaction was budgeted or not budgeted. If budgeted, notate how activity was different.

✓ Payroll, time records, human resource records to support costs incurred for payroll expenses related to addressing the public health emergency due to COVID-19.

✓ Receipts of purchases made and a notation on how it addresses the public health emergency due to COVID-19.

✓ All internal and external email/electronic communications related to use of Coronavirus Relief Fund payments.

✓ All investigative files and inquiry reports involving Coronavirus Relief Fund payments.

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Open Discussion and Feedback

Open Discussion

- Feedback on monitoring activities or results
- Questions, comments on recommendations
- Next Steps
- Other

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Thank You!