

Office of the City Auditor

City of
Gainesville,
Florida

ARPA Grant Compliance Audit Phase I

September 6, 2022



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The ARPA Grant Compliance Audit Phase 1

Executive Summary

What We Did

The objective of the American Rescue Plan Act (ARPA) Grant Compliance Audit Phase I was to review the design of the internal controls for the ARPA grant administration program and select program elements. Specifically, we:

Governance

- Reviewed adequacy and completeness of policies and procedures governing ARPA grant program management
- Assessed adequacy of the ARPA grant management structure
- Assessed adequacy of ARPA program oversight and monitoring

Eligibility

- Reviewed controls, processes and activities around project fund allocations, specific to eligibility criteria and selection method

Allowability (Use of Funds)

- Reviewed control processes and structure around subrecipient, vendor, and department project monitoring
- Assessed the adequacy of controls around management of fraud risks

Reporting

- Assessed the adequacy of control processes and procedures to ensure compliance with required grant reporting

What We Found

Based on the results of this engagement, we found that management has made significant progress to administer and manage the ARPA grant program.

We included one low risk opportunity for improvement around ARPA grant program development. The low risk observation does not require a management action plan.

While management's ARPA Program Manual was under development at the time of our review, we identified additional key elements and controls that should be included in management's ARPA grant administration program.

- Expectations for the review of department ARPA project expenditures, and required documentation for ARPA project eligibility
- Key internal controls around ARPA project budget transfer activities
- ARPA program management oversight and monitoring
- Key activities and key roles and responsibilities around program reporting to the Federal Government
- Key activities and key roles and responsibilities around project reporting to the ARPA program
- The ARPA Program Manual referencing the Grants Administration Manual key elements where applicable

We would like to thank the Office of the City Manager for their professionalism and cooperation during this engagement.

INTRODUCTION

The objective of the American Rescue Plan Act (ARPA) Grant Compliance Audit Phase I was to review the design of the internal controls for the ARPA grant administration program and select program elements. The City was awarded \$32,408,804 in ARPA funds, which must be used for purposes in compliance with the Final Rule. Audit scope and methodology, results and conclusion are summarized below while background discussion begins on page 4.

SCOPE AND METHODOLOGY

The scope of this review includes an assessment of the design, structure, and operating effectiveness of controls related to ARPA grant eligibility, allowability (use of funds) and reporting processes from March 2021 through July 22, 2022. We performed the audit fieldwork through inquiry, observation, and substantive testing for processes in scope. Specifically, we:

Governance

- Reviewed for adequacy and completeness of policies and procedures governing ARPA grant program management
- Assessed adequacy of the ARPA grant management structure
- Assessed adequacy of ARPA program oversight and monitoring

Eligibility

- Reviewed controls, processes and activities around project fund allocations, specific to eligibility criteria and selection method

Allowability (Use of Funds)

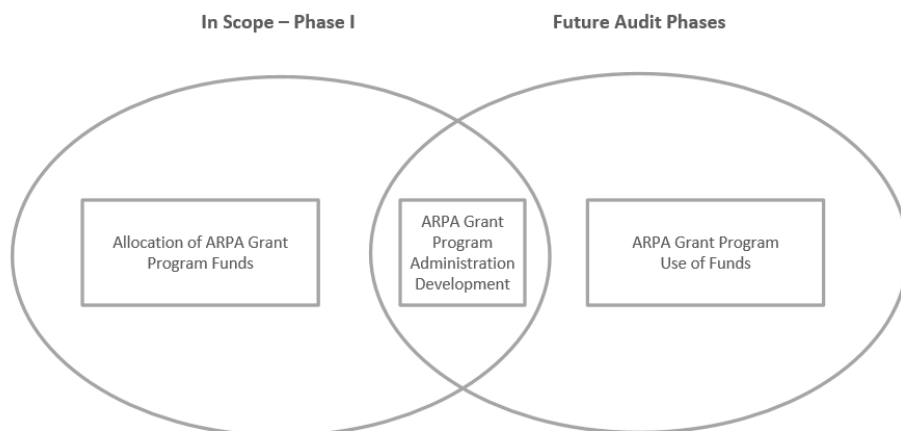
- Reviewed control processes and structure around subrecipient, vendor, and department project monitoring
- Assessed the adequacy of controls around management of fraud risks

Reporting

- Assessed the adequacy of control processes and procedures to ensure compliance with required grant reporting

See depiction of the ARPA grant processes reviewed during this audit (Phase I) and processes that will be reviewed in future audits (Figure 1).

Figure 1



RESULTS AND CONCLUSION

As a result of our review, we identified one opportunity for improvement around ARPA grant program development. The details of the low risk observation, which do not require a management action plan, are included in the Background section beginning on page 6. Audit issue ratings are described below.

- **High Risk:** Key controls do not exist or are not effective, resulting in an impaired control environment. High Risk control weaknesses require immediate corrective action detailed in the management action plan.
- **Moderate Risk:** Adequate control environment exists for most processes. Moderate risk control weaknesses require corrective action detailed in the management action plan.
- **Low Risk:** Satisfactory overall control environment with a small number of low risk control improvement opportunities that do not require corrective action or a management action plan.

We would like to thank the Office of the City Manager for their professionalism and cooperation during this engagement.

GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this audit engagement in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the engagement 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.

INTERNAL AUDIT TEAM

Ginger Bigbie, CPA, CFE, City Auditor
Brecka Anderson, CIA, CFE, Assistant City Auditor
Maria Mapagu, CPA, CIA, Internal Audit Manager
Diana Ferguson-Satterthwaite, FCCA, CIA, Senior Internal Auditor
Peter DeMaris, Staff Internal Auditor

BACKGROUND

In March 2021, the American Rescue Plan Act (ARPA) was signed into law and established the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program. The SLFRF program delivers \$350 billion to state, local, and Tribal governments across the country to support local governments in responding to economic and public health impacts of COVID-19 and contain impacts on the community, residents, and businesses.

The City of Gainesville was awarded \$32,408,804 in ARPA SLFRF funds and received the first tranche of funds in June 2021 and the second tranche in June 2022. This audit was included on the City Auditor's Audit Plan to be conducted in multiple phases. Management requested that Internal Audit begin phase I this year. As a recipient of the ARPA SLFRF grant funds, the City must comply with requirements set forth by the following regulatory agencies:

- Interim Rule published in May 2021, superseded by the Final Rule in April 2022, and published by the U.S. Department of the Treasury
- Regulatory requirements under 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
- Terms and conditions of the ARPA SLFRF grant program award agreement

According to the agreements, ARPA program funds must be used for costs incurred on or after March 3, 2021. Further, costs must be obligated by December 31, 2024, and expended by December 31, 2026. To facilitate allocation of ARPA funds, management established processes for fund allocation and ARPA program administration.

Allocation of ARPA Funds and Project Identification

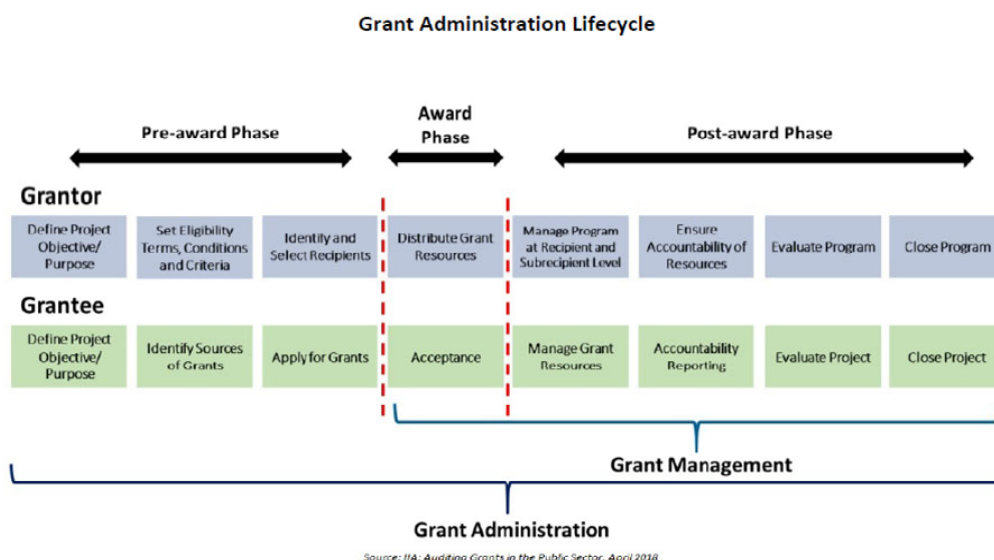
The City launched public discussions in May 2021 to consider how to allocate ARPA funds based on project scope, eligibility, and equitable impact in the community. In 2022, the City engaged Government Services Group and the Community Foundation of North Central Florida, consulting firms, to support management with establishing program governance, and to facilitate program application and selection processes for not-for-profit organization fund recipients. Processes include establishing criteria for project eligibility, identifying and vetting eligible projects, providing input on compliance questions, draft agreements/project plans, reviewing the allowability of how funds are used, and consulting on program reporting compliance.

The City Commission approved the ARPA SLFRF Project Funding Summary, the final list of ARPA approved projects, on July 14, 2022 (see Figure 3 in the Appendix). The funds were allocated to not-for-profit organizations (see Figure 4 in the Appendix), City department initiated projects, and replacement of lost revenues (see Figure 3 in the Appendix).

Development of ARPA Program Administration

In general, grant administration includes the pre-award, award, and post-award phases as depicted in Figure 2.

Figure 2



Management established the ARPA Program Manual to outline processes and internal controls around ARPA grant program administration. The ARPA Program Manual was under development at the time of our review, as the ARPA grant program is early in the grant lifecycle. The ARPA Program Manual will be used in conjunction with the existing Grants Administration Manual developed by the Department of Financial Services.

Management has made significant efforts to administer and manage the ARPA grant program. Specifically, management:

- Created an ARPA Program Manual that includes several key procedural elements to guide grant program administration processes.
- Created a subrecipient agreement template that captures key elements to govern compliance expectations with third party subrecipients who are organizations that receive pass through ARPA funds from the city.
- Submitted timely quarterly reports to the U.S. Treasury.
- Utilized an equity toolkit when selecting projects submitted by not-for-profit organizations.

- Established an ARPA Action Committee comprised of City leadership, management and a consultant to monitor project progress and provide guidance as issues arise.
- Conducted project status update meetings with departments overseeing approved ARPA projects.

While management's ARPA Grant Manual was under development at the time of our review, we identified additional key elements and controls that should be included:

- Expectations for the review of department ARPA project expenditures, and required documentation for ARPA project eligibility
- Key internal controls around ARPA project budget transfer activities
- ARPA program management oversight and monitoring
- Key activities and key roles and responsibilities around program reporting to the Federal Government
- Key activities and key roles and responsibilities around project reporting to the ARPA program
- The ARPA Grant Program Manual referencing the Grants Administration Manual key elements where applicable

This issue was identified as low risk and does not require a management action plan as management continues to develop the ARPA program administration processes. Internal Audit will review for the inclusion of these key procedural elements during phase II of the ARPA Grant Compliance audit.

APPENDIX

Figure 3 – Project Funding Summary

CITY OF GAINESVILLE ARPA SLFRF PROJECT FUNDING SUMMARY

JULY 14, 2022 Final Action

| SLFRF Award | | \$ 32,408,804 |
|---|------------------|---------------|
| REVENUE REPLACEMENT ARPA | | |
| Allocation | \$ 10,000,000.00 | |
| General Government Services Set-Aside | \$ 4,216,227.92 | |
| East Side Urgent Care Center | \$ 2,250,000.00 | |
| Vision Zero | \$ 1,250,000.00 | |
| Affordable Housing | \$ 1,080,094.27 | |
| Language Access / GINI | \$ 300,000.00 | |
| Gainesville For All | \$ 350,000.00 | |
| Central Receiving Facility | \$ 250,000.00 | |
| Feasibility Studies (Cultural Arts Center & Sportsplex) | \$ 250,000.00 | |
| Human Rights Coalition - Community ID | \$ 35,000.00 | |
| Capacity Building - Nonprofit Consultant - CFNCF | \$ 18,677.81 | |
| Total Projects | \$ 10,000,000.00 | |
| Remaining Unrestricted ARPA | \$ | 0 |
| CORE ARPA | | |
| Allocation | \$ 22,408,804.00 | |
| Affordable Housing | \$ 6,919,905.73 | |
| Aid to Non-Profit Agencies | \$ 6,981,322.19 | |
| Energy Rehabilitation | \$ 1,900,000.00 | |
| Administrative - General Consultant - GSG | \$ 1,215,330.00 | |
| Administrative - Estimated City Costs | \$ 1,172,587.00 | |
| Community Land Trust | \$ 1,000,000.00 | |
| Community Resource Paramedicine Program | \$ 1,000,000.00 | |
| National League of Cities One Nation/One Project | \$ 648,176.08 | |
| Violence Intervention | \$ 621,483.00 | |
| Homeless Outreach - GRACE Marketplace | \$ 400,000.00 | |
| Personal Protective Equipment | \$ 300,000.00 | |
| Utility Debt Forgiveness | \$ 250,000.00 | |
| Total Projects | \$ 22,408,804.00 | |
| Remaining Core ARPA | \$ | 0 |

Figure 4 – ARPA Aid to Nonprofit Organizations Awards

- Alachua Conservation Trust - \$20,000
- Alachua County Coalition for the Homeless and Hungry - \$750,000
- Alachua County Health Promotion and Wellness Coalition - \$115,028
- Alachua County Organization for Rural Needs Inc., dba ACORN Clinic - \$64,598
- Alachua Habitat for Humanity - \$196,513
- Bread of the Mighty Food Bank - \$477,534
- Cade Museum for Creativity and Invention - \$10,000
- Catholic Charities Gainesville - \$409,270
- CDS, Family & Behavioral Health Services - \$138,154
- Created Gainesville - \$20,000
- Episcopal Children's Services - \$443,521
- Family Promise of Gainesville, Florida, Inc. - \$268,520
- First Love Yourself Inc. - \$10,000
- FL Institute for Workforce Innovation d/b/a Project YouthBuild - \$422,522
- Food4Kids Backpack Program of North Florida Inc. - \$20,000
- Gainesville Area Community Tennis Association d/b/a Aces In Motion - \$20,000
- Gainesville Community Counseling Center - \$284,698
- Gainesville Housing Development and Management Corporation - \$20,000
- Gainesville Opportunity Center - \$97,637
- Girls on the Run of Alachua County - \$20,000
- Girls Place, Inc. - \$209,995
- Kids Count in Alachua County - \$113,904
- Meridian Behavioral Healthcare, Inc. - \$151,773
- Mt. Pleasant United Methodist Church Inc. - \$10,000
- NAMI Gainesville, Inc. - \$20,000
- Neighborhood Housing & Development Corporation - \$750,000
- North Central Florida YMCA, Inc. - \$300,000
- Pace Center for Girls, Inc., Alachua - \$300,000
- Peaceful Paths - \$491,000
- Rebuilding Together North Central Florida - \$20,000
- River Phoenix Center for Peacebuilding - \$98,400
- Rural Women's Health Project - \$240,165
- Star Center Theatre - \$10,000
- University of Florida Mobile Outreach Clinic - \$300,000
- Upper Room - \$20,000
- Working Food - \$138,090