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AUDITOR'S LETTER

July 15, 2021

The objective of our audit of the City and County of Denver’s coronavirus relief funding was to assess the city’s financial controls related to the initial federal aid Denver received for its pandemic response efforts. This audit specifically focused on the $126.9 million the city received from the federal Coronavirus Relief Fund — which Congress created through the Coronavirus Aid, Relief, and Economic Security, or CARES, Act. I am pleased to present the results of this audit.

The audit found that, in 2020, the Department of Finance sufficiently managed the city’s progress in spending federal coronavirus relief funds on pandemic-related expenses, but the city should also better document individual transactions. Additionally, we found problems related to how the city accounted for the interest it earned on the relief dollars.

By implementing recommendations for stronger policies, procedures, and processes for documenting transactions and tracking interest earned, the city will be better equipped to manage current and future government aid the city receives for its pandemic relief.

This performance audit is authorized pursuant to the City and County of Denver Charter, Article V, Part 2, Section 1, “General Powers and Duties of Auditor.” 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.

We extend our appreciation to the city personnel who assisted and cooperated with us during the audit. For any questions, please feel free to contact me at 720-913-5000.

Denver Auditor’s Office

[Signature]

Timothy M. O’Brien, CPA
Auditor
Coronavirus Relief Funding

JULY 2021

Objective
To assess the city’s compliance with the Coronavirus Aid, Relief, and Economic Security Act’s eligibility and documentation requirements for pandemic-related expenses in 2020, specifically those paid for through the federal Coronavirus Relief Fund.

Background
In April 2020, the City and County of Denver received $126.9 million from the Coronavirus Relief Fund. Congress established the fund as part of the CARES Act to help territories, states, local governments, and tribal governments respond to the COVID-19 pandemic.

The city’s Department of Finance developed a phased plan to spend the money throughout the year, including with input from city agencies and the Denver City Council. Denver’s aid addressed a variety of community needs, including sheltering individuals experiencing homelessness.

The Department of Finance Sufficiently Managed the City’s Process for Spending Federal Aid from the Coronavirus Relief Fund, but It Could Offer Better Guidance to Agencies on How to Document Individual Transactions

The Finance Department formed a federal funding committee and implemented a phased spending plan to use the coronavirus relief funds. The city also submitted federal reporting periodically as required.

However, we found:

- Some transactions were not documented appropriately in accordance with city fiscal rules.
- Some transactions lacked supporting information showing how the expense was related to the pandemic.

The City Failed to Properly Track Interest for Coronavirus Relief Funds

- Federal guidance and Denver’s own Fiscal Accountability Rules require the city to track interest earned, but the Department of Finance failed to track interest on the city’s coronavirus relief funds for several months.
- Bank reconciliations also were not done as required for several months.

Why This Matters

Federal aid from the CARES Act and other sources helped Denver pay for a wide array of unexpected costs related to its pandemic response efforts at the same time the city saw drastic declines in its sales, use, and lodgers tax revenue. Ensuring the city uses its relief funds appropriately will maximize their benefit to Denver residents and businesses.
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BACKGROUND

The Financial Impact of the Pandemic

In 2020, the COVID-19 pandemic significantly impacted government finances at every level — including within the City and County of Denver. Because the pandemic brought economic activity to a near standstill, Denver saw a drastic decline in tax revenues while also facing millions of dollars in increased costs related to the pandemic response. Specifically, the city reported that its sales, use, and lodgers tax revenue decreased by about $192.3 million in 2020 compared to 2019. Additionally, the city’s reported expenses in 2020 increased by about $165.9 million over 2019 primarily because of expenses related to pandemic response.¹

Overview of the CARES Act

In March 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security — or CARES — Act, which created the Coronavirus Relief Fund. This fund provided $150 billion in direct government assistance: $139 billion for state governments based on their populations; $8 billion for tribal governments; and $3 billion for U.S. territories, including the District of Columbia and Puerto Rico.²

The City and County of Denver received $126.9 million of that aid on April 21, 2020. Table 1 on the following page summarizes the amount of coronavirus relief funds that Colorado and certain counties — including Denver — received.

For the purposes of this audit, we refer to the money Denver received through the Coronavirus Relief Fund as “coronavirus relief funds.”

OTHER PANDEMIC RELIEF – Aside from the $127 million provided by the Coronavirus Relief Fund, the city also received $477 million dollars in pandemic-related aid from other provisions in the CARES Act and other sources such as the state of Colorado and the Federal Emergency Management Agency, or FEMA.

In total, the City and County of Denver had been awarded over $604 million in coronavirus-related funding as of April 2021, as shown in Figure 1 also on the following page.³

² Coronavirus relief funds were sent directly to state governments. However, local governments with populations of at least 500,000, such as Denver, had the option to request and receive assistance directly from the U.S. Department of the Treasury.
³ Additionally, Denver International Airport separately received $269 million from the CARES Act.
TABLE 1. Coronavirus Relief Funding for Colorado and Selected Local Governments

<table>
<thead>
<tr>
<th>Local and State Allocations</th>
<th>Coronavirus Relief Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adams County</td>
<td>$90.3 million</td>
</tr>
<tr>
<td>Arapahoe County</td>
<td>$114.6 million</td>
</tr>
<tr>
<td>City and County of Denver</td>
<td>$126.9 million</td>
</tr>
<tr>
<td>El Paso County</td>
<td>$125.7 million</td>
</tr>
<tr>
<td>Jefferson County</td>
<td>$101.7 million</td>
</tr>
<tr>
<td>All remaining funds to the state of Colorado</td>
<td>$1.67 billion</td>
</tr>
<tr>
<td>Total Colorado Allocation</td>
<td>$2.23 billion</td>
</tr>
</tbody>
</table>

Note: Local governments with populations of at least 500,000, such as Denver, had the option to request and receive the coronavirus relief funds directly from the U.S. Department of the Treasury. These local governments are listed for the state of Colorado. The remaining funds not requested directly from the U.S. Treasury by local governments with populations over 500,000 were sent to the state. The amounts shown include only coronavirus relief funds provided as part of the CARES Act and do not include other pandemic relief the governments may have received from other parts of the CARES Act or other funding sources.

Source: U.S. Department of the Treasury.

FIGURE 1. City and County of Denver COVID-19-Related Funding by Source

<table>
<thead>
<tr>
<th>Funding Sources of Coronavirus Response Awards</th>
<th>Federal Funding Sources</th>
<th>CARES Act Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>$604 million</td>
<td>$589 million</td>
<td>$410 million*</td>
</tr>
<tr>
<td>Federal</td>
<td>97.5%</td>
<td>69.5%</td>
</tr>
<tr>
<td>State $14 million</td>
<td>2.25%</td>
<td>6%</td>
</tr>
<tr>
<td>Other $1 million</td>
<td>0.25%</td>
<td>6.5%</td>
</tr>
<tr>
<td>FEMA $140 million</td>
<td>24%</td>
<td>24%</td>
</tr>
<tr>
<td>Other $39 million</td>
<td>6.5%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Coronavirus Relief Fund $129 million</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Numbers appearing in this graphic are as of April 2021. Although the city received $127 million in coronavirus relief funds, this graphic shows $129 million because of interest earnings on the original funds received. *Denver International Airport received $269 million from the CARES Act.

Source: Workday, the city's system of record.
ELIGIBILITY REQUIREMENTS – The CARES Act dictates how dollars from the Coronavirus Relief Fund may be spent. Specifically, it allows territories, states, local governments, and tribal governments to use this money for:

1. Necessary expenditures incurred because of the pandemic.
2. Expenditures not already accounted for in a budget approved before March 27, 2020.
3. Expenditures made between March 1, 2020, and Dec. 30, 2020.4

The inspector general of the U.S. Department of the Treasury provided supplemental guidance on which expenses governments can pay for with the Coronavirus Relief Fund. The relief dollars cannot be used to replace revenue shortfalls, and any ineligible expenses might have to be repaid to the U.S. Treasury.

FEDERAL OVERSIGHT RESPONSIBILITIES –
Under the CARES Act, Treasury’s inspector general is responsible for monitoring and overseeing the coronavirus relief funds. The inspector general also has authority to recover the money when a recipient fails to comply with requirements.

As a primary recipient of coronavirus relief funds, Denver is required to submit quarterly reports of the expenditures it incurs. The inspector general reviews and approves these quarterly reports.

Additionally, Coronavirus Relief Fund payments are considered federal financial assistance and subject to an annual single audit. The federal government requires an audit — i.e., the single audit — by an external party of all funds when $750,000 or more was received from the federal government. The single audit is performed by the city’s external auditors and is an additional layer of oversight of Denver from the federal government.

Subsequent Pandemic Relief

Congress passed a second pandemic relief package in December 2020, which impacted the Coronavirus Relief Fund. Specifically, the 2021 Consolidated Appropriations Act extended the time governments have to spend that initial money — pushing the deadline from Dec. 30, 2020, to Dec. 31, 2021. The package also included a new emergency rental assistance program separate from the Coronavirus Relief Fund, which provided Denver with $21.9 million in additional funding.5

In March 2021, Congress passed the American Rescue Plan — a $1.9 trillion coronavirus relief package separate from the Coronavirus Relief Fund.

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program. The newest relief package included $350 billion in direct funding for territories, states, local governments, and tribal governments. Denver is receiving $308 million from this funding and must spend the money by Dec. 31, 2024.

City Stakeholders

Since March 2020, the city proactively leveraged the expertise of multiple staff from the Department of Finance, the Mayor’s Office, and other agencies to begin managing the Coronavirus Relief Fund dollars Denver received.

In October, the city created a federal grants manager position and filled it with a grants specialist in the Budget Management Office who was already working on the city's pandemic response. The federal grants manager is mostly dedicated to managing Coronavirus Relief Fund dollars and other relief from the Federal Emergency Management Agency. They report to the deputy chief financial officer who, in turn, reports to the chief financial officer.

Meanwhile, a specific team determined the overall strategy for how Denver’s Coronavirus Relief Fund dollars would be used — including planning and developing a spending process and tracking the use of the funds. This team included the city’s federal grants manager, chief financial officer, deputy chief financial officer, other city staff, and representatives from the Mayor’s Office.

The federal grants manager worked with city staff specifically by providing accounting support, performing budget analyses, navigating other federal relief, and developing public dashboards for spending and performance outcomes. The federal grants manager estimated they spent 40% of their time managing coronavirus relief funds between March and December 2020, while six others in the Department of Finance spent between 5% and 30% of their time on this.

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FINDING 1 AND RECOMMENDATION

The Department of Finance Sufficiently Managed the City’s Process for Spending Federal Aid from the Coronavirus Relief Fund, but It Could Offer Better Guidance to Agencies on How to Document Individual Transactions

The need for a fast response to the COVID-19 pandemic meant that the federal government’s regulations and guidance on eligible uses of coronavirus relief funds changed throughout 2020, even as communities were already spending the money.

U.S. Treasury officials issued a Frequently Asked Questions document on spending the relief funds, which they then updated repeatedly throughout the year. The document addressed topics such as using the money for payroll expenses and considerations for interest earned on the coronavirus relief funds. Along with the Frequently Asked Questions document, the U.S. Treasury Department outlined specific requirements for governments to report how they spent the money they received through the Coronavirus Relief Fund.7

The evolving guidance — plus Congress’ late extension of the spending deadline by a full year — presented some logistical challenges to governments, like the City and County of Denver, that had received aid through the Coronavirus Relief Fund.

We found the Department of Finance worked with agencies across the city to help ensure the city’s needs were met as the city spent the money it received through the federal Coronavirus Relief Fund. The Department of Finance formed a committee with those agencies, implemented a phased spending plan for its use of coronavirus relief funds, and periodically reported to the federal government as required.

However, some transactions were not supported with adequate documentation and some transactions lacked support to link an expense to the pandemic.

The Department of Finance Formed a Federal Funding Committee and Implemented a Phased Spending Plan

At the beginning of the city's pandemic response in March 2020, city leaders activated the city's Emergency Operations Center to address immediate needs. The early days of the city's response were heavily funded by grants from the Federal Emergency Management Agency in what the Department of Finance deemed a “FEMA first” approach, because federal guidance for both the CARES Act and its Coronavirus Relief Fund were still in their early stages.

After the city received its $126.9 million from the Coronavirus Relief Fund in late April 2020, the Department of Finance recommended the city release a portion of the payment quickly for agencies to address several ongoing community emergency needs such as public health, housing, food, and economic support.

At the same time, Finance kicked off a multi-agency process to develop a federal funding plan for the pandemic assistance. The city created a federal funding committee with representatives from over 15 agencies, including the City Attorney’s Office. The group provides updates to the City Council and usually meets weekly to discuss funding updates, challenges, timelines, and other pandemic-relief considerations.

The Department of Finance, in conjunction with the funding committee, enacted a phased plan for spending the aid from the federal Coronavirus Relief Fund to address the city’s evolving pandemic response needs. The planned phases implemented in 2020 — along with the cost and category of approved projects — are summarized in Figure 2.

**FIGURE 2. Planned Phased Spending Timeline for Coronavirus Relief Fund Dollars**

City leaders developed the first phase of spending to provide quick response and relief using existing city resources and FEMA funding. The Phase 1 emergency deployment cost $20 million and went toward food assistance, public health, shelter and housing, and economic support.
By the end of June, the city moved away from using its Emergency Operations Center and began resuming some typical operations. For Phase 2, agencies submitted project requests that they wanted covered by the city’s coronavirus relief funds. The city received 63 proposals from 15 agencies, totaling $98.8 million. The Department of Finance vetted the proposals and made decisions on funding based on how a project aligned with priorities, the project’s eligibility for coronavirus relief funds, and its eligibility for FEMA aid.

The priorities for Phase 2 focused on equity in community investments and considered how quickly projects could be implemented, how projects could help prevent a potential resurgence in infection rates, and how projects positioned the city for long-term recovery. The final Phase 2 projects — totaling $25.6 million — were presented to the City Council in August. These projects focused on food assistance, individual support, public health, economic support, and shelter and housing.

For Phase 3 spending, eight agencies submitted 28 proposals for community support, totaling $39.3 million. Once again, the Department of Finance vetted the proposals with the same basic factors that they used in Phase 2 and the final projects were presented to the City Council in October — ultimately totaling $40.7 million. Of that, $12.6 million went to projects supporting the community and $28.1 million went to public health, citywide operations, economic support, reserve, shelter and housing, and payroll for public health and public safety employees.

As detailed in Figure 3 on the next page, the Department of Finance established a funding decision-making process for spending phases 2 and 3 to ensure decisions remained focused on city priorities and eligibility.

Altogether, the planned expenditures for the three phases totaled about $86 million, and the city initially planned to use the remaining coronavirus relief funds by Dec. 30, 2020, as the CARES Act required. But when Congress extended the deadline, allowing another full year for governments to spend the money, the city scrapped that plan and the amount of coronavirus relief funds spent in 2020 remained well below the city’s total award.

Ultimately, the city spent $51.3 million of its coronavirus relief funds by the end of 2020. Which 2020 expenditures the city put toward the fund continued to change in the beginning of 2021 — and during this audit — because Finance officials decided to free up some coronavirus relief funds for later use or, in some cases, to reallocate them to cover other 2020 expenditures.

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8 This amount is an allocation of coronavirus relief funds that covered pandemic response expenses for 2020 that had not been finalized as of the publication of this report.
Throughout 2020, the deputy chief financial officer and the federal grants manager worked with city agencies to assess the use of coronavirus relief funds in ongoing projects to determine whether any unspent dollars could be redirected and to get updates on the progress of their projects and spending.

These updates began as informal meetings between the agencies and the Department of Finance’s federal grants manager and deputy chief financial officer. As the original spending deadline approached at the end of 2020, the federal grants manager used an online update form for agencies to communicate the money remaining in each of their projects and report performance outcomes for completed projects.

Additionally, key city stakeholders, including the federal grants manager, collaborated to assess the use of the funds and to determine any potential redirection.

**REDIRECTING FEDERAL ASSISTANCE**

In September, the city submitted a request to the Federal Emergency Management Agency seeking reimbursement for about $60 million in shelter expenses that the city initially wanted to pay for with its Coronavirus Relief Fund dollars.

If approved for the reimbursement, the city could then use (i.e., reallocate) the federal funding toward other costs. In March 2021, FEMA approved part of the city’s reimbursement request — freeing up about $22.7 million, or 38%, of the $60 million requested.
federal grants manager, attended meetings by the Government Finance Officers Association to stay informed of the changing risk environment as well as best practices as the guidance for Coronavirus Relief Fund dollars evolved.

Overall, the Finance Department’s establishment of a federal funding committee and a phased spending plan and its continued monitoring of the city’s coronavirus relief dollars align with several best practices from the U.S. Government Accountability Office, including:\(^9\)

- **EXERCISING OVERSIGHT AND ESTABLISHING STRUCTURE** – The Finance Department quickly convened citywide stakeholders and developed and monitored a funding decision-making process and spending plans in collaboration with those stakeholders.

- **IDENTIFYING RISKS AND CHANGES TO FACTORS OUTSIDE THE CITY** – Finance Department staff attended weekly video conference forums hosted by the Government Finance Officers Association to stay current in their understanding of the changing risk environment, requirements, and guidance around Coronavirus Relief Fund spending.

- **DESIGNING CONTROL ACTIVITIES AND DESIGNING ACTIVITIES FOR INFORMATION SYSTEMS BY RESPONDING TO OBJECTIVES AND RISKS AND LEVERAGING NEW INFORMATION TECHNOLOGY INFRASTRUCTURE** – The Finance Department leveraged video conferencing programs (e.g., Skype and Microsoft Teams) to hold weekly federal funding committee meetings with agency representatives when in-person meetings were not possible. They similarly leveraged information technology infrastructure to coordinate the review-and-approval process for Coronavirus Relief Fund projects and to receive updates from agencies on project spending using the online forms.

- **COMMUNICATING INTERNALLY BY SHARING NECESSARY QUALITY INFORMATION TO ACHIEVE OBJECTIVES** – The Finance Department hosted recurring weekly federal funding committee meetings with citywide stakeholders to relay updates and information gained from the Government Finance Officers Association’s weekly video conference forums. These forums discussed the changing risk environment, requirements, and guidance around Coronavirus Relief Fund spending.

- **PERFORMING MONITORING ACTIVITIES** – The Finance Department used project proposal forms, continued to meet with agencies about their spending progress on approved projects, and used online project update forms to monitor spending progress and help identify issues with overall Coronavirus Relief Fund deployment, individual project deployment, and other pandemic relief considerations.

Additionally, Finance's oversight and management of the coronavirus relief funds also aligns with some FEMA disaster management best practices, including:

- Composing a disaster financial management team that includes finance managers, grant managers, and legal counsel.
- Developing knowledge for procurement and contracting practices, including maintaining the requirements of federal grant regulations.
- Managing the financial portfolio and ongoing projects through steps that include planning, executing, and monitoring activities.10

We found the city followed the detailed guidance from the U.S. Department of the Treasury’s inspector general regarding the requirements for reporting how governments spent their Coronavirus Relief Fund dollars.11 These requirements for recipients of coronavirus relief funding include but are not limited to:

- Reporting on the uses of Coronavirus Relief Fund payments to the federal government’s GrantSolutions portal for the period of March 1, 2020, through Dec. 30, 2020. Congress, through the 2021 Consolidated Appropriations Act, later pushed the deadline for spending Coronavirus Relief Fund dollars to Dec. 31, 2021.
- Listing in required quarterly reports all the projects the city planned to complete with Coronavirus Relief Fund payments — including the project names, descriptions, identification numbers, and statuses of completion.
- Providing detailed obligation and expenditure information in the quarterly reports for any contracts and grants awarded, loans issued, and direct payments the city made that were $50,000 or more.
- Designating two preparers to enter data into GrantSolutions and designating an authorizing official responsible for certifying and submitting required quarterly reports after they reviewed and certified the data.
- Certifying and submitting the first required quarterly report covering the months of March through June 2020 by Sept. 21, 2020, and certifying and submitting all other reports no later than 10 calendar days after the end of each calendar quarter.

The city’s designated preparers ran multiple reports in Workday, the city’s system of record, to obtain the necessary data for the quarterly reports. They then input this data — including obligated and expended amounts — into the GrantSolutions portal as draft reports. The authorizing official then reviewed and approved these draft reports for completeness and accuracy and submitted them in the GrantSolutions portal.

City officials submitted their first quarterly report by Sept. 21, 2020, but the U.S. Treasury initially rejected the city’s first quarterly report — which covered March 1, 2020, through June 30, 2020 — because the report needed more detail. Specifically, Treasury officials required the addition of contractor names and appropriate identification numbers for seven contracts noted in the report.

Finance staff made the necessary changes and resubmitted the report on Sept. 28, 2020, and Treasury accepted the revised report. The additional information did not change the financial amounts and there were no further consequences to this first report having to be resubmitted.

As required, the city submitted the last two quarterly reports for 2020 within 10 calendar days of a quarter’s end. All necessary information — such as project details and obligation and expenditure information — was included in these last two submitted reports for 2020. Additionally, we reviewed each report submission and determined each report was signed and approved by the authorizing official as required.

The Department of Finance was also transparent with how the city spent its coronavirus relief funds by issuing news releases and updating City Council members during their annual budget talks in the fall. Several news releases detail the city’s Coronavirus Relief Fund spending on projects such as emergency sheltering for individuals experiencing homelessness, public health projects, aid to small businesses, and temporary rental and utility assistance.

Finance also launched an interactive public dashboard in February 2021 that shows information on Coronavirus Relief Fund spending across the city. We did not assess the accuracy of this dashboard because it was not fully completed by the time our fieldwork ended in April 2021.

Finance officials said federal guidance did not require internal reporting, such as to the City Council. Nonetheless, the department began briefing council members on the plans for relief spending beginning in May 2020 when briefings began for the three spending phases. In September 2020, the Department of Finance began updating the City Council on a regular basis about the city’s progress of using the coronavirus relief funds.

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The City Tagged Potential Pandemic-Related Expenditures, with a Few Exceptions

After the pandemic escalated in the United States during spring 2020, Finance officials instructed city employees to tag all COVID-19-related expenses in the city’s system of record, Workday, so that these expenses could be tracked and later reimbursed by pandemic-related funding (e.g., coronavirus relief funding, FEMA funding, state funding, or otherwise).

To evaluate how well city employees tagged these expenses, we looked at a statistical sample of 58 transactions, focusing on a population of expenses that were at higher risk of being pandemic-related but not tagged. We did not test whether these transactions were eligible for coronavirus relief funding.

We found each of the 58 transactions in our sample was not tagged with a coronavirus tag, which appeared to be correct for these expenses. As a result of our statistical analysis, we are 90% confident that no more than 3.9% of the count of the city’s pandemic-related expense transactions were improperly tagged. Based on these testing results, this means the city did a good job of identifying and labeling transactions related to the pandemic.

We also performed a second, more targeted test to look at key words appearing on the memo lines for this population of expenses. In all, we reviewed 14,974 invoices that were not tagged with a COVID-19 program code. This targeted test did not include looking at any untagged expenses that did not have any language related to COVID-19 to see whether they would have been eligible for funding.

We found only three invoices that specifically mentioned “COVID” or “coronavirus” in the memo field. After reviewing these transactions further, we determined all three were, in fact, pandemic-related expenses and should have been tagged. These expenses totaled about $63,000 — representing 0.05% of the Coronavirus Relief Fund dollars the city received. The federal grants manager referred the three invoices to the responsible agencies, which then tagged them appropriately so they could be put toward the coronavirus relief funds or another pandemic-related grant or funding source.

As a result of our testing, it appears the Department of Finance successfully instructed city agencies on the need to tag pandemic-related expenses and that city agencies were thorough in tagging such transactions.

Documentation for Some Transactions Is Not Sufficient to Tie the Expenses to the City’s Pandemic Response

While city leaders and Finance officials did well in planning, monitoring, and reporting on the city’s coronavirus relief fund spending and in capturing and labeling related transactions, our tests of eligibility for coronavirus relief funds found that some transactions did not have the proper documentation to fully support how they were related to the city’s pandemic response.

A lack of documentation does not comply with federal grant requirements, can cast doubt on a transaction’s eligibility, and prevents the city from overseeing and confirming the appropriateness of an expense.
ELECTRIC CAR-SHARE PROGRAM

The city’s electric car-share program was one project funded by the Coronavirus Relief Fund — although it may not seem to be related to the pandemic at first glance.

The program received $300,000 in relief funds to pay for five new electric vehicles and six electric vehicle stations installed in underserved communities in Denver, as well as 450 subsidized memberships in the eGo CarShare nonprofit program for residents.

The car-share program is meant to offset one effect of the pandemic: significant declines in mass-transit service, which disproportionately affected low-income and older residents who do not own vehicles but still need to go to work or access basic goods and services, such as groceries and health care.

Of the expenses we looked at, we ultimately determined almost all were allowable. We did find some other minor eligibility issues that could be seen as borderline exceptions open to interpretation. Despite these exceptions, we did not identify widespread eligibility concerns.

We tested four populations of the city’s Coronavirus Relief Fund expenses. We started by pulling all expenses incurred in 2020 that city employees tagged with a Coronavirus Relief Fund tag in the city’s system of record, Workday. We then divided those transactions into four groups.

The first three groups were transactions from the Department of Housing Stability, the Department of Finance, and Denver Economic Development & Opportunity, respectively. We tested a sample from each of these agencies as they were the largest spenders in our overall population and they represented almost 80% of all Coronavirus Relief Fund expenses we looked at.

The fourth group was all remaining Coronavirus Relief Fund expenses, which were incurred by:

- The city’s Technology Services agency.
- The Department of Public Health and Environment.
- Denver Arts & Venues.
- The Department of Transportation & Infrastructure.
- The city’s Human Rights and Community Partnerships agency.
- The Office of Children’s Affairs.
- The Office of Climate Action, Sustainability, and Resiliency.

We found some expenses where the supporting documentation in Workday did not show any information or explain how an expense was related to the COVID-19 pandemic. Most of these expenses did have appropriate, itemized receipts and/or invoices, but it was unclear how these items related to the pandemic. We followed up with the relevant agency for each

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14 We removed all labor expenses, as there are some differences for labor expenses based on guidance from the U.S. Treasury. See Appendix B for more detail on our methodology.
We found some expenses where the supporting documentation did not explain how an expense was related to the COVID-19 pandemic.

We found some expenses where the supporting documentation did not explain how an expense was related to the COVID-19 pandemic.

expense to have employees explain the connection. Some examples of the expenses we identified included:

- Tent supports that allowed a local meal program to increase social distancing space.
- Snack kits for a COVID-19 testing site because employees needed shelf-stable meals and could not bring their own.
- Webcams for city employees working remotely because of the pandemic.

When we followed up with the Department of Finance seeking a cause for this issue, staff explained that city agencies were told of the U.S. Treasury guidance and that they were expected to substantiate these expenses the same way they would any other city expenses. However, the staff acknowledged that a clear standard of acceptable documentation would improve agencies’ evidence of eligibility and they said they intended to implement this standard going forward.

Meanwhile, we uncovered some expenses that were missing appropriate supporting documentation altogether — meaning they did not have an itemized receipt and/or invoice as required by city fiscal rules. Specifically, we found:

- One transaction out of 62 in the Department of Housing Stability had inadequate documentation to support the expense. As a result of this — and our later determination that this transaction occurred before the eligibility time frame began on March 1, 2020 — it was ultimately not eligible for coronavirus relief funding.
- Two transactions out of 74 in the Department of Finance lacked adequate supporting documentation. We believe these two transactions were eligible; they were just not supported with the adequate documentation they are required to have.
- Two transactions out of 64 in our testing of all other city agencies were not eligible for coronavirus relief funding because they did not have appropriate supporting documentation. One of these transactions was from the Office of Children’s Affairs and the other was from Denver Arts & Venues. In both instances, we believe these expenses would have ultimately been eligible for coronavirus relief funding if they had had appropriate supporting documentation.

We determined the reason these transactions did not include appropriate supporting documentation to substantiate the expense was because city agencies were not following Fiscal Accountability Rule 2.5, which requires a certain level of documentation detail such as itemized receipts and invoices. Appropriate supporting documentation is also required by U.S.
Treasury guidance. All 60 transactions we tested in Denver Economic Development & Opportunity had documentation that complied with the city’s fiscal rules, so they were eligible for coronavirus relief funding. But for many transactions, the documentation did not provide a clear link to the pandemic — which required significant follow-up work from our team to determine the expenses’ eligibility.

Inadequate documentation prevents auditors and other city employees from determining whether the expenses are truly related to the pandemic. Additionally, expenses that have supporting documentation but do not provide sufficient detail showing how they are related to the pandemic could be deemed ineligible for federal assistance.

The city might have to return funding for those ineligible expenses. However, based on recent reviews and audits by the U.S. Treasury, it is more likely that Treasury would require the city to reallocate the funds spent on ineligible expenses to those that are eligible. However, this would contribute to inefficiency by using additional city resources and time to identify new eligible expenses and reallocate the money to those expenses.

**RECOMMENDATION** Provide Detailed Guidance on Supporting Documentation

To ensure compliance with U.S. Treasury guidance and the city’s Fiscal Accountability Rule 2.5, the Department of Finance should give more detailed guidance to agencies about what is acceptable supporting documentation in Workday to substantiate pandemic-related transactions. Examples showing what is and is not acceptable should be included in this guidance to better illustrate what appropriate documentation looks like — including itemized receipts or invoices.

**AGENCY RESPONSE:** AGREE, IMPLEMENTATION DATE – AUG. 31, 2021

SEE PAGE 21 THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATIONS.

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FINDING 2 AND RECOMMENDATIONS

The Department of Finance Failed to Properly Track and Review Interest for Coronavirus Relief Funds

While planning this audit, we discovered city finance staff had not posted interest earned on the city’s $126.9 million in coronavirus relief funds for several months. They also were not reconciling bank statements in a timely manner, which would have alerted them to the accounting error.

Although the Finance Department eventually corrected interest earnings, the city went much of 2020 without tracking exactly how much interest it was earning on its federal coronavirus relief funds. Ultimately, that meant around $1.8 million in interest earnings was not available as pandemic-related projects were being planned. This potentially reduced the available pandemic relief the city could have provided to Denver residents in 2020.

Because the city was not properly tracking the interest, it was not adhering to U.S. Treasury guidance to keep track of interest earnings on coronavirus relief funds and ensure the money earned is used only on eligible expenses.\(^\text{17}\) The city also was not following its own Fiscal Accountability Rule 6.2, which requires investment earnings to be allocated in accordance with any legal requirements.\(^\text{18}\)

The City and County of Denver received its coronavirus relief funds from the U.S. Treasury in April 2020. But we found that no interest earnings from this money were posted to the city’s system of record, Workday, until July 9 — over two and a half months later. At that time, finance staff posted the interest that had accumulated only in April and May. No more interest earnings for the year were posted until Dec. 7.

This problem was compounded by the fact that cash balances recorded in Workday were significantly inaccurate for the Coronavirus Relief Fund dollars during these months. These amounts are significant because they could influence the judgment of a reasonable person reviewing the financial statements.

Figure 4 on the next page shows the cash balance of the city’s coronavirus relief funds from when they were received in April through the end of 2020.

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\(^{17}\) 86 Fed. Reg. 4182.

The amount of cash recorded in Workday fluctuated significantly from month to month. This is important because the city uses these cash balances to calculate the amount of interest that should be earned.

We learned the reason the city recorded the cash balances incorrectly was because Department of Finance employees were trying to make changes to the coronavirus relief funds in Workday. They mistakenly thought they had to remove the cash balances from the books and then repost them to make underlying changes. When the employees made these changes, the amounts were not immediately rebooked back to the Coronavirus Relief Fund. As a result, the amount of cash shown in Workday was inaccurate when these entries were not rebooked.

The Department of Finance is now aware that they can make changes to the underlying grants without making adjustments to the cash balance. But we determined another cause for the interest not being posted is that the Department of Finance lacks procedures to ensure staff comply with Fiscal Accountability Rule 6.2 related to posting interest.

Finance staff said the interest was not posted because the employee responsible for the interest postings was on leave and a manager was supposed to assume their duties, but bank reconciliations were not done during this time.
Another fiscal rule — Fiscal Accountability Rule 2.4 — requires staff members to rotate jobs to ensure employees are cross-trained to perform each other’s functions in case of illness, vacation, or termination.\(^9\)

We also noted there is no formal procedure requiring those responsible for managing the city’s grants — like the federal grants manager in the case of the Coronavirus Relief Fund — to actively monitor the interest earned on grant funds to ensure it is posted monthly to the grant.

Staff also did not perform bank reconciliations during this time, which prevented the city from detecting two errors: the cash balances being significantly inaccurate and the interest earnings not being posted to the Coronavirus Relief Fund. When the employee responsible for the interest postings returned from leave, the employee detected the errors when they resumed the bank reconciliations.

Cash is a “material and significant” account for the city, and city Fiscal Accountability Rule 2.2 requires “material and significant” accounts to be reconciled to Workday every month.\(^{20}\) A bank reconciliation compares the amount of cash shown in accounting records (i.e., Workday for the City and County of Denver) to the amount of cash the bank has recorded for the city on a monthly basis.

This is an important procedure in any accounting system. When staff do not complete bank reconciliations on time, it increases the risk of bank errors or erroneous transactions going undetected by the city. Additionally, the city may not detect fraud and other accounts may have missed interest earnings during this time as well.

The Department of Finance booked their correction in early 2021 of interest earned on coronavirus relief funds for 2020, which totaled about $1,785,000. To test the reasonableness of this total, we performed an estimate calculation of the 2020 interest, which came out to about $1,870,000. The booked interest appears reasonable because the $85,000 difference was less than 5% and is likely due to minor differences in the calculation methods and the timing of the calculations.

---


2.1 RECOMMENDATION Cross-Train and Rotate Employee Job Functions

The Department of Finance should ensure agency heads and department managers in the Department of Finance develop and follow a plan to periodically have their staff members rotate jobs to ensure employees are cross-trained to perform each other's functions in case of illness, vacation, or termination. This is required by city Fiscal Accountability Rule 2.4.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE – SEPT. 30, 2021
SEE PAGE 21 THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATIONS.

2.2 RECOMMENDATION Monitor and Ensure Bank Reconciliations Are Performed Monthly

The Department of Finance should implement an additional procedure that ensures all bank reconciliations are completed monthly. This should include a monitoring requirement where a supervisor verifies and signs off that all bank reconciliations are completed each month.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE – SEPT. 30, 2021
SEE PAGE 21 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATIONS.

2.3 RECOMMENDATION Implement Procedures to Post Interest

The Department of Finance should implement procedures that ensure the posting of interest complies with Fiscal Accountability Rule 6.2. These procedures should include a list of all funds that have an interest posting requirement to ensure all of those funds have interest posted accurately and in a timely manner each month.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE – SEPT. 30, 2021
SEE PAGE 21 THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATIONS.
### RECOMMENDATION

**Monitor Interest on Grants**

The Department of Finance should implement procedures requiring grant managers to monitor postings of interest to their grants to ensure those funds have had interest posted accurately and in a timely manner each month.

**AGENCY RESPONSE:** AGREE, IMPLEMENTATION DATE – SEPT. 30, 2021

SEE PAGE 21 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATIONS.
June 25, 2021

Auditor Timothy M. O’Brien, CPA
Office of the Auditor
City and County of Denver
201 West Colfax Avenue, Dept. 705
Denver, Colorado 80202

Dear Mr. O’Brien,

The Office of the Auditor has conducted a performance audit of Coronavirus Relief Funding. This memorandum provides a written response for each reportable condition noted in the Auditor’s Report final draft that was sent to us on June 18, 2021. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code (D.R.M.C.).

AUDIT FINDING 1
The Department of Finance Sufficiently Managed the City’s Process for Spending Federal Aid from the Coronavirus Relief Fund, but It Could Offer Better Guidance to Agencies on How to Document Individual Transactions

RECOMMENDATION 1.1
Provide Detailed Guidance on Supporting Documentation—To ensure compliance with U.S. Treasury guidance and the city’s Fiscal Accountability Rule 2.5, the Department of Finance should give more detailed guidance to agencies about what is acceptable supporting documentation in Workday to substantiate pandemic-related transactions. Examples showing what is and is not acceptable should be included in this guidance to better illustrate what appropriate documentation looks like— including itemized receipts or invoices.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>08/31/2021</td>
<td>Rory Regan; 720-913-5544</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 1.1
Documentation that justifies the use of Coronavirus Relief Funds (CRF) is an essential requirement of the U.S. Department of the Treasury. While the Department of Finance feels confident that the City’s usage of CRF is consistent with Treasury’s eligibility guidelines, we acknowledge that City agencies would benefit from clear instructions on how to corroborate that programs are tied to the Covid-19 pandemic. To that end, the Department of Finance will distribute detailed guidance to City agencies on what...
constitutes acceptable documentation and ensure that all transactions coded to the Coronavirus Relief Funds in Workday meets that standard.

**AUDIT FINDING 2**
The Department of Finance Failed to Properly Track and Review Interest for Coronavirus Relief Funds

**RECOMMENDATION 2.1**
Cross-Train and Rotate Employee Job Functions-The Department of Finance should ensure agency heads and department managers in the Department of Finance develop and follow a plan to periodically have their staff members rotate jobs to ensure employees are cross-trained to perform each other’s functions in case of illness, vacation, or termination. This is required by city Fiscal Accountability Rule 2.4.

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</thead>
<tbody>
<tr>
<td>Agree</td>
<td>09/30/2021</td>
<td>Margaret Danuser; 720-913-5547</td>
</tr>
</tbody>
</table>

**Narrative for Recommendation 2.1**
The Department of Finance will leverage the Office of Human Resources’s workforce readiness process to review critical functions currently performed by a single employee and which also require specialized levels of expertise. Identified positions will warrant cross-training with other employees within the division to ensure continuity of performance in the event of illness, vacation or employee termination. This will ensure that there are primary and secondary staff available for these functions to address this finding. Also, the Department of Finance is expanding the number of team members responsible for critical tasks. Agency staffing will also be leveraged to administer federal funds and Finance will communicate the need for agencies to have multiple staff capable of administering funds.

**RECOMMENDATION 2.2**
Monitor and Ensure Bank Reconciliations are Performed Monthly-The Department of Finance should implement an additional procedure that ensures all bank reconciliations are completed monthly. This should include a monitoring requirement where a supervisor verifies and signs off that all bank reconciliations are completed each month.

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</thead>
<tbody>
<tr>
<td>Agree</td>
<td>09/30/2021</td>
<td>Kelli Bennett; 720-913-5156 &amp; Jessica Chandler; 720-913-5223</td>
</tr>
</tbody>
</table>
Narrative for Recommendation 2.2
The Department of finance will put in place adequate procedures to ensure all bank reconciliations are completed monthly. The procedure will ensure that verification of bank reconciliations is verified.

**RECOMMENDATION 2.3**
**Implement Procedures to Post Interest** - The Department of Finance should implement procedures that ensure the posting of interest complies with Fiscal Accountability Rule 6.2. These procedures should include a list of all funds that have an interest posting requirement to ensure all of those funds have interest posted accurately and in a timely manner each month.

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</table>

Narrative for Recommendation 2.3
The Department of finance will work with agencies to ensure the posting of interest complies with Fiscal Accountability Rule 6.2. This effort will include communications through the Financial Network. The communication will emphasize that interest should be posted timely and accurately.

**RECOMMENDATION 2.4**
**Monitor Interest on Grants** - The Department of Finance should implement procedures requiring grant managers to monitor postings of interest to their grants to ensure those funds have had interest posted accurately and in a timely manner each month.

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</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>09/30/2021</td>
<td>Rory Regan; 720-913-5544</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 2.4
Agency personnel will be instructed on 1) the process for establishing interest-earning grants in Workday; 2) making monthly updates to said grants with new earnings; and 3) guidance on any special close-out procedures upon the culmination of the grant program. The Department of Finance will disseminate these instructions through the Financial Network and the Grants Policy Advisory Committee.

Page 3 of 4
Please contact Margaret Danuser at 720-913-5547 with any questions.

Sincerely,

Brendan Hanlon
Chief Financial Officer

cc: Valerie Walling, CPA, Deputy Auditor
Katja E. V. Freeman, MA, MELP, Audit Director
Cody Schulte, Audit Manager
Todd Green, CPA, CIA, CFE, Audit Lead
OBJECTIVE

- To assess the city's compliance with the Coronavirus Aid, Relief, and Economic Security Act's eligibility and documentation requirements for pandemic-related expenses in 2020, specifically those paid for through the federal Coronavirus Relief Fund.
- To evaluate the city's ability to identify eligible expenditures and monitor the rate of fund use, and to assess city agencies' transparency with both city leadership and the public to ensure all funds awarded to the city are used before the deadline for eligible spending.

SCOPE

We reviewed how the city — specifically the Department of Finance — handled the $126.9 million it received from the Coronavirus Relief Fund, which Congress created through the CARES Act. Our work included reviewing the city's planning, monitoring, reporting, and spending processes during 2020. We also conducted detailed testing of a sample of expenses paid for by the Coronavirus Relief Fund in 2020 and evaluated these expenses against both federal requirements and Denver's Fiscal Accountability Rules.

We did not assess any funding Denver International Airport separately received for its pandemic response.

METHODOLOGY

We used several methodologies to gather and analyze information related to the audit objectives. The methodologies included but were not limited to:

- Performing interviews with staff in the Department of Finance to learn about policies and procedures and to discuss accounting practices, methods for tracking Coronavirus Relief Fund expenses, local and federal reporting practices, how Coronavirus Relief Funds were used for labor expenses, tracking and using interest earned on Coronavirus Relief Funds, and the city's monthly bank reconciliation process.
- Attending meetings with the city's federal funding committee to document the city's spending process for coronavirus relief funds.
- Attending meetings of the Government Finance Officers Association to learn about the experiences of other U.S. municipalities in spending coronavirus relief funds.
- Reviewing Coronavirus Relief Fund expenses to see whether all funds were used by the original deadline.
• Reviewing the Department of Finance and federal funding committee's process for ensuring the city uses all Coronavirus Relief Fund dollars it received.

• Analyzing invoices that were not tagged for coronavirus relief funding to see whether they were eligible.

• Reviewing interest earned on coronavirus relief funds to determine how it was calculated, tracked, and spent.

• Sampling and testing Coronavirus Relief Fund expenses for appropriateness, allowability, proper documentation, and whether the expenses were incurred during the eligible period.

• Documenting communication and reporting requirements for coronavirus relief funds to the Denver City Council and the federal government.

• Gathering evidence on whether coronavirus relief funds were reported as required by city ordinance and federal regulations.
APPENDICES

Appendix A – Examples of City and County of Denver Projects Funded by Coronavirus Relief Dollars

Temporary facilities related to pandemic relief, such as testing and food distribution sites, are examples of how the city spent its coronavirus relief funds in 2020. Figure 5 shows the location of these facilities fully or partially funded by the city’s coronavirus relief funds.

FIGURE 5. Where Denver Spent Its Coronavirus Relief Fund Dollars

Source: The Department of Finance and various other agencies.
Additionally, Figure 6 shows the temporary street closures across the city that were funded by coronavirus relief funds in 2020 to create more space for Denver residents to participate in outdoor activities while still meeting physical distancing requirements.

**FIGURE 6. Temporary Street Closures Funded by the Coronavirus Relief Fund**

Source: The Department of Finance.
Appendix B – Sampling Methodology and Testing Results

Sampling Methodology

The following are details of the methodology we used to create our samples for the two tests we performed during this audit: 1) a coronavirus-related expenditure-labeling test and 2) a Coronavirus Relief Fund expense transactions eligibility test.

CORONAVIRUS-RELATED EXPENDITURE-LABELING TEST – We downloaded the “CCD Find Journal Lines” report from Workday for all expenses tagged with any COVID-19 grant or COVID-19 program tag between Jan. 1, 2020, and Nov. 30, 2020. We used all supplier invoice numbers in this data to develop a list of suppliers that the city used for COVID-19 expenses at some point in the data set.

We next pulled all invoices between Jan. 1, 2020, and Nov. 30, 2020, from this list of suppliers with the “CCD Find Supplier Invoices” report from Workday. We removed all supplier invoices from this set that were tagged with any COVID-19 grant or COVID-19 program tag. The remaining population consisted of 14,974 invoices. These invoices were:

• From suppliers who had been used for COVID-19 expenses between Jan. 1, 2020, and Nov. 30, 2020.
• Not tagged with a COVID-19 grant or COVID-19 program tag.

Our team used the EZ-Quant statistical sampling tool to select and test a statistical sample of these transactions based on the following criteria:

• Type of attribute sampling: rate-of-occurrence estimation.
• Universe to be sampled: 14,974 items.
• Presumed universe error rate: 3%.
• Desired maximum precision range of the rate: 10%.
• Desired confidence level: 90%.

This resulted in a sample size of 58 items.

CORONAVIRUS RELIEF FUND EXPENSE TRANSACTIONS ELIGIBILITY TEST – On Jan. 13, 2021, we downloaded the “CCD Find Journal Lines” report from Workday for all transactions tagged with a Coronavirus Relief Fund grant between Jan. 1, 2020, and Dec. 31, 2020. The city retroactively added and reallocated amounts significantly since then. We removed all non-expense transactions from the data. This left 4,006 transactions.

We divided these transactions into five subpopulations: labor-related transactions, Denver Economic Development & Opportunity transactions, Department of Housing Stability transactions, Department of Finance transactions, and all other agencies’ transactions.

We wanted to statistically analyze each of the top three spenders — which were Denver Economic Development & Opportunity, the Department of Housing Stability, and the Department of Finance, respectively — and we wanted to separately analyze all remaining transactions and any labor-related transactions.

1. LABOR-RELATED TRANSACTIONS – We separated these 139 transactions into their own population because the rules surrounding labor expenses for coronavirus relief funds have some differences in determining eligibility and, because of the difficulty in maintaining documentation of labor expenses, our team expected more errors in labor. During our audit, the city moved a significant majority of these transactions away from Coronavirus Relief Fund grants. The remaining transactions were immaterial to the overall Coronavirus Relief Fund amount, so we did not investigate these transactions.
2. **DENVER ECONOMIC DEVELOPMENT & OPPORTUNITY TRANSACTIONS** – Denver Economic Development & Opportunity represented 31.9% of all non-labor Coronavirus Relief Fund transactions in our data set. This population consisted of 60 items, which was too small for a statistical sample set. As a result, we tested 100% of the items.

3. **DEPARTMENT OF HOUSING STABILITY** – Housing Stability represented 29.9% of all non-labor Coronavirus Relief Fund transactions in our data set. The size of this population was 421 items. We used EZ-Quant to select and test a statistical sample of these transactions based on the following criteria:
   - Type of attribute sampling: rate-of-occurrence estimation.
   - Universe to be sampled: 421 items.
   - Presumed universe error rate: 5%.
   - Desired maximum precision range: 10%.
   - Desired confidence level: 90%.
   This resulted in a sample size of 62 items.

4. **DEPARTMENT OF FINANCE TRANSACTIONS** – The Department of Finance represented 15.9% of all non-labor Coronavirus Relief Fund transactions in our data set. The size of this population was 2,758 items. We used EZ-Quant to select and test a statistical sample of these transactions based on the following criteria:
   - Type of attribute sampling: rate-of-occurrence estimation.
   - Universe to be sampled: 2,758 items.
   - Presumed universe error rate: 5%.
   - Desired maximum precision range: 10%.
   - Desired confidence level: 90%.
   This resulted in a sample size of 74 items.

5. **ALL OTHER AGENCIES’ TRANSACTIONS** – These 628 expenses are what remained after separating out the three selected agencies’ transactions and all labor-related transactions from our data set. These other agencies represented 22.4% of all non-labor Coronavirus Relief Fund transactions in the data set. We used EZ-Quant to select and test a statistical sample of these transactions based on the following criteria:
   - Type of attribute sampling: rate-of-occurrence estimation.
   - Universe to be sampled: 628 items.
   - Presumed universe error rate: 5%.
   - Desired maximum precision range: 10%.
   - Desired confidence level: 90%.
   This resulted in a sample size of 64 items.

**Testing Results**

The following are additional details of our testing results that may not be documented elsewhere in this report.

CORONAVIRUS-RELATED EXPENDITURE-LABELING TEST RESULTS – Our team tested the 58 samples and found no exceptions. All invoices were for expenses unrelated to the pandemic and that were appropriately not tagged with a COVID-19 grant or COVID-19 program tag. Analysis on these results with the EZ-Quant sample evaluation tool determined we are 90% confident that the error rate in the population (i.e., invoices that actually were for a COVID-19-related expense but were not tagged as such) is no more than 3.9% of the population.

As a result of this low error rate, we further analyzed the rest of the population of supplier invoices. We focused on transactions that had one or more key words in the memo field of Workday for those invoices that we believed would indicate an increased chance of a transaction being a COVID-19-related expense. We developed a list of key words by counting word frequency in supplier invoices tagged with a COVID-19 grant or COVID-19 program code and by using other words that we believed might be more likely to be used for expenses related to the pandemic. Table 2 lists the key words we chose for this additional analysis.

<table>
<thead>
<tr>
<th>Selected Key Words</th>
</tr>
</thead>
<tbody>
<tr>
<td>artist</td>
</tr>
<tr>
<td>docks</td>
</tr>
<tr>
<td>hotel</td>
</tr>
<tr>
<td>respite</td>
</tr>
<tr>
<td>assistance</td>
</tr>
<tr>
<td>emergency</td>
</tr>
<tr>
<td>laptops</td>
</tr>
<tr>
<td>sanitizer</td>
</tr>
<tr>
<td>care</td>
</tr>
<tr>
<td>hand</td>
</tr>
<tr>
<td>monitors</td>
</tr>
<tr>
<td>shelter</td>
</tr>
<tr>
<td>coronavirus</td>
</tr>
<tr>
<td>handwash</td>
</tr>
<tr>
<td>motel</td>
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<tr>
<td>virtual</td>
</tr>
<tr>
<td>COVID</td>
</tr>
<tr>
<td>handwashing</td>
</tr>
<tr>
<td>pandemic</td>
</tr>
</tbody>
</table>

Source: Auditor’s Office analysis based on word frequency in supplier invoices and auditors’ professional judgment.

We found 190 invoice lines with one or more of these key words. Three invoices — comprising five invoice lines — included the words “COVID” or “coronavirus” in the memo field. After reviewing each and following up with the Department of Finance, we determined these were all COVID-19-related expenses that should have been tagged.

Therefore, we considered these errors. The invoices were ultimately tagged with the appropriate COVID-19 grant or COVID-19 program code by the responsible city agency after Finance officials learned about these exceptions from the audit team and instructed the agencies to correct them.
Meanwhile, among the 185 other invoice lines:\textsuperscript{21}

- The word “shelter” appeared 111 times.
- The word “assistance” appeared 37 times.
- The words “emergency” and “care” both appeared 22 times.
- The word “motel” appeared 10 times.
- The word “respite” appeared seven times.
- The words “laptop,” “dock,” and “monitor” each appeared once.

We did not look at the other 183 invoices as they appeared to be false positives. We read the memo line for each of these invoices and found nothing that indicated an obvious COVID-19-related expense. Most of the invoices were flagged because they had the word “shelter” in them, which is common considering that sheltering expenses are a normal expense in the City and County of Denver regardless of the pandemic.

**CORONAVIRUS RELIEF FUND EXPENSE TRANSACTIONS ELIGIBILITY TEST RESULTS** – Table 3 details the error rates for the following attributes in our sample test of Coronavirus Relief Fund transactions:

- Whether the cost was attributable to the pandemic.
- Whether the cost was an allowable expense according to city ordinance and federal regulations.
- Whether the transaction included sufficient, appropriate supporting documentation.
- Whether the city incurred the transaction after March 1, 2020, as allowed by the CARES Act.

<table>
<thead>
<tr>
<th>Sample Set</th>
<th>Sample Size</th>
<th>Expense Is Attributable to the Pandemic</th>
<th>Expense Is an Allowable Cost</th>
<th>Expense Includes Appropriate Supporting Documentation</th>
<th>Expense Was Incurred after March 1, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Housing Stability</td>
<td>62</td>
<td>1.61%</td>
<td>1.61%</td>
<td>1.61%</td>
<td>1.61%</td>
</tr>
<tr>
<td>Department of Finance</td>
<td>74</td>
<td>5.41%</td>
<td>5.41%</td>
<td>2.7%</td>
<td>0%</td>
</tr>
<tr>
<td>Denver Economic Development &amp; Opportunity</td>
<td>60</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>All other agencies</td>
<td>64</td>
<td>4.69%</td>
<td>4.69%</td>
<td>3.13%</td>
<td>0%</td>
</tr>
</tbody>
</table>

\textit{Note:} This table shows the sample failure rate, which was calculated by dividing the number of observed failures by the size of the sample set.

\textit{Source:} Auditor’s Office analysis.

\textsuperscript{21} These numbers do not add up to 185 because some invoices contained more than one key word. These words actually make up 183 invoices.
All statistical evaluations incur a degree of uncertainty, because we are estimating the errors in an entire population of transactions based on a sample of the total population. This uncertainty is measured by the precision limits in an evaluation.\textsuperscript{22}

We calculated an upper- and lower precision limit for each attribute for each population of transactions we tested. The upper- and lower precision limits show the ranges of possible true errors in the population under a set confidence level.\textsuperscript{23} We used a 90% confidence level for all our evaluations.

Based on the results in Table 3, we evaluated each sample set with the EZ-Quant sample evaluation tool to show the range of possible true error rates as shown in Table 4.

### TABLE 4. Precision Limits for Coronavirus Relief Fund Expense Transactions Testing

<table>
<thead>
<tr>
<th>Sample Set</th>
<th>Expense Is Attributable to the Pandemic</th>
<th>Expense Is an Allowable Cost</th>
<th>Expense Includes Appropriate Supporting Documentation</th>
<th>Expense Was Incurred after March 1, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Housing Stability</td>
<td>0%-6.9%</td>
<td>0%-6.9%</td>
<td>0%-6.9%</td>
<td>0%-6.9%</td>
</tr>
<tr>
<td>Department of Finance</td>
<td>1.9%-11.9%</td>
<td>1.9%-11.9%</td>
<td>0.5%-8.2%</td>
<td>0%-3%</td>
</tr>
<tr>
<td>Denver Economic Development &amp; Opportunity</td>
<td>Entire population tested; no errors found</td>
<td>Entire population tested; no errors found</td>
<td>Entire population tested; no errors found</td>
<td>Entire population tested; no errors found</td>
</tr>
<tr>
<td>All other agencies</td>
<td>1.4%-11.4%</td>
<td>1.4%-11.4%</td>
<td>0.7%-9.3%</td>
<td>0%-3.4%</td>
</tr>
</tbody>
</table>

Source: Auditor’s Office analysis.

The highest possible rate of errors in any of our samples, for any of the attributes, ranges from 3% to 11.9%. The lowest possible rate of errors in any sample, for any of the attributes ranges from 0% to 1.9%. Based on our evaluation of the testing results, we believe it is unlikely there are any widespread errors or issues with any of the attributes we tested or with any of the sample sets we tested.

\textsuperscript{22} As a general term, “sampling precision” refers to the fact that a sample-based estimate almost inevitably differs from the actual but unknown universe value it estimates. That is, precision is the amount or degree of probable error associated with a point estimate derived from a random sample.

\textsuperscript{23} The confidence level, specified by the audit team, is the desired likelihood (i.e., probability) that the actual but unknown sampling universe value being estimated by the sample is within the range bounded by the upper- and lower confidence limits computed from sample results. In the case of attribute sampling, confidence is the desired assurance that the actual error rate will be within the upper- and lower confidence limits that are determined from the sample results.
The Auditor of the City and County of Denver is independently elected by the residents of Denver. He is responsible for examining and evaluating the operations of city agencies and contractors for the purpose of ensuring the proper and efficient use of city resources. He also provides other audit services and information to City Council, the mayor, and the public to improve all aspects of Denver’s government.

The Audit Committee is chaired by the Auditor and consists of seven members. The Audit Committee assists the Auditor in his oversight responsibilities regarding the integrity of the city’s finances and operations, including the reliability of the city’s financial statements. The Audit Committee is structured in a manner that ensures the independent oversight of city operations, thereby enhancing residents’ confidence and avoiding any appearance of a conflict of interest.

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We deliver independent, transparent, and professional oversight in order to safeguard and improve the public’s investment in the City and County of Denver. Our work is performed on behalf of everyone who cares about the city, including its residents, workers, and decision-makers.