



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Joe Rois
City Auditor

**SUBJECT: PRELIMINARY REVIEW OF
CONTROLS TO DOCUMENT
COVID-19 RECOVERY COSTS**

DATE: May 29, 2020

RECOMMENDATION

We recommend that the City Council accept the City Auditor's interim report on the status of internal controls for documenting COVID-19 related costs to support receipt of emergency public assistance grants through the Federal Emergency Management Agency (FEMA).

SUMMARY

To support the City of San José's (City) emergency response to the COVID-19 outbreak, the City has begun the process of applying for a variety of federal grants and reimbursement programs, including Federal Emergency Management Agency (FEMA) Public Assistance. The City filed expedited FEMA applications for expenses related to food and necessities distribution as well as personal protective equipment (PPE) and cleaning services in early May. With the initial submission, the City included a request to extend the reimbursement eligibility period for food distribution through May 16, 2020. These submissions, based on initial program costs incurred, totaled \$25 million.

To maximize federal grant reimbursements for emergency-related costs, the City has established a Recovery Documentation Plan, assigned documentation liaisons in each Emergency Operations Center (EOC) branch, developed sample contract language, established an emergency procurement process, and instituted separate pay codes within the City's human resource management system to track emergency-related personnel costs. The City has implemented these controls during a dynamic emergency response in which federal guidance has been updated over time.

Staff continue work to implement other critical controls for tracking emergency expenses, including incorporating processes to ensure procurements have FEMA-required cost analysis and contract language, finalizing an accounting structure to track emergency expenses by program area, and implementing report tools to track staff time and associated labor costs by program area. To effectively support documentation, these systems and reports need to be finalized, used consistently, and incorporated into the Recovery Documentation Plan.

The City Auditor's Office reviewed the controls in place, and documentation gathered, at the time of the City's application for expedited funding from FEMA. Our Office will continue to monitor risks associated with tracking and documenting emergency expenditures to maximize

potential reimbursements, including the separation of expenses by program areas and funding sources, incorporation of FEMA requirements for contracts into procurement processes, and documentation collection for labor, equipment, materials, and donations.

The audit was conducted at the request of the Directors of the EOC. Continued risk assessment and reporting will help the City navigate the dynamic nature of this emergency and ongoing guidance from the federal government.

BACKGROUND

On January 21, 2020, the Centers for Disease Control and Prevention (CDC) confirmed the first diagnosed case of a U.S. resident with COVID-19, a new, highly infectious virus. In response, the City established its Pandemic Management Team and activated a Pandemic Response Plan. By March 4, the California Department of Health Services reported the first death in the state related to COVID-19, and the Governor declared a state emergency.¹ The City partially activated the EOC and began the process of active response to the emergency. On March 16, Santa Clara County issued a shelter-in-place order, providing that individuals could only leave their residence to perform essential activities. On the same day, the EOC reached full activation, with new City operations to support the continuity of essential City services (such as public safety and utilities) and emergency-related activities such as food distribution, sheltering services to at-risk communities, and other programs.

Once the City moves through its response to the pandemic, it will begin the recovery process, post-emergency. This process is intended to return the community to a stable and functional state while continuing cost recovery and reimbursement efforts. The City is currently assessing how it will wind down EOC operations and initiate a Recovery Operations Center to focus on long-term recovery capability.²

Federal Funding and Application Process

On March 13, 2020, the President of the United States declared a national emergency concerning the COVID-19 outbreak.³ An emergency declaration makes federal aid available to state and local governments. Generally, a state applies for federal funding through FEMA and local governments are sub-recipients of the funding. Through this system, the City can apply as a sub-recipient of the State of California Governor's Office of Emergency Services (CalOES) for FEMA funding for City activities undertaken before, during, and after a disaster to save lives, protect public health, and prevent damage to public and private property.

¹ In April, the Santa Clara County Medical Examiner-Coroner reported that there were COVID-19 associated deaths earlier than March.

² Notably, the nature of this emergency means that resurgence in COVID-19 cases could require the City to reactivate the EOC, and subsequently extend recovery operations.

³ <https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/>

The emergency declaration designates the types and amount of federal assistance authorized. FEMA assistance is generally based on a federal cost share of the eligible expenses. This share is usually 75 percent, though FEMA may increase its share in limited circumstances, if warranted.

FEMA requires grantees to adhere to complex criteria to receive reimbursements, such as providing documentation that supports expense claims and following rules surrounding procurement.

Failure to follow these criteria can limit the City's ability to maximize reimbursement as a result of either:

- Denial of funding from FEMA either initially or upon review by the Department of Homeland Security Office of Inspector General, or
- Delays in funding reimbursement due to missing or inadequate documentation.

Other risks could stem from City controls bypassed due to the emergency, which increases the potential for conflicts of interest, fraud, waste, or abuse, and a loss of trust in the City's ability to adequately manage a disaster.

FEMA Expedited Funding Process

For the COVID-19 emergency, FEMA implemented an expedited funding process that removes several steps in the typical application process. The expedited process allows cities to apply for partial reimbursement based on an estimate of anticipated expenses. Successful applicants receive 50 percent of FEMA's portion of the estimated costs immediately, with the remainder reimbursed upon closeout. This helps mitigate budgetary issues that may otherwise prevent emergency response.

In early May, the City applied for expedited funding through FEMA. As part of this application, the City provided cost estimates of expenses incurred to date, along with an estimate of 30 days' projected expenses for food and necessities distribution, as well as personal protective equipment (PPE) and cleaning supplies.⁴ With the initial submission, the City included a request to extend the reimbursement eligibility period for food distribution through May 16, 2020. These submissions, based on initial program costs incurred, totaled \$25 million.⁵

⁴ Documentation related to these cost estimates will be submitted later in the application process for FEMA. Additional expenses, incurred through other eligible service areas, will be tracked, documented, and submitted to FEMA later through the regular application process.

⁵ This includes \$5.5 million for PPE and cleaning supplies, \$10 million for the initial 30 days of food distribution, and an additional \$9.6 million for the 30-day extension of food distribution.

The City of San José is Eligible for Other Sources of Funding

Due to the severe and long-lasting nature of the COVID-19 emergency, the federal and state governments have made over \$200 million in other funding sources available to the City, including:

- Coronavirus Relief Funds under the Coronavirus Aid, Relief, and Economic Security (CARES) Act
- U.S. Department of Housing and Urban Development Community Development Block Grants (CDBG)
- California State COVID-19 Emergency Homeless Funding (SB 89)
- U.S. Department of Justice Bureau of Justice Assistance (BJA) Coronavirus Emergency Supplemental Funding Program

FEMA does not reimburse for expenses covered through any other sources of funding. Other federal funding sources may similarly disallow costs covered by other federal programs or require application of credits to offset the federal grant. While FEMA funding may be used as a backstop for eligible expenses, the City must ensure that it excludes expenses that other agencies funded or will fund from its FEMA claim.

KEY AUDIT FINDINGS

The City Auditor's Office reviewed draft documentation procedures for compliance with FEMA guidelines, which outline information necessary to support claims for reimbursement. To support maximization of federal funds, the City is prioritizing external grant sources such as CDBG, BJA, and FEMA funding, based on eligibility, and then the Coronavirus Relief Fund money. Because FEMA will not reimburse for expenditures paid for by other sources, it is imperative the City distinguish these expenses and track accordingly.

The City's Emergency Operations Plan lists the detailed records that should be kept from the onset of an emergency event, which generally align with the requirements outlined in FEMA's Public Assistance Program and Policy Guide.⁶ Because FEMA's expedited application does not require full backup documentation at the time of submission, we reviewed key guidance and processes that the City must have in place to ensure that it is ready to accept and maximize FEMA funds it can receive. Areas where documentation and backup will be critical are:

1. Defining program areas, such that FEMA-eligible expenditures are clearly delineated from other funding sources,
2. Incorporating processes to ensure procurements meet City and FEMA requirements,
3. Recording and documenting expenditures for supplies, materials, vehicles, and equipment,

⁶ <https://www.fema.gov/media-library/assets/documents/111781>

4. Tracking labor and personnel expenses by program area, and
5. Documenting donated resources.

In addition to preparing documentation in these five areas, the City will support maximization of federal reimbursement by continuing to monitor additional risks such as: actions related to food and necessities distribution, agreements with other jurisdictions, documentation for backstop FEMA funding of sheltering expenses, and the undetermined local cost share.

We should note that the FY 2018-19 Single Audit, performed by Macias, Gini & O'Connell (MGO), the City's outside financial auditor, found a significant deficiency related to the City's tracking of FEMA expenditures for financial reporting purposes and the expenditures related to the City's 2017 flood response.⁷ MGO recommended the City improve its process for reviewing federal expenditures.

Additionally, after the flood, the City hired a consultant (Witt O'Brien's) to conduct an after-action report on flood related activities. This After-Action Review & Improvement Recommendations Report highlighted areas of concern and recommendations for improvements related to FEMA reimbursement, donations management, and volunteer tracking.

The following sections outline areas in which the City needs to establish internal controls to ensure the above requirements are met.

I. Defining Program Areas, such that FEMA-eligible Expenditures are Clearly Delineated from Other Funding Sources

FEMA requires applicants to submit documentation to support emergency expenditures in a consistent manner, defining the damage and scope of work within program areas, and estimating costs incurred. According to FEMA, clearly defining the scope of work promotes thorough, timely, and accurate documentation collection, and ultimately, efficient review and processing of submissions.

Work to date

City staff implemented initial plans for documentation based on program areas and are in the process of refining these controls. Specifically:

- The City developed a Recovery Documentation Plan that lists several program areas based on FEMA-eligible expense categories and City activities under the EOC branches.⁸

⁷ <https://www.sanjoseca.gov/home/showdocument?id=54119>.

⁸ The program areas listed are: Management Emergency Operations Center (EOC) including Department Operations Center (DOC) and Mutual Aid received from another jurisdiction, Communication, Food Distribution, Medical Sheltering (including non-congregate), General Homeless Sheltering (congregate), Household Pet sheltering, Child Care, Security and Law Enforcement (Police), Search and Rescue (Fire), and Economic Recovery. Not all of these are explicitly listed as FEMA-eligible COVID-19 emergency protective measures – namely, childcare, congregate sheltering, and economic recovery.

- The City assigned documentation liaisons in each EOC branch to submit documentation required for FEMA reimbursement.
- On March 18, the City hired Witt O'Brien's to prepare the expedited FEMA applications.
- Finance and Budget staff created an accounting structure to categorize emergency expenditures by program area in the City's Financial Management System (FMS). The associated codes will allow staff to identify and track expenses by program and appropriation, supporting decisions on how money is spent and submission of expenses for reimbursement through state and federal grants. This system should also help ensure that expenses paid for with other grant funding are not submitted to FEMA for reimbursement, which would delay and potentially reduce overall reimbursement.

Next steps

The Recovery Section has not received complete documentation of expenses for program activities to date. A challenge the City faces is that documentation liaisons within the EOC are required to identify program activities and consolidate expenses across multiple departments involved in the emergency response. In addition, because multiple departments may support a single program area, the activities each liaison is responsible for tracking are often unclear. This is exacerbated by the large, decentralized nature of the emergency response. Each of these will make it difficult to ensure expenditures and documentation are complete.

To ensure complete and thorough expense documentation, the City will require:

- The use of centralized sources for documentation collection including the City's human resource management system (PeopleSoft) and FMS reports that identify COVID-19 related costs by program area, and corresponding updates to the Recovery Documentation Plan.
- Implementation of the accounting structure in FMS to organize expenses by program area and review of expenses to date, including collection of relevant invoices, receipts, written justification, and other necessary documentation.
- Ongoing collection of backup documentation by liaisons for emergency expenses under a revised Documentation Plan.

2. Incorporating Processes to Ensure Procurements Meet City and FEMA Requirements

FEMA requires that the City follow its own procurement policies and procedures in addition to federal procurement standards. The City's Municipal Code (§4.12) provides guidelines for competitive procurements to prevent favoritism, fraud, waste, and abuse. While the City allows non-competitive procurements in certain instances, staff must document reasons for the non-competitive procurement method. Similarly, FEMA allows

non-competitive procurement under emergency and exigent circumstances, but requires detailed support for the decisions made, as well as support that costs are reasonable. The City has issued sole-source agreements under FEMA's definition of emergency and exigent circumstances. However, to maintain reimbursement eligibility for purchases of goods and services, the City must transition procurement of contracts to competitive processes according to federal and City procurement rules as soon as practical.

To meet FEMA documentation guidelines, the City must ensure that it collects justification for all non-competitive procurements, final contracts, and invoices submitted by the contractor. For competitive procurements, the City will also need to maintain copies of requests for proposals and other related bid documentation. Finally, the City must also ensure FEMA-required language is included in all contracts (such as language pertaining to legal remedies, termination for cause or convenience, debarment and suspension, and anti-lobbying certification) for reimbursement.

Work to date

Staff have taken steps to make emergency procurement consistent and streamlined:

- The EOC's Finance Branch created a Procurement Roadmap to formalize the process for emergency procurement and resource requisition approvals. The EOC's Logistics and Finance Branches automated the existing emergency resource requisition process (known as 213RR) to streamline and ensure appropriate approval processes.
- The City Attorney's Office developed and shared with program staff sample clause language for FEMA reimbursement on non-construction contracts.
- For audit purposes, the City Auditor's Office compiled a checklist of contract documentation requirements based on the FEMA application for reimbursement, FEMA guidance pertaining to procurement generally and under exigent circumstances, and the City's municipal code. This was made available to City staff.
- Finance developed a procurement questionnaire to help facilitate the transition to competitive procurements for ongoing emergency needs.
- Finance also developed an internal document to help ensure Purchasing staff conduct procurements in accordance with City and federal rules and document the procurement history for reimbursement purposes.

Next steps

While the City has many of the tools necessary to ensure appropriate authorization of emergency expenses, including the automated 213RR process, template contract language, and a contract documentation checklist, an ongoing challenge is incorporating these tools into a process that captures all emergency contracts. To ensure reimbursement, the City needs to complete:

- Implementation of a process to review all contracts for required language and documentation of procurement decision-making along with the processing of 213RRs.
- Collection of associated documentation for submission to FEMA, as well as retention for future review by FEMA, CalOES, or other entities:
 - cost/price analyses for purchases of more than \$250,000,
 - bid documentation,
 - justification for procurement of goods or services through non-competitive processes,
 - executed agreements, and
 - evidence of contract monitoring and contractor oversight.
- Guidance for City staff regarding procurement card documentation for COVID-19 expenses.

3. Recording and Documenting Expenditures for Supplies, Materials, Vehicles, and Equipment

To receive reimbursement for the cost of materials, supplies, and equipment for emergency operations, FEMA requires applicants to collect receipts or invoices, as well as documentation supporting where resources were used and for what purpose. FEMA recommends jurisdictions use general ledger line items to document every expenditure related to response and recovery and justify each expenditure by directly relating it to the incident response. For City vehicles, FEMA requires applicants to create a schedule of vehicles and equipment used for emergency operations, including miles or hours operated by location and operator.

Work to date

- The Finance Department's Accounts Payable team can pull documentation of checks issued based on the vendor number, vendor name, check date, and payment amount.
- The Department of Public Works' Fleet Division has started a vehicle usage log for food distribution and the Fire Department has tracked their vehicle usage for PPE delivery. Fleet is able to provide additional vehicle information (such as vehicle make, model, year, and title) based on vehicles currently tracked.

Next steps

Documentation liaisons have begun collecting invoices for materials, supplies, and equipment, though not for all purchases to date. To ensure complete and thorough expense documentation, the City will need to continue to:

- Document justification for individual expenses with 213RRs.
- Review expenditures for which associated invoices, 213RRs, and other relevant documentation need to be collected based on the newly implemented accounting code structure.
- Complete vehicle usage logs to document City vehicles that have been activated for the emergency response.
- Collect documentation for close-out and future audits, including collection of invoices and proof of ownership of facilities.

4. Tracking Labor and Personnel Expenses by Program Area

FEMA requires applicants to track emergency-related labor and personnel costs by program area, including extracts from payrolls. Applicants must also document work done under inter-community or mutual aid agreements. FEMA will reimburse labor expenses such as overtime or hazard pay, but only under existing policies and agreements. The City's memoranda of agreement with bargaining groups define conditions of work, including regular hours and overtime hours, as required by FEMA for reimbursement.

Work to date

- The Finance Department's Payroll team created a separate pay code in PeopleSoft to track COVID-19 related activities. Payroll also issued guidance to staff and timekeepers on how to code COVID-19 activities in online timesheets, including required notation to describe activities. This system has been in place since March 17.
- Staff assigned to the EOC complete time tracking sheets (known as 214s) and use an online form to sign in and out of the EOC. Staff in the Planning Branch of the EOC check that 214s have been submitted and monitor the online sign-in and sign-out log.⁹

Next steps

Due to changes in the City's operational structure, there have been difficulties in tracking individuals assigned to different areas to respond to the emergency. Additionally, supervisors and time approving officials may not have reliable information when approving timecards. To help track labor and personnel:

⁹ EOC supervisors are meant to sign off on 214s, but this is not used in practice among all branches. We should note that while timekeepers and time approving supervisors sign off on staff timecards within PeopleSoft, they may be more removed from EOC work and unable to certify staff hours. They still provide a level of control as relates to the appropriateness of timecodes used (such as Regular or Unpaid Disaster Management).

- Human Resources and Finance are working to track labor by emergency program area within PeopleSoft. This will enable labor reports by program area and can support requests for FEMA-reimbursement for overtime hours.
- The Personnel Branch is developing a check-in and check-out system to track time at a physical location for those working in the field (especially those who do not complete a daily 214 form).

5. Documenting Donated Resources

FEMA allows the City to apply donated time, materials, and labor toward the local cost share of a FEMA program. Adequate tracking of donations received by the City during the emergency helps maximize the City's reimbursements. FEMA requires collection of documentation for cash donations and the value of in-kind donations. FEMA also requires such tracking to include the donation, quantity, donor, and location where the donation was used.

The City has a Memorandum of Understanding with the Silicon Valley Community Foundation to raise donations and distribute funds through the Silicon Valley Strong Fund. Monetary donations to the Silicon Valley Strong Fund are likely not eligible for the City's local cost share with FEMA because they are facilitated through the Silicon Valley Community Foundation.

Work to date

- The EOC Logistics Branch has begun tracking donations of supplies the City has directly received, such as toiletries and PPE.
- Silicon Valley Strong volunteer referrals to Community-Based Organizations (CBOs) responding to the emergency are assigned and tracked by City staff.

Next steps

To ensure donated supplies and volunteer hours are considered for the local cost share:

- City staff are formalizing relationships with CBOs to affirm volunteers support the City's mission in program areas for which the City is seeking FEMA reimbursement.
- Documentation of donated supplies and volunteer hours will need to be added to the FEMA application at closeout.

Monitoring Additional Risks Could Increase the City's Readiness to Receive and Maximize Federal and State Reimbursement

The City is taking on emergency activities and expenses that are not explicitly eligible for reimbursement under FEMA's guidelines. Example expenses include childcare for essential City

employees, laptops for remote work, and economic recovery. It is possible some of these expenses could be covered by other funding sources, such as the Coronavirus Relief Fund.

In addition, even for eligible programs, FEMA has limited eligibility of reimbursement to certain populations.¹⁰ This poses a challenge for staff, as they must track services and program areas based on that criteria. Generally, documentation and recovery occur after programs are implemented; however, these requirements necessitate advance knowledge of eligibility and documentation guidelines. Ongoing updates in guidance from FEMA further complicate the issue. In addition, because of the decentralized structure of the EOC and challenges associated with the current remote work environments, communication gaps between the Recovery Section and various program operations may pose a risk to potential reimbursement.

We have identified additional issues that could affect the City's ability to maximize FEMA funding. We will continue to monitor these issues and review them during future audits, as applicable.

A. Actions related to food and necessities distribution: The EOC's Food and Necessities Distribution Branch has been providing food to the community since the beginning of the emergency. The FEMA expedited application and extension request for food distribution included \$19.6 million in estimated expenses through May 16, 2020. In order to act quickly, the City entered into several unique services agreements with food service providers, CBOs, delivery groups, and other applicable entities.¹¹ Some of the actions the City is taking around food and necessities distribution may not be eligible for FEMA funding because they do not meet current eligibility guidelines. For example, food for low-income students and their families are not eligible under FEMA unless they are also COVID-19 positive, high risk, or have been exposed to COVID-19, and are not already receiving other assistance such as the Supplemental Nutrition Assistance Program (SNAP).

As the City finalizes agreements for distribution of food and necessities, it should include a documentation process to separately track and thoroughly document various food programs (i.e., with the County or State),¹² as well as individual participants receiving meals, such that costs associated with FEMA-eligible participants may be readily disaggregated. Additionally, the Food and Necessities Distribution Branch will need to incorporate City- and FEMA-standard contract language into its agreements, including

¹⁰ For non-congregate sheltering, FEMA has limited expense reimbursement for individuals who test positive for COVID-19 that do not require hospitalization, individuals exposed to COVID-19 as documented by a public health official or medical professional, and individuals who are asymptomatic but high-risk (i.e., 65 or older, or who have certain underlying health conditions). For food distribution, FEMA has limited reimbursement for individuals not in non-congregate shelters, who meet the same criteria as non-congregate sheltering, who do not have resources to obtain meals nor are receiving any other assistance from existing programs such as Supplemental Nutrition Assistance Program (SNAP) or Meals on Wheels.

¹¹ Future contracts of over \$10,000 will need to be bid competitively, and the City will need to provide documentation of the request for proposals, the bid documents, signed contracts, and contractor invoices.

¹² The City has submitted its intent to apply for the State's Great Plates Delivered program which aims to help seniors with food from local restaurants. We should note that there are additional, specific requirements for this program <https://covid19.ca.gov/restaurants-deliver-home-meals-for-seniors/>.

provisions for oversight, conflict of interest, documentation, and access to records. Finalizing a plan of operations and establishing an agreement to provide food across the other cities and unincorporated areas of the County will also support potential future reimbursement.

- B. Agreements for services provided in other jurisdictions:** The City may enter into agreements with other jurisdictions to provide emergency services (such as food distribution), for which the City would have to get reimbursed. Because these activities may be outside the City's jurisdiction, the City may not be able to receive reimbursement for all of the expenses through FEMA. This means that the City is taking on the financial risks associated with these expenses and needs to manage and monitor these programs and revenues accordingly. Additionally, City staff may support other County or State operations (such as COVID-19 testing) for which the County may receive FEMA reimbursement. It is not clear how the City will be reimbursed for these expenses.
- C. Documentation for backstop FEMA funding of sheltering expenses:** City staff have prioritized non-FEMA funding sources for sheltering expenses.¹³ In the event that City expenses for sheltering exceed these other grants, the City will need to implement procedures to document sheltered populations in accordance with FEMA guidance.¹⁴ Other grants may have guidelines that will need to be addressed.
- D. Undetermined local cost share:** As of May 28, the State had not yet declared its cost share for most FEMA reimbursements.¹⁵ As described earlier, under federal law, FEMA will reimburse approved expenditures at a 75 percent cost share, which requires a local match of 25 percent. In past emergencies, the state has provided 75 percent of the local cost share, leaving the City to cover 6.25 percent of the overall emergency cost. In some cases, FEMA may cover up to 100 percent of the share. Recovery Section staff report that they are monitoring this issue, but the City should plan for the various contingencies in local share and determine where that funding might come from.

¹³ Non-FEMA funding sources for sheltering include Federal Community Development Block Grants (CDBG) and State resources from SB 89, which were expanded to support emergency pandemic response.

¹⁴ FEMA issued COVID-19 specific guidance on March 19, 2020, which listed non-congregate sheltering (such as hotels, motels, dormitories, or other single-occupancy shelter) as eligible expenses for reimbursement, pending specific permission from FEMA. A March 27 letter from FEMA to CalOES granted permission for non-congregate sheltering of specific FEMA-eligible populations, however, the City has a broader sheltering approach, inclusive of other vulnerable populations. Given availability of other, less-restrictive funding, staff have prioritized those sources. If the City pursues reimbursement for costs in excess of those covered by non-FEMA sources, the City will need document FEMA-eligible populations as outlined in the letter, or as directed by health officials, and ensure any contract expenses meet FEMA procurement requirements.

¹⁵ To date, the State has announced that it will provide 18.75 percent of the cost share for expenses related to the Great Plates program. Cost share for all other FEMA-eligible expenses have not yet been determined.

CONCLUSION

The City of San José is eligible to apply for and receive federal and state grants to support emergency response to the COVID-19 emergency. While the City has implemented some processes and internal controls to document expenses in accordance with guidelines, much work remains. As the City moves forward, having appropriate processes and internal controls in place will be important to ensure that it is able to maximize federal or state reimbursements in a timely manner.

We reviewed this report with the City Manager's Office and Finance and Recovery Branch Section Coordinators within the Emergency Operations Center and incorporated their views and feedback. The City Auditor's Office thanks the management and staff from the City Manager's Office, City Attorney's Office, and all groups within the Emergency Operations Center for their time, information, insight, and cooperation during the preparation of this report.



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APPENDIX A SCOPE AND METHODOLOGY

This is the first in a series of reports the City Auditor's Office will be issuing related to compliance with State and Federal reimbursement guidelines resulting from the COVID-19 disaster.¹⁶ The objective of this audit was to (1) assess whether City documentation guidelines comply with Federal Emergency Management Administration (FEMA) guidelines and (2) assess whether City documentation meets the 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 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.¹⁷

To do this, we attended daily Recovery Section meetings and daily Operations Section Meetings. Additionally, we reviewed and identified the following:

- Relevant FEMA guidelines and documents, including:
 - The Public Assistance Program and Policy Guide (April 2018)
 - COVID-19 Eligible Emergency Protective Measures fact sheet (March 2020)
 - Procurement Disaster Assistance Team Field Manual (September 2019)
 - FEMA Public Assistance Contracting Requirement Checklist (October 2018)
 - FEMA Memo on Procurement Under Grants Conducted Under Emergency or Exigent Circumstances for COVID-19 (March 2020)
 - FEMA Procurement Under Grants Conducted Under Exigent or Emergency Circumstances Fact Sheet (March 2020)
 - COVID-19 Pandemic: Purchase and Distribution of Food Eligible for Public Assistance Policy (April 2020)

¹⁶ In December 2019, the City finalized a Recovery Annex (Annex) to the Emergency Operations Plan that provides a framework for the recovery process and identifies the roles and responsibilities of City departments. In the Annex, the role of the City Auditor's Office is to: *Support the Budget Office, Office of Emergency Management, and Finance Department with cost recovery oversight, including compliance with federal and state record-keeping, procurement, and audit requirements, as requested.*

¹⁷ We should note that some staff in the City Auditor Office have been designated as Disaster Service Workers (DSW) by City policies. As such DSWs may be asked to serve at locations, times and under conditions other than normal work assignments and these assignments may include duties within the EOC, in the field, or at another designated location. In order to maintain structural independence to provide audit services, as well as provide services as DSWs, the City Auditor's Office developed an interim organizational chart that functionally segregates the two responsibilities. Specifically, staff that are assigned to work for emergency operations as DSWs are overseen by the respective EOC section coordinator and report to the City Auditor. Staff that are assigned to work under the Emergency Operations Plan, Base Plan and the Recovery Annex are overseen by a Supervising Auditor who reports to the City Auditor.

- Formal FEMA communications with CalOES pertaining to:
 - Food distribution (April 10, 2020)
 - Non-congregate sheltering (March 27, 2020)
- Relevant Centers for Disease Control (CDC) guidelines on non-congregate sheltering, such as:
 - Interim Guidance for Homeless Service Providers to Plan and Respond to Coronavirus Disease (COVID-19) (March 2020)
 - COVID-19: People Who are at Higher Risk for Severe Illness (March 2020)
- Relevant California Office of Emergency Services (CalOES) guidance including the CalOES Yellow Book and Great Plates guidance
- U.S. Treasury Guidance for State, Local, and Tribal Governments on the Coronavirus Relief Fund (April 22, 2020)
- Santa Clara County Public Health Directives and related communications
- Internal City policies such as:
 - City Policy Manual 5.1.1 Procurement and Contract Process Integrity and Conflict of Interest – Administrative Procedures
 - City Policy Manual 5.1.2 Procurement Cards
 - City Policy Manual 5.1.7 Procurement of Supplies, Materials, and Equipment
 - City Policy Manual 1.7.3 Remote Access
 - The City of San José Emergency Operations Plan, Base Plan (February 2019)
 - Recovery Support Annex to the Emergency Operations Plan (June 2019)
 - Open Season Purchasing Guidelines (published March 20, 2020)
 - City Pandemic Response Plan (published March 11, 2020)
 - Procurement Card Use During COVID-19 Event (published April 7, 2020)
 - Accounts Payable Processing During COVID-19 (published March 19, 2020)
 - Timekeeping Instructions For Exempt (Salaried) Employees (published May 1, 2020)
 - Timekeeping Instructions and FAQs For Benefited, Non-Exempt (Hourly) Employees March 17, 2020 Until Further Notice (published May 1, 2020)
- Relevant sections of the Municipal Code, including chapter 4.12 on the procurement of goods and services
- Labor agreements between the City and the City's employee bargaining units.
- Related findings in the Single Audit Report for FY 2018-19 prepared by Macias Gini & O'Connell LLP

- The 2017 Coyote Creek Flood After Action Review & Improvement Recommendations Report prepared by Witt O' Brien's

Other Guidance Distributed by the Auditor's Office

In addition, we distributed guidance on FEMA's requirements based off the resources above to EOC and department staff to ensure compliant documentation collection. Specifically, we:

- Reviewed the Recovery Documentation Plan to check that it covered City and FEMA required documentation
 - Provided summaries of FEMA guidance for labor, equipment, volunteers, materials, and other reimbursable expenses to various groups working in the EOC.
 - Identified areas that are not clearly outlined in FEMA guidance, and supplied these summaries to intergovernmental relations, Finance, and others.
 - Answered questions from documentation liaisons regarding FEMA-required documentation.
- Summarized FEMA procurement requirements and necessary contract information into a checklist format.
- Reviewed the accounting structure guidance prior to Finance providing it to fiscal officers.
- Identified and verified potential sources of centralized reporting sources to support documentation collection:
 - Shared FEMA guidance on fleet logs with Public Works staff to support their ongoing reporting of vehicle use.
 - Provided FEMA guidance on labor reports for Finance and Human Resources to incorporate in their PeopleSoft reports.
 - Reviewed updated Accounts Payable and procurement card processes to explore how proof of purchase documentation could be collected.
 - Observed planning discussions and participated in user testing meetings for the automated 213RR system. Shared guidance, including FEMA's requirements on inventory logs.
- Considered requirements for food distribution:
 - Compiled a FEMA guidance sheet on documentation needed for tracking and compliance with HIPAA.
 - Reviewed contracts for food distribution, providing a summary of FEMA and City procurement requirements.

- Reviewed funding requirements for non-congregate housing:
 - Provided feedback on the City's initial draft letters requesting permission for FEMA reimbursement of non-congregate sheltering.¹⁸
 - Shared FEMA guidance on documentation requirements specific to non-congregate sheltering with Housing staff and documentation liaisons.
 - Shared FEMA guidance on reimbursement-eligible populations for non-congregate sheltering with Housing staff.
 - Met with operational and budget staff during discussions of funding sources.

¹⁸ The City initially prepared a letter for permission but was later informed that the necessary permission passed from FEMA through the State.