



**A Report to the  
Audit Committee**

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**Audit of Metropolitan Nashville  
General Government COVID-19 Relief  
Spending Process**

August 9, 2023

Metropolitan  
Nashville  
Office of  
Internal Audit

## EXECUTIVE SUMMARY

August 9, 2023



### Why We Did This Audit

This audit was performed due to the importance of internal controls and monitoring of significant COVID-19 relief spending.

### What We Recommend

- Written policies and procedures for the COVID-19 relief spending monitoring and reporting activities conducted by Metropolitan Nashville Finance Department employees.

# Audit of Metropolitan Nashville General Government COVID-19 Relief Spending

## BACKGROUND

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, was signed into law providing funding to assist with relief from the COVID-19 global pandemic. The Metropolitan Government of Nashville and Davidson County received \$121 million from the United States Department of Treasury in Coronavirus Relief Funds.

On March 11, 2021, the American Rescue Plan Act was signed into law, allocating an additional \$260 million of financial relief. As of October 2022, the Metropolitan Government of Nashville has received over \$380 million in COVID-19 relief funds, and \$302 million has been obligated.

### Exhibit 1: COVID-19 Relief Received and Obligated, March 2020 to October 2022

Source	Received	Obligated	Remaining
CARES Act	\$121,122,775	\$121,122,775	\$0
America Rescue Plan Act	\$259,810,600	\$180,835,686	\$78,974,914
<b>Total</b>	<b>\$380,933,375</b>	<b>\$301,958,461</b>	<b>\$78,974,914</b>

Source: Oracle E-Business Suites R12 and approved Metropolitan Nashville Council Resolutions

## OBJECTIVES AND SCOPE

The objective of this audit is to determine if controls were in place related to the handling of funds received by the Metropolitan Nashville Government for COVID-19 relief and recovery.

The scope of this audit includes all CARES Act and American Rescue Plan Act relief transactions between March 1, 2020, and October 31, 2022.

## WHAT WE FOUND

Expenditures made by the Metropolitan Nashville Government with COVID-19 funds qualified with the United States Department of the Treasury requirements, and all required quarterly and annual reports to the Treasury were submitted on time and accepted. Additionally, steps were taken to ensure there was equity in the distribution of funds to local organizations to assist with COVID-19 recovery.

Policies and procedures were not in place for the monitoring and reporting activities performed by the Metropolitan Nashville employees involved in the COVID-19 relief spending process.

## GOVERNANCE

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On June 16, 2020, Substitute Ordinance BL2020-286 created the COVID-19 Financial Oversight Committee. The committee comprises of nine members, six members appointed by the Mayor and three Metropolitan Nashville councilmembers appointed by the Vice Mayor. The purpose of the committee is to collect, consider, and recommend appropriate uses of all federal and state funds provided to the Metropolitan Nashville Government specifically for COVID-19 relief and recovery. For funds to be spent, all spending must be approved by the COVID-19 Financial Oversight Committee, as well as the Metropolitan Nashville Council through a resolution.

A Finance Assistant Director within the Metropolitan Nashville Finance Department is responsible for overseeing the processes related to monitoring and reporting COVID-19 relief fund spending. The Finance Assistant Director is assisted by one employee and reports to the Deputy Finance Director.

## BACKGROUND

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### *Coronavirus Aid, Relief, and Economic Security (CARES) Act*

In early 2020, the COVID-19 pandemic created new challenges for people across the world. In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law and established the \$150 billion Coronavirus Relief Fund. The United States Department of Treasury made payments from the Coronavirus Relief Funds to States and eligible local governments navigating the impact of the COVID-19 outbreak. The Metropolitan Nashville Government was awarded \$121 million in relief spending. CARES funding could be expended on eligible expenses related to the COVID-19 pandemic through December 31, 2021. The top ten departments with expenditures from the Coronavirus Aid, Relief, and Economic Security Act fund can be seen in Exhibit 2 below.

### *Special Revenue Reserve Fund 30112*

On December 15, 2020, the Metropolitan Nashville Council approved RS2020-657. The resolution allocated \$29,822,775 of CARES Act funding for eligible public safety salaries already included in the fiscal year 2021 budget. Savings from the fiscal year 2021 budget were then allocated to a special revenue fund. The special revenue fund was used for COVID-19 related expenditures including assessment centers, contract tracing, homeless support, health order implementation and enforcement, vaccine distribution, increasing telework capabilities, Metropolitan Nashville Schools COVID-19 related expenditures, rent and mortgage assistance, and small business relief grants. Spending from the special revenue reserve fund was included within the audit scope to ensure expenditures were used to support Metropolitan Nashville's continued COVID-19 emergency response as described in RS2020-657. The top ten departments with expenditures from the special revenue reserve fund can be seen in Exhibit 3 below.

### *American Rescue Plan Act*

The American Rescue Plan Act was signed into law in March 2021. The act authorized the Coronavirus State and Local Fiscal Recovery Funds (SLRF) program which provided \$350 billion to state, territorial, local, and Tribal governments to support their response to and recovery from the COVID-19 public health emergency. This program provided an additional \$260 million to the Metropolitan Nashville Government. These funds can be used to cover eligible costs incurred during the period of March 3, 2021, through December 31, 2024. The obligations incurred during that period must be expended before December 31, 2026. The top ten departments with expenditures from the American Rescue Plan Act fund can be seen in Exhibit 4 below. Additionally, the top ten American Rescue Plan allocations by Metropolitan Nashville Council can be seen in Exhibit 5 below.

### *Audit Methodology*

The population of expenses included in the audit scope were from CARES Act funding, American Rescue Plan Act funding, and special revenue reserve fund 30112. Expenses were from 38 departments and included rental assistance, shelters, COVID-19 testing, supplies, and payroll for Metropolitan Nashville Government employees who performed work exclusively with COVID-19 related activities, or as essential employees performing their duties in high-risk conditions during the pandemic.

### **Exhibit 2: Top 10 Departments by Department Spending – Coronavirus Aid, Relief, and Economic Security Act (CARES) Spending, March 2020 to October 2022**

<b>Department</b>	<b>Total Spent</b>
Metro Nashville Public Schools*	\$ 19,000,000
Police	13,234,864
Fire Department	8,529,983
Sheriff	6,327,946
Health Department	5,094,585
Finance	3,375,502
Parks and Recreation	3,036,828
Social Services	2,218,612
Water and Sewer	1,659,180
Office of Emergency Management	1,606,833

Source: Oracle E-Business Suites R12

\*Metro Nashville Public Schools transactions were not included in the audit scope.

### **Exhibit 3: Top 10 Departments by Total Spending – Special Revenue Reserve Fund Established by RS2020-657, November 2020 to October 2022**

<b>Department</b>	<b>Total Spent</b>
Office of Emergency Management	\$ 7,053,746
Metropolitan Nashville Public Schools*	4,987,275
Social Services	2,126,776
Police	1,886,944
Fire Department	1,646,129
Board of Fair Commissioners	1,268,453
Health Department	1,202,564
General Sessions Court	508,031
Finance	476,725
General Services	456,640

Source: Oracle E-Business Suites R12

\*Metro Nashville Public Schools transactions were not included in the audit scope.

**Exhibit 4: Top 10 Department by Total Spending – American Rescue Plan Act (ARP), March 2020 to October 2022**

Department	Total Spent
Planning Commission	\$ 20,000,300
Mayor’s Office	13,872,403
General Services	4,550,357
Fire Department	1,904,408
Health Department	561,816
Office of Family Safety	464,344
Municipal Auditorium	300,012
Social Services	260,301
Nashville Department of Transportation	125,163
Office of Emergency Management	123,561

Source: Oracle E-Business Suites R12

**Exhibit 5: Top 10 Metropolitan Nashville Council American Rescue Plan Act Funding Allocations**

Date Passed	Allocation	Purpose
11/19/2021	\$40,200,000	Allocation to the Barnes Housing Trust Fund.
10/4/2022	25,000,000	Low-cost loans for affordable housing developers.
2/1/2022	20,000,000	Creates a Nashville Small Business Recover Fund.
1/4/2022	15,000,000	Metropolitan Housing Development Agency to improve infrastructure and safety.
11/15/2022*	10,000,000	Increase homeownership opportunities and housing security for residents with historical barriers and inequities in homeownership.
12/20/2022*	10,000,000	Fisk university to renovate and upgrade Burrus Hall in a partnership with Metropolitan Nashville to establish a small business entrepreneurship and innovation facility.
1/17/2022	10,000,000	Investment in neighborhood needs through a community-led participatory program.
11/15/2022*	9,069,614	Expand vehicle fleet for Police, Fire, and Nashville Department of Transportation.
10/4/2022	9,000,000	Allocation to the Homeless Impact Division to build capacity in Housing First case management services.
10/4/2022	9,000,000	Allocation to the Homeless Impact Division to provide temporary interim gap housing.
<b>Total</b>	<b>\$157,269,614</b>	

Source: Metropolitan Government of Nashville & Davidson County Legislative Information Center

\*COVID-19 relief spending after 10/31/2022 was not included in this audit.

The United States Department of the Treasury provided guidelines to jurisdictions for categories of allowable spending under the CARES Act and American Rescue Plan Act.

Eligible expenditures for the CARES Act include:

1. Necessary expenditures incurred due to the public health emergency with respect to COVID-19 pandemic
2. Expenses not accounted for in the budget most recently approved as of March 27, 2020
3. Expenses incurred during the period beginning on March 1, 2020 and ends on December 31, 2022.

Eligible use categories for the American Rescue Plan include:

1. Replacing lost public sector revenue
2. Supporting the COVID-19 public health and economic response
3. Providing premium pay for eligible workers performing essential work
4. Investing in water, sewer, and broadband infrastructure.

## AUDIT OBJECTIVES AND CONCLUSIONS

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1. *Are controls in place to ensure COVID-19 Relief funding is spent in accordance with federal law?*

**Yes.** A review of invoices and payroll expenditures found that expenditures made with COVID-19 relief funds were for qualifying COVID-19 related activities. A random sample of 47 invoices and 47 payroll expenditures were reviewed for compliance with the United States Department of the Treasury grant requirements. The review found that all invoices and payroll entries had sufficient documentation to support the expenditure's COVID-19 related purpose.

2. *Are controls in place to ensure the spending of COVID-19 relief funds is being monitored for compliance?*

**Generally, yes.** All required quarterly and annual reports to the United States Department of the Treasury were found to be submitted on time and were accepted by the Department of the Treasury. Additionally, a review of 47 invoices found that monitoring controls were in place and effective. Payroll test work found examples of charges totaling \$89,914 that were initially charged to COVID-19 funds for work that was not COVID-19 related. Due to the monitoring procedures in place, these expenses were identified and corrected. However, no written policies and procedures are in place for the employees involved in the monitoring and reporting process. With only two Metropolitan Nashville employees involved in the process, this could lead to a disruption in the monitoring process in the event of staff turnover. (See Observation A.)

3. *Are controls in place to ensure equity in the distribution of COVID-19 relief funds?*

**Yes.** Interviews were held with the members of the Metropolitan Department of Finance, the Mayor's Office, and COVID-19 Financial Oversight Board to gain insight on how the decisions were made to distribute COVID-19 funds throughout the community. All parties involved in the process stated that reliance was placed on the report by the Equity Alliance in July 2020 when making decisions for the distribution of relief funding for the CARES Act funding. The Equity Alliance Report detailed areas of need, zip codes most affected by the COVID-19 pandemic, and which residents in these communities should be prioritized with funding.

Additionally, the Metropolitan Nashville Government provided grants to non-profit organizations in Nashville and Davidson County, including grants to the United Way of Middle Tennessee and Pathway Lending to provide funding into the community provided by approved legislation. Grant agreements with these organizations specifically require the use of the July 2020 Equity Alliance report in determining where CARES Act funds will be invested within the community. Additionally, one grant agreement with Pathway Lending requires a minimum of 30 percent of the funding go to women and minority-owned businesses. Grantees who received funding were required to submit periodic reports detailing demographics and zip codes served by the funding to ensure equitable distribution.

American Rescue Plan Act funding was allocated by the Metropolitan Nashville Council in ways to serve the most vulnerable in Davidson County. Examples include a \$40.2 million allocation to the Barnes Fund Housing Trust Fund, \$50.5 million allocation for affordable housing units and low-cost loans for affordable housing developers, and a \$25 million allocation to combat homelessness. The top ten individual allocations of American Rescue Plan funding by the Metropolitan Nashville Council can be seen in Exhibit 5 above.

## AUDIT OBSERVATIONS

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Internal control helps ensure entities achieve important objectives to sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission (COSO), Internal Control – Integrated Framework, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environments, mitigate risks to acceptable levels, and support sound decision-making and governance of the organization. See **Appendix B** for a description of the observation *Assessed Risk Rating*.

### **Observation A – COVID-19 Relief Spending Policies and Procedures**

Due to the unprecedented nature of the pandemic, the need for COVID-19 funding and the requirements for appropriate use was a constantly evolving process. No standardized policies or procedures were in place or have been created.

Within the Department of Finance only two employees are assigned to work with COVID-19 relief funds, submit reports to the Treasury, monitor spending, work with FEMA on reimbursement, and work with the COVID-19 Financial Oversight Board on approving the use of funds. In the event of employee turnover, procedures would assist in monitoring consistency, oversight responsibilities, and new employee training.

#### *Criteria:*

- *COSO, Control Activities – Principal 10* – The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

#### *Assessed Risk Rating:*

**Low**

#### *Recommendation for management of the Department of Finance:*

1. Create documented policies and procedures for Finance Department employees detailing the responsibilities related to COVID-19 reporting and monitoring.



## **GOVERNMENT AUDITING STANDARDS COMPLIANCE**

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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 observations and conclusions based on our audit objectives.

## **METHODOLOGY**

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To achieve the audit objectives, auditors performed the following steps:

- Reviewed U.S. Department of Treasury’s guidelines regarding what qualifies as a COVID-19 expense and reporting schedule.
- Interviewed key personnel within Department of Finance, the Mayor’s Office, and the COVID-19 Financial Oversight Committee.
- Reviewed account ledger reports from Oracle R12.
- Reviewed and analyzed data to determine compliance with best practices.
- Evaluated internal controls currently in place.
- Considered risk of fraud, waste, and abuse.

## **AUDIT TEAM**

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Elizabeth Andrews, CFE, Assisting Auditor

Laura Henry, CFE, In-Charge Auditor

Seth Hatfield, CPA, CIA, CFE, CCFO, Quality Assurance

Lauren Riley, CPA, CIA, ACDA, CFE, CMFO, Metropolitan Auditor

## APPENDIX A – MANAGEMENT RESPONSE AND ACTION PLAN

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We believe that operational management is in a unique position to understand best their operations and may be able to identify more innovative and effective approaches, and we encourage them to do so when providing their response to our recommendations.

Risk	Recommendation	Concurrence and Action Plan	Expected Completion Date
<i>Recommendations for management of the Department of Finance:</i>			
L	<b>A.1</b> Create documented policies and procedures for Finance Department employees detailing the responsibilities related to COVID-19 reporting and monitoring.	<b>Accept.</b> The Finance Assistant Director and Finance Administrator working with the COVID-19 federal funds will create documented policies and procedures to include the current reporting and monitoring process.	12/31/2023

## APPENDIX B – ASSESSED RISK RANKING

Observations identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance or reputational impact the issue identified has on the Metropolitan Nashville Government. Items deemed “Low Risk” will be considered “Emerging Issues” in the final report and do not require a management response and corrective action plan.

Rating	Financial	Internal Controls	Compliance	Public
<b>HIGH</b>	Large financial impact >\$25,000  Remiss in responsibilities of being a custodian of the public trust	Missing, or inadequate key internal controls	Noncompliance with applicable Federal, state, and local laws, or Metro Nashville Government policies	High probability for negative public trust perception
<b>MEDIUM</b>	Moderate financial impact \$25,000 to \$10,000	Partial controls  Not adequate to identify noncompliance or misappropriation timely	Inconsistent compliance with Federal, state, and local laws, or Metro Nashville Government policies	The potential for negative public trust perception
<b>LOW/ Emerging Issues</b>	Low financial impact <\$10,000	Internal controls in place but not consistently efficient or effective  Implementing / enhancing controls could prevent future problems	Generally, complies with Federal, state, and local laws, or Metro Nashville Government policies, but some minor discrepancies exist	Low probability for negative public trust perception
<b>Efficiency Opportunity</b>	An efficiency opportunity is where controls are functioning as intended; however, a modification would make the process more efficient			