

Special Study of the County of Santa Clara Management of COVID-19 Relief Funds

**Prepared for the Board of Supervisors of the
County of Santa Clara**

May 27, 2022

**Prepared by the
Board of Supervisors Management Audit Division
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May 27, 2022

Supervisor Otto Lee, Chair
Supervisor Cindy Chavez, Vice Chair
Board of Supervisors' Finance and Government Operations Committee
70 West Hedding Street San Jose, CA 95110

Dear Supervisors Lee and Chavez:

We have completed the Special Study of the County's management of COVID-19 relief funds. This study was added to the Management Audit Division's Fiscal Year 2021-22 work plan by the Board of Supervisors of the County of Santa Clara, pursuant to the Board's power of inquiry specified in Article III, Section 302(c) of the Santa Clara County Charter. This study was conducted in conformity with generally accepted government auditing standards as set forth in the 2018 revision of the "Yellow Book" of the U.S. Government Accountability Office. The purpose of this study was to examine whether the County is effectively managing and maximizing federal and state support for its COVID-19 related costs in order to identify opportunities to increase the efficiency of the County's disaster cost recovery practices.

The report includes six findings and 20 recommendations related to strategic management, the use of advisors, expediting claims and appropriations, communications and training, documentation, and information systems.

In the attached response to this special study, the County Executive partially agrees with two recommendations directed to the Office of the County Executive. The Director of the Office of Emergency Management partially agrees with three recommendations directed to the Office of Emergency Management. The Controller-Treasurer agrees with four recommendations, partially agrees with six recommendations, and disagrees with five recommendations directed to the Controller-Treasurer Department.

Board of Supervisors:

Mike Wasserman Cindy Chavez
District 1 District 2

Otto Lee
District 3

Susan Ellenberg
District 4

S. Joseph Simitian
District 5

County Executive: Jeffrey V. Smith

The recommendations that the Controller-Treasurer disagrees with are related to our findings on Strategic Management (Section 1), the Use of Advisors (Section 2) and Information Technology (Section 6). Specifically, in Sections 1 and 2 we recommend that the Controller-Treasurer establish a clear timeline for deliverables for any disaster cost recovery advisory consultant and ensure that deliverables have been met before authorizing any future contract agreements or amendments. The Controller Treasurer's responded:

The Controller-Treasurer Department has existing cost recovery performance measures established and in place. It should be noted that timelines associated with the ongoing and constantly evolving pandemic disaster are impossible to establish. Also, the County's contract for cost recovery services has clear scopes of services established with specific tasks identified, and County staff has a process in place to ensure the completion of each task. Finally, there are components of the reimbursement process that are outside of the County's control. For example, the County submits claims to the Federal Emergency Management Agency (FEMA), and the reimbursement process is lengthy and complicated. The County is addressing this through regular meetings with FEMA staff and engaging our federal delegation. But in the end, FEMA's extended processes and timelines are outside of the County's control.

It is precisely because FEMA's timelines are out of the County's control that we believe it is essential for the County to establish timelines for those aspects of the cost recovery process that are in the County's control. As we note in our report, the County's agreement with the current disaster cost recovery advisory firm states that the contractor, "will finalize Development and Implementation Workplan ... complete with Milestones and [a] Pricing Schedule." Instead, the contractor provided "Summary Milestones," which cited that "Grant Management tasks" would be due "ongoing from project start." We maintain that this level of detail is insufficient to allow for performance measurement or proper accountability. We also maintain that it is not only possible, but essential to establish timelines for delivering services. An example of a milestone and associated timeline that might be useful for the purpose of this agreement is to ensure that claims for expenses eligible for FEMA reimbursement are submitted within six months. Because the County expects the FEMA reimbursement process to experience extensive delays, it is critical to monitor the timeliness of the preparation and submission of claims so that County officials and policymakers can estimate the potential impact on County finances of these costs.

In our finding related to Information Systems, we recommended two actions to help facilitate the recording of disaster-related costs in order to expedite the reimbursement claims process. Specifically, we recommended that the Controller-Treasurer work with Technology Services and Solutions to assess current information systems capabilities and opportunities for streamlining how to compile disaster related costs, and report back to the Board of Supervisors within six months on steps taken. Although the Controller-Treasurer responded in disagreement, the response indicates that the County is already implementing this recommendation but will need more than six months before reporting back to the Board of Supervisors. The Controller-Treasurer responded:

The Controller-Treasurer Department currently partners with Technology Services and Solutions to work on streamlining the cost tracking process through the categorization of expenses and use of SIOs. TSS has also been assisting to evaluate the capabilities of existing County accounting, timekeeping, and personnel management systems. Part of this process improvement will include possible future enhancements where necessary. Due to the complexity and breadth of TSS's review, as well as conducting market research and other related activities, this recommendation cannot be implemented in 6 months, but the County can report back on the progress at the next status report for this audit.

Our second recommendation related to Information Systems directed the Controller-Treasurer to work with Technology Services and Solutions to include a field or develop a code that allows for distinguishing costs between FEMA or non-FEMA eligible so that staff can determine the possible reimbursement source more easily. The Controller-Treasurer disagreed with this recommendation, noting that:

The County's financial systems already have a robust cost tracking process through the categorization of expenses and use of SIOs. At the very early stages of the pandemic when the cost recovery tracking began, the County used FEMA-eligible coding as part of the established Emergency Operations Center process. When the FEMA coding was created, it was not known at that time that other funding such as CARES Act and American Rescue Plan Act funds would become available. As time went on, the County continued to use the same SIOs because the process afforded the County the flexibility to assign costs to various categories depending on the reimbursement source. This helps with reporting compliance from departmental staff, and the work to determine eligibility for various sources of funding can be handled by the Controller-Treasurer staff. The County can look at options for determining possible reimbursement sources more easily in the future, to address the many unknowns in a critical incident of this size, length and complexity.

Again, although the Controller-Treasurer disagreed with the recommendation, the response suggests a willingness to implement the recommendation.

If implemented, the recommendations would:

- Provide in-house expertise and enhanced oversight;
- Expedite reimbursement claims processing;
- Update disaster cost recovery policies to reflect lessons learned;
- Establish clear documentation practices for disaster cost tracking;
- Create a clear training and communications policy; and
- Streamline disaster cost tracking.

We would sincerely like to thank the staff at the Finance Agency and County Executive's Office for their thoughtful, patient, and professional cooperation and assistance throughout this study.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Cheryl Solov". The signature is fluid and cursive, with the first name "Cheryl" being larger and more prominent than the last name "Solov".

Cheryl Solov
Management Audit Manager

CC: Supervisor Mike Wasserman
Supervisor Susan Ellenberg
Supervisor S. Joseph Simitian
James R. Williams, County Counsel



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Executive Summary

Finding 1: Strategic Management

In accordance with federal and state requirements, and under the leadership of the Office of Emergency Management, the County activated the Emergency Operations Center (EOC) in response to COVID-19 consistent with the County's Emergency Operations Plan, which provides structure and assigns responsibilities for the coordination of disaster response activities. Within the EOC, the County established a Disaster Cost Recovery Group, whose functions have been established by the County's Disaster Cost Recovery Functional Annex. The magnitude and duration of the COVID-19 pandemic has been unlike any recent disaster and has stressed the County's existing disaster response structure.

The County has not adequately adapted and enhanced its organizational structure in order to maximize federal and state revenues for COVID-related expenses. Although the County added three staff positions in FY 2021-22 to augment the cost recovery function, after more than two years into the COVID-19 disaster, the County still does not have senior subject matter experts on staff and engaged full-time on cost recovery.

The County has relied heavily on a disaster cost recovery consultant, whose primary expertise is in the FEMA public assistance claims process, to supplement the existing disaster response structure. Although the consultant provided a funding matrix to the County in July 2020, which listed 31 potential sources and their respective eligible uses, the County did not formally adopt or operationalize this tool. Instead, the Budget Director explained in February 2022 that the administration uses a "preferential order" to identify which of four revenue categories COVID-19 costs will be assigned, but could not provide a breakdown of this funding analysis. As noted by the Board of Supervisors at hearings since at least August 2021, because disaster costs cannot be funded by duplicate sources, there is an urgent need to optimize the use of available funds and limit the financial liabilities to County taxpayers.

We recommend that the County Executive request authorization for a full-time cost recovery/grants manager and fill the position within six months of authorization. In addition, we recommend that the Controller-Treasurer work with the Office of Emergency Management to update the Disaster Cost Recovery Annex. Consistent with Section 2, starting on page 29 of this report, we also recommend that the Controller-Treasurer work with the County's Recovery Director to establish performance measures and associated goals/timelines related to ongoing disaster cost recovery for COVID-19 and ensure that these measures and goals are incorporated into any future contracts for disaster cost recovery advisory services.

Finding 2: Use of Advisors

On May 1, 2020, the Controller-Treasurer Department issued a Request for Statement of Qualifications (eRFSQ-CON-FY20-0361) to establish a qualified pool of disaster cost recovery professionals to provide advisory and auditing services to the Office of Budget and Analysis and the Finance Agency. Eleven bidders submitted proposals and four firms were selected for the pool. In June 2020, the Controller-Treasurer Department issued a Work Order request to the four members of the Disaster Recovery and Financial Advisory Pool and selected one contractor from these bids.

Performance measures are essential tools for management to ensure that contractors are meeting goals. Without performance measures, management cannot effectively hold a contractor accountable. The Board of Supervisors established requirements for performance measurement and monitoring in Board Policy 5, which states:

Monitoring, administration and evaluation of County contracts are essential to promoting the most cost-effective use of taxpayer dollars and County resources and to ensuring that the County receives the goods and/or services for which it contracts. Although the method used to monitor, administer and evaluate a contract will depend on the type of contract, Agencies/Departments are required to develop performance standards and implement a process that incorporates monitoring, administration and evaluation of contracts.

Despite this mandate, the County did not establish performance metrics in its contract for disaster cost recovery advisory services. The County is paying an increasing amount to this consultant, on whose expertise the County relies on with regards to FEMA Public Assistance grant awards (and to a lesser extent, other federal relief programs), which the County at one point estimated could total between \$417 million to \$512 million. With only \$42 million in claims approved by FEMA as of March 8, 2022, which is less than many of its peer counties as discussed in Section 3, starting on page 37 of this report, and with over \$1 billion in costs incurred, the County risks an increased reliance on discretionary revenues to cover COVID-19 expenses.

In order to maximize federal funds for COVID-19 expenditures, the Controller-Treasurer should work with its disaster cost recovery consultant to establish an aggressive timeline for future FEMA claims submissions and ensure that the contractor meets these deadlines to expedite the process. The Controller-Treasurer should also report to the Board of Supervisors' Finance and Government Operations Committee on a monthly basis with a breakdown of COVID-related expenditures by anticipated funding source.

Finding 3: Expediting Claims and Appropriations

To compensate for COVID-19 related expenses, the Federal Government has made significant funding available to local governments across the nation, including Santa Clara County. These additional resources have come from multiple federal sources, some of which were newly created, such as funds authorized through the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA). Other funds have been made available through enhanced grants from existing sources, and through the U.S. Federal Emergency Management Agency (FEMA's) Public Assistance Program.

Although the County has engaged the services of a disaster cost recovery consultant to help manage the processes for claiming and allocating relief funds, the County continues to lag behind other California counties in the timeliness of submitting claims and in the recovery of eligible costs. The County has also been relatively slow in requesting approval to allocate the first tranche of ARPA funds, which was distributed in May 2021. The pace of these actions puts increased pressure on the County's discretionary General Fund revenues, and potentially risks receiving less revenues or reimbursements at a lower rate. County administration anticipates that COVID-19 expenditures will exceed \$1.3 billion by the end of Fiscal Year 2021–22. While not all

of these costs are eligible for FEMA reimbursement, the County estimated in August 2021 that total FEMA reimbursements could range from \$416.5 million to \$520.7 million. With only \$42 million in FEMA reimbursements received to date, the County is at risk of not fully optimizing all available revenue opportunities.

In order to maximize federal funds for COVID-19 expenditures, the Controller-Treasurer should work with its disaster cost recovery consultant to establish an aggressive timeline for future FEMA claims submissions and ensure that the contractor meets these deadlines to expedite the process. The Controller-Treasurer should also report to the Board of Supervisors' Finance and Government Operations Committee on a monthly basis with a breakdown of COVID-related expenditures by anticipated funding source.

Finding 4: Communications and Training

The County primarily relies on email to communicate with fiscal staff across departments on how to record and track COVID-19 disaster costs. The County's 2017 Disaster Cost Recovery Annex serves as the primary document for how it implements cost tracking and recovery during an emergency in order to maximize federal and state reimbursement. The Annex provides general guidance on the responsibilities and process for implementing the County's cost recovery practices during a disaster.

The County missed opportunities in its COVID-19 response to better communicate and train staff on disaster cost tracking and recovery practices. Information was primarily communicated through emails and existing meetings, but it was not recorded or posted in a shared place online or on SharePoint for easy access and reference. In addition, dissemination of this information to staff within departments and to nonprofit partners was not centrally coordinated. While the cost recovery efforts are overseen by Finance Agency, and specifically Controller-Treasurer Department, staff in conjunction with staff from the County Executive's Office, including the Office of Emergency Management, there is no centralized communications or training response in place for implementing cost recovery practices.

Based on communication records, it took at least two months for departments to fully implement the expected cost tracking practices. While a learning curve is expected, better preparedness and communication could have helped expedite this process. Sharing information almost exclusively by email and not hosting it in a central location, and not conducting any focused training, can result in missed information regarding cost tracking expectations, inaccuracies in reporting, and delayed implementation of desired practices.

The Controller-Treasurer Department should establish a team that is responsible for managing communications and training related to disaster cost recovery practices. This team should work in coordination with the Office of Emergency Management and with Technology Services and Solutions to designate where disaster-specific recovery policies can live online. Consistent with Section 1, starting on page 19, we recommend that the Controller-Treasurer work with the Office of Emergency Management to update the Disaster Cost Recovery Annex to incorporate lessons learned from this disaster. The Department should also develop an internal, centralized policy for sharing information with nonprofit and community based organizations related to cost recovery practices and resources for reimbursement.

Finding 5: Documenting Inconsistencies

As of February 18, 2022, the County has spent over \$889 million on COVID-19 related costs and projects to spend \$1.3 billion by the end of Fiscal Year 2021–22. In order to receive reimbursement from federal and state disaster cost recovery programs, the County must document and demonstrate how funds were spent. The County's 2017 Disaster Cost Recovery Annex provides an overview of the documentation requirements for federal and state disaster assistance programs. The County also produced an internal control memo for the CARES Act Coronavirus Relief Fund Program. However, the Finance Agency and Controller-Treasurer did not issue guidance or conduct training specific to COVID-19 cost recovery submission requirements and the supporting documentation detail needed as other jurisdictions have done.

The County's current set of documentation guidance for disaster cost recovery expenses does not provide a clear set of standards for how to document COVID-19 related costs. The current set of guidance does not take into consideration the various funding streams available for reimbursement. In addition, the County did not provide training on the expected documentation practices. Without this set of standards and training, there were challenges with departments recording employee time spent on COVID-19, especially in the first few months of the response. There are also inconsistencies in the supporting documentation we reviewed from a sample of COVID-19 transactions. Incomplete and inconsistent documentation can lead to delayed reimbursement submissions due to the need to review and assemble additional documentation. This could even result in some costs being denied reimbursement if additional documentation is not maintained and cannot be provided.

The Controller-Treasurer should establish a clear set of documentation practices for what departments are expected to provide to justify disaster related expenses. In addition, the Controller-Treasurer should create a clear training and communications policy on how to educate departments about these practices. The Controller-Treasurer, in coordination with the Office of Emergency Management, should develop an internal structure to support departments with their cost recovery work, including creating a cost recovery coordinator role where Controller-Treasurer staff are assigned to specific departments to work with on their cost recovery and documentation processes. Consistent with Section 1, starting on page 19, and Section 4, starting on page 47, we also recommend that the Controller-Treasurer work with the Office of Emergency Management to update the Disaster Cost Recovery Annex, incorporating lessons learned from this disaster.

Finding 6: Information Systems

SAP is the County's official record for expenses and revenues, but the County uses the additional systems Kronos and PeopleSoft for timekeeping and salary/benefits cost calculation and Ariba for centralized procurement. In addition, the County Health System uses its own systems for procurement and recording pharmaceutical expenses.

In order to capture all COVID-19 costs, including those encumbered, the Controller-Treasurer's Cost Tracking team must compile cost information across these systems. This includes running a report from SAP to capture all COVID-19 materials and supplies costs not associated with the hospital, calculating the salary and benefits for employee time spent on COVID-19 by using data from Kronos and PeopleSoft, and receiving and reviewing separate spreadsheets of hospital materials and supplies recorded in the hospital's procurement system as well as a separate spreadsheet of pharmaceutical costs from Santa Clara Health and Hospitals.

The variety of systems used and the inability to easily transmit information from systems into SAP results in an inefficient process for compiling all COVID-19 related costs. In addition, the method for tracking costs does not allow for the County to easily indicate the source or potential source of revenue for reimbursement or even designate if the expense is FEMA eligible. This leads to challenges in estimating how much funding from different sources the County can anticipate receiving, and in turn could make it difficult to strategize around how to optimize the use of revenue. The inefficiencies of the current information systems create a more cumbersome process for tracking costs, which has the potential to lengthen the process for reviewing and submitting costs for reimbursement, limits employees' ability to spend time on the cost review and reimbursement process, and increases the risk for errors.

The Controller-Treasurer should work with Technology Services and Solutions staff to assess current information system capabilities and opportunities for streamlining how to compile disaster related costs. As part of this process, staff should work toward including a field or developing a code that allows fiscal staff to distinguish costs between FEMA or non-FEMA eligibility, at minimum. This would allow those involved in cost tracking and review work to determine possible reimbursement sources more easily. Controller-Treasurer staff should then train department fiscal staff on all updated processes for recording disaster costs.

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Introduction

INTRODUCTION

This Special Study of the County's management of COVID-19 relief funds was added to the Management Audit Division's Fiscal Year 2021–22 work plan by the Board of Supervisors, pursuant to the Board's power of inquiry specified in Article III, Section 302(c) of the County of Santa Clara Charter. The Board added this study after considering the annual countywide audit risk assessment conducted by the Management Audit Division in accordance with Board Policy.

PURPOSE, SCOPE, AND OBJECTIVES

The purpose of this study was to determine whether the County is effectively maximizing federal and state support for its COVID-19 related costs and to analyze the management of relief funds available to the County to support COVID-19 related activities and recovery. This study included analysis of the County's level and mix of federal support for addressing COVID-19; review of the organizational structure and processes around management of Coronavirus Aid, Relief, and Economic Security (CARES) Act, Federal Emergency Management Agency (FEMA) Public Assistance, and American Rescue Plan Act (ARPA) and other COVID-19 related funding; an assessment of compliance with relevant guidance, laws, and regulations for eligibility, documentation, and submission timelines; an assessment of internal guidance and written procedures to County departments and staff regarding the use of funds and documentation of expenses; and, comparison of the County's policies and practices for managing and maximizing federal pandemic relief funds to best practices.

Work on this study began with an entrance conference on July 21, 2021, and a draft report was issued to the Finance Agency and the County Executive's Office on March 30, 2022. We also sent the draft audit report to the Office of the County Counsel.

An exit conference was held with the Finance Agency and the County Executive's Office on April 19, 2022 and a revised draft incorporating feedback from the exit conference was provided to April 27, 2022 for a written response. This final report includes that written response as Attachment A on page 75.

METHODOLOGY

Although this was not a performance audit, we conducted this study in compliance with generally accepted government auditing standards (GAGAS) issued by the U.S. Government Accountability Office (2018 revision). These standards require that we plan and perform the engagement to obtain sufficient evidence to provide a reasonable basis for our findings and recommendations. The primary difference between a performance audit and a special study is that we are not required to search for fraud as part of a special study, but we are required to do so as part of a performance audit. Regardless, we would report instances of fraud if we had discovered evidence of it.

For this study we interviewed County employees in the Finance Agency, particularly within the Controller-Treasurer Department and the County Executive's Office, including the Office of Budget and Analysis.

We reviewed County policies and procedures, reports presented to the Board of Supervisors, communications within and between County departments, reports and analysis prepared by the consultant, reports issued to the U.S Department of Treasury, and records of reimbursement submissions. We also reviewed guidance provided by the Federal Emergency Management Agency (FEMA) and the U.S. Department of Treasury regarding eligible expenditures, compliance, and reporting.

In addition, we reviewed guiding principles prepared by the Government Finance Officers' Association related to ARPA funding.

To understand how the County's practices compare to others, we reviewed reports from the Brookings Institute and the National Association of Counties, as well as audit reports from various jurisdictions across the country, including the City and County of Denver (CO), the City of San Jose (CA), and the City of Sacramento (CA). We also reviewed COVID-19 spending reports produced by other counties, and ARPA 2021 Recovery Plan Performance Reports, as submitted to the U.S. Department of Treasury. In addition, we reviewed the daily FEMA Public Assistance Grant Awards Activity reports for all California counties.

BACKGROUND

On January 21, 2020, the first COVID-19 case was detected in the United States. Ten days later, on January 31, 2020, the first COVID-19 case was detected in Santa Clara County. The ensuing and ongoing pandemic dramatically impacted all aspects of life, and the County has been responsible for managing many aspects of the crisis, including health care services, as well as ongoing County operations. This includes primary responsibility for testing, contact tracing, isolation and quarantine, and vaccinations for County residents.

As of March 7, 2022, according to the County's COVID-19 Snapshot Dashboard the County had accumulated a total of:

- 305,939 COVID-19 Cases
- 2,158 COVID-19 Deaths
- 1,637,300 Residents Vaccinated
- 84.9% of Residents All Ages Vaccinated.

To compensate for COVID-19 related expenses, the federal and state governments have made significant funding available to local governments, including Santa Clara County.

Major Federal Funding Opportunities

The additional resources made available to local jurisdictions to support COVID-19 related expenses came from multiple federal sources, some of which were newly created, such as funds through the CARES Act and the American Rescue Plan Act, as detailed below. Other funds were made available through enhanced grants from existing sources, such as the Community Development Block Grant from the U.S Housing and Urban Development Agency, and through the FEMA Public Assistance Program. We highlight major funding sources in this section, and provide a more comprehensive summary as Attachment B on page 85 to the report.

CARES Act

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law by President Trump in March 2020 in response to the severe economic impact of the COVID-19 emergency. The CARES Act provided approximately \$2 trillion in economic stimulus through various forms of relief to individuals, businesses, farmers, hospitals, and state and local governments. Funding to state and local governments through the CARES Act totaled approximately \$150 billion through the Coronavirus Relief Fund and \$100 billion for hospitals through the Provider Relief Fund.

CARES Act Coronavirus Relief Fund

Santa Clara County received a total of \$189,613,989 from the Coronavirus Relief Fund (CRF), which is administered by the U.S. Department of Treasury. This includes \$31,514,029 received as a pass-through from the State of California's CRF allocation. In accordance with the terms established in the CARES Act, these funds could be used for:

- necessary expenditures incurred because of the pandemic;
- expenditures not already accounted for in a budget approved before March 27, 2020; and
- expenditures incurred between March 1, 2020 and December 31, 2020.

The initial deadline for spending CARES Act funds was December 31, 2020; this deadline was later extended to December 31, 2021. These funds were distributed as grants, not to be repaid.

CARES Act Provider Relief Fund

In addition to the Coronavirus Relief Fund, the CARES Act established the Provider Relief Fund (PRF), administered by the Health Resources and Services Administration (HRSA) of the U.S. Department of Health and Human Services, to reimburse healthcare providers for increased expenses or lost revenue attributable to COVID-19. These funds were distributed as grants in four phases and Santa Clara County has received \$117,937,511 as of March 2022. The County has submitted an application for Phase 3 and Phase 4 funding for approximately \$47 million in additional funding, which is currently under review by HRSA, according to County officials. As part of the Phase 4 application, the County also applied for the American Rescue Plan (ARP) Rural payment to providers and suppliers who served rural Medicaid, Children's Health Insurance Plan and Medicare beneficiaries from January 1, 2019 through September 30, 2020; the County received \$1,060,801 from this distribution.

FEMA Public Assistance

In accordance with section 502 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. 5121-5207 (Stafford Act), the Federal Emergency Management Agency (FEMA) has also made funds available to local governments to assist with responding to the pandemic under the Public Assistance Program consistent with President Trump's March 2020 COVID-19 emergency declaration. There is no cap on the amount of eligible reimbursable costs under FEMA's Public Assistance program, but eligibility determinations by FEMA require documentation, which FEMA staff verify through a claims review process. FEMA will not duplicate assistance otherwise provided by other sources, such as the U.S. Department of

Health and Human Services (HHS) or the Centers for Disease Control and Prevention (CDC). Federal reimbursements were initially set at 75% of eligible costs. On February 3, 2021, FEMA confirmed that 100% of eligible costs will be reimbursed for this disaster, rather than the initial rate set at 75% of eligible costs. On March 1, 2022, President Biden extended the 100% cost share to support eligible costs through July 1, 2022.

Emergency protective measures that may be reimbursed under FEMA's Public Assistance program include:

- Management, control and reduction of immediate threats to public health and safety;
- Emergency medical care; and
- Medical sheltering (e.g. when existing facilities are reasonably forecasted to become overloaded in the near future and cannot accommodate needs).

Specifically, according to FEMA guidance, the Public Assistance Program may reimburse local governments for eligible disaster activities, including:

- Medical care;
- Purchase and distribution of food;
- Non-congregate medical sheltering;
- Operation of Emergency Operations Centers to direct and coordinate resources and response activities for COVID-19 declarations;
- Communications to disseminate public information regarding health and safety measures and provide warnings about risks and hazards;
- Mass casualty management;
- Purchase and distribution of personal protective equipment (PPE); and,
- Certain other activities only when necessary to perform otherwise eligible emergency work.

American Rescue Plan Act

In March 2021, the U.S. Congress signed into law the American Rescue Plan Act (ARPA) which provided over \$350 billion in additional funding for state and local governments, to be received in two tranches. Counties received population-based allocations, which could be used for:

- Revenue replacements for the provision of government services to the extent of the reduction in revenue due to COVID-19, relative to revenues collected in the most recent fiscal year prior to the emergency
- COVID-19 expenditures or negative economic impacts of COVID-19, including assistance to small businesses, households and hard-hit industries, and economic recovery
- Premium pay for essential workers
- Investments in water, sewer, and broadband infrastructure.

The County's total ARPA allocation is \$374.5 million, of which \$187.2 million was received in May 2021, with the remainder to be received in May 2022. In accordance with the American Rescue Plan Act, funding must be obligated¹ by December 31, 2024 and expended by December 31, 2026.

¹ When awarding funding, FEMA enters a legally binding agreement to pay, called an "obligation", which will result in payment either immediately or in the future.

Santa Clara County COVID-19 Disaster Response Structure

Following the declaration of the COVID-19 disaster, under the leadership of the Office of Emergency Management, the County activated the Emergency Operations Center (EOC) in alignment with the County's Emergency Operations Plan, which provides structure and assigns responsibilities for the coordination of disaster response activities. Within the EOC, the County established a Disaster Cost Recovery Group, whose functions have been established by the County's Disaster Cost Recovery Functional Annex, which details task assignments, policies and procedures, and the coordination of planning efforts. The Disaster Cost Recovery Group reports to the Finance/Administration Chief at the Emergency Operations Center, as shown below in Figure I.1.

Figure I.1: County Emergency Operations Center, Finance/Cost Recovery Structure



Source: Disaster Cost Recovery Annex.

Disaster Cost Recovery Group

According to the Disaster Cost Recovery Annex, the Disaster Cost Recovery Group “provides the organizational structure to coordinate all necessary and/or appropriate activities related to the successful recovery of all eligible funds via local, State and/or Federal disaster assistance program[s].”

Among other things, the Disaster Cost Recovery Group is responsible for the:

- Aggregation of disaster-related costs and associated documentation
- Application for FEMA Public Assistance
- Facilitation of funds management between external funders and internal County departments
- Provisions of assistance to County departments with accounting entries and reporting.

This group is a function of the Emergency Operations Center, which operates during the response phase of a disaster. Because of the ongoing nature of this particular disaster (COVID-19), this group technically continues to operate alongside the recovery functions established by the County. In practice, there is little distinction between these two functions, as the same staff within the Controller-Treasurer Department, described below, conduct the work of tracking and documenting costs.

The Accounting Manager in the Controller-Treasurer Department was the Disaster Cost Recovery Group Coordinator, under the direction of the County's Director of Finance.

Disaster Recovery Management Team

In May 2020, the County Executive established the Disaster Recovery Management Team, which is typically put into place after the deactivation of the Emergency Operations Center. However, since the COVID-19 disaster is still ongoing, the Disaster Recovery Management Team operates concurrently with the Emergency Operations Center. Within the Disaster Recovery Management Team, there are seven Recovery Support Functions, including Health Services, Social Services, Housing, Economic, and Natural and Cultural Resources. Generally, the teams under these functional areas facilitate problem solving, improve access to needed resources, and collaborate with government and community partners.

The County Executive appointed a Deputy County Executive as the Director of the Disaster Recovery Management Team.

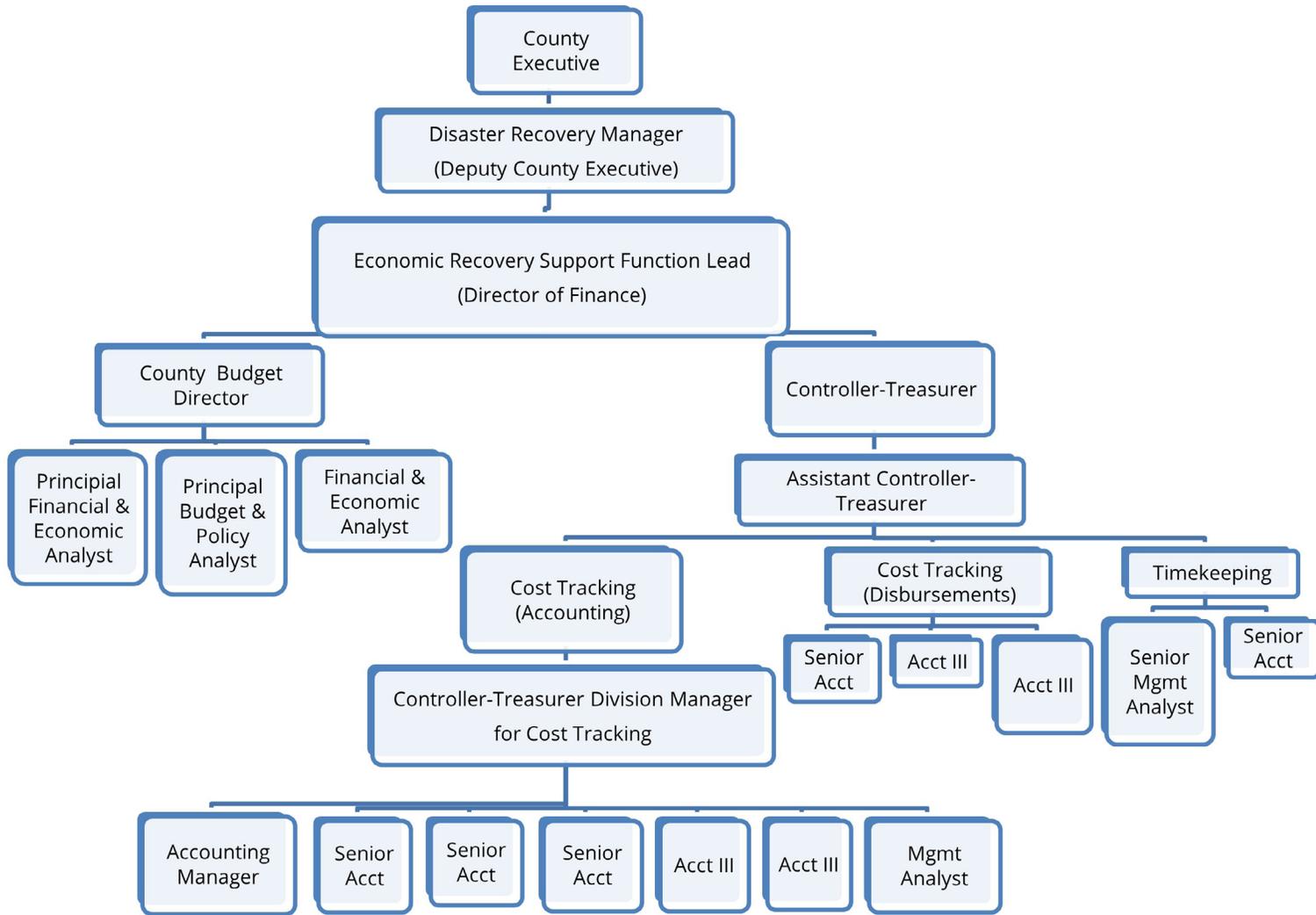
Economic Recovery Support Function

Under the leadership of the Director of Finance, the Economic Recovery Support Function focuses on:

- Government cost recovery
- Small Business Association issues
- Business impact assessment and assistance triage strategies
- New economic opportunities
- Coordinated support for rebuilding business and employment.

This function has responsibility for tracking all COVID-19 expenditures and managing all revenues that support the disaster-related expenses. As noted by County officials, the various recovery and response roles are not necessarily associated with a specific position, but in practice assigned according to availability. While these assignments have changed throughout this disaster response, primary support staff for this work have come from the Controller-Treasurer Department. Because of the fluidity of assignments, we offer a point-in-time illustration of the organizational structure for this function, as of December 2021, shown below in Figure I.2 on page 13.

Figure I.2: Santa Clara County Disaster Recovery Management Team (Economic RSF)



Source: Organization Charts provided by the County.

Three positions in the Controller-Treasurer’s Cost Tracking Team—two Accountant IIIs and one Management Analyst—are positions newly authorized in Fiscal Year 2021–22, which were filled between July 26 and September 20, 2021. These positions were added to support the long-term process of cost recovery for this disaster.

Note that the County Budget Director and his associated staff provide support for the Economic Recovery Support Function through budgeting and projecting throughout the year.

In July 2020, the County contracted out for disaster cost recovery advisory services to a consulting firm which provides significant oversight and management of the claims process for reimbursement of eligible COVID-19 expenses through the FEMA Public Assistance program. We discuss this engagement in more detail in Section 2, starting on page 29 of this report.

The County’s organizational management of disaster cost recovery is discussed in more detail in Section 1, starting on page 19 of this report.

County's COVID-19 Revenues and Expenditures

Given the magnitude of the impact of the COVID-19 disaster, both in terms of public health and the economy, the County has incurred substantial costs related to the response and recovery efforts as shown in Figure I.3 below.

Figure I.3: County COVID-19 Costs by Category, As of January 3, 2022

Cost Category	Amount
Payroll	\$276,989,393
Medical Staffing	\$101,944,736
Housing	\$90,965,716
Case Investigation & Contact Tracing	\$62,305,937
Vaccination	\$60,013,644
Facilities	\$36,856,003
Specific Services	\$32,413,028
Other	\$31,319,472
PPE	\$30,157,513
Medical	\$27,162,885
Testing	\$21,914,230
Business and Community Outreach	\$19,470,792
Donations	\$19,189,668
Information Technology	\$11,905,320
Childcare Services	\$2,875,356
Total:	\$825,483,693

Source: County Data, Expenditure Dashboard.

As shown in Figure I.3 above, payroll expenditures represented one-third of the total COVID-19 expenditures, as of January 3, 2022. Payroll, Medical Staffing and Housing have consistently been the categories of highest expenditures for the County throughout the pandemic—collectively accounting for approximately 60% of total costs as shown in Figure I.4 below. While Payroll has consistently been the category of highest spending, its share of the total costs has declined over time.

Figure I.4: Percentage of Total COVID-19 Costs for Three Top Categories

Cost Category	9/30/2020	12/16/2020	3/31/2021	6/23/2021	9/29/2021	12/22/2021
Payroll	52%	49%	42%	38%	37%	35%
Medical Staffing	4%	4%	8%	8%	9%	10%
Housing	5%	6%	7%	7%	8%	11%

Source: Bi-weekly Cost Reports.

Of the total COVID-19 costs incurred by the County, the budget unit recording the most expenses as of January 3, 2022 was the Valley Medical Center. The County's hospital system incurred \$256.5 million of the total \$825.2 million, or over 30% of the total costs, as shown in Figure I.5 on page 15.

Figure I.5: COVID-19 Costs Over \$10 Million by Budget Unit, As of January 3, 2022

Budget Unit/Department	Amount
Santa Clara Valley Medical Center Hospitals & Clinics	\$256,459,708
Controller-Treasurer Department	\$103,332,920
Office of Supportive Housing	\$97,877,217
Office of County Executive (incl. Emergency Operations Center)	\$70,333,434
Public Health Department	\$61,907,073
Facilities and Fleet Department	\$43,733,810
Social Services Agency	\$30,262,464
Probation Department	\$22,424,685
Technology Services and Solutions	\$18,713,749
Department of Correction	\$17,986,402
Office of the Sheriff	\$11,484,793

Source: County Data, Expenditure Dashboard.

As recorded in the County's COVID-19 expenditure dashboard, the budget unit with the second highest amount of expenses is the Controller-Treasurer Department. This is largely because the COVID fund was established in the Controller-Treasurer budget unit, but the EOC executes all contracts and transactions. A summary of expenditures by all County budget units is provided in Attachment C on page 89.

According to the County Executive, the County had projected in August 2021 that COVID-19 costs would total \$1.3 billion by the end of Fiscal Year 2022–23. Six months later, in February 2022, the County Executive revised the projection to estimate that COVID-19 costs would total \$1.3 billion by the end of Fiscal Year 2021–22.

Sources of Relief Funds to County

As noted above, because of the magnitude of the COVID-19 disaster, significant resources have been made available to local jurisdictions, including Santa Clara County. Two of the major sources of funds from the federal government—through both the CARES Act and American Rescue Plan Act—are distributed through grant allocations, which then must be reported on according to guidelines established by the U.S. Department of Treasury. The other major source of Federal funding for disaster recovery comes from the FEMA Public Assistance program, which establishes detailed eligibility criteria and requires local agencies to submit claims for expense reimbursement.

As of March 3, 2022, the County had received \$625.6 million in funding for COVID-19 expenses, as shown in Figure I.6 on page 16.

Figure I.6: Santa Clara County COVID-19 Revenues, As of March 3, 2022

Funding Source	Total Application	Total Received
Coronavirus Relief Fund (CARES)	\$189,613,960	\$189,613,960
American Rescue Plan	\$374,462,651	\$187,231,326
Provider Relief Fund (CARES)	\$164,937,511	\$117,937,511
FEMA Public Assistance	\$137,182,176	\$42,234,887
Other Grants	\$64,021,036	\$38,405,022
Emergency Rental Assistance	\$44,873,190	\$31,299,392
Epidemiology and Laboratory Capacity (ELC)	\$75,769,223	\$18,907,789
Total:	\$1,050,859,747	\$625,629,887

Source: County Revenue Dashboard data.

The County has applied for and/or been obligated an additional \$425 million in funding, for a total of \$1,050,859,747. Of the \$425 million in additional funding not already received, some funds (such as the Epidemiology and Laboratory Capacity grants issued by the Centers for Disease Control and Prevention) have been allocated by the funding source, and can be considered guaranteed, but will be received through a reimbursement process. Other revenues that appear on the County's COVID-19 revenue dashboard as "grant amount" have not been allocated and remain subject to application approval and funds availability.

For example, as shown in Figure I.7 below, the County revenue dashboard reflects under the "Grant Amount" column an additional \$94.9 million in FEMA Public Assistance reimbursement for claims that have not yet been approved by FEMA for obligation. Additionally, the revenue dashboard reflects under the "Grant Amount" column an additional \$47 million in Provider Relief Funds, despite the fact that those costs have not yet been approved by HRSA, and County officials acknowledge that the funds are not guaranteed and may no longer be available.

Figure I.7: Revenues Reported on Dashboard but Not Received, As of March 2022

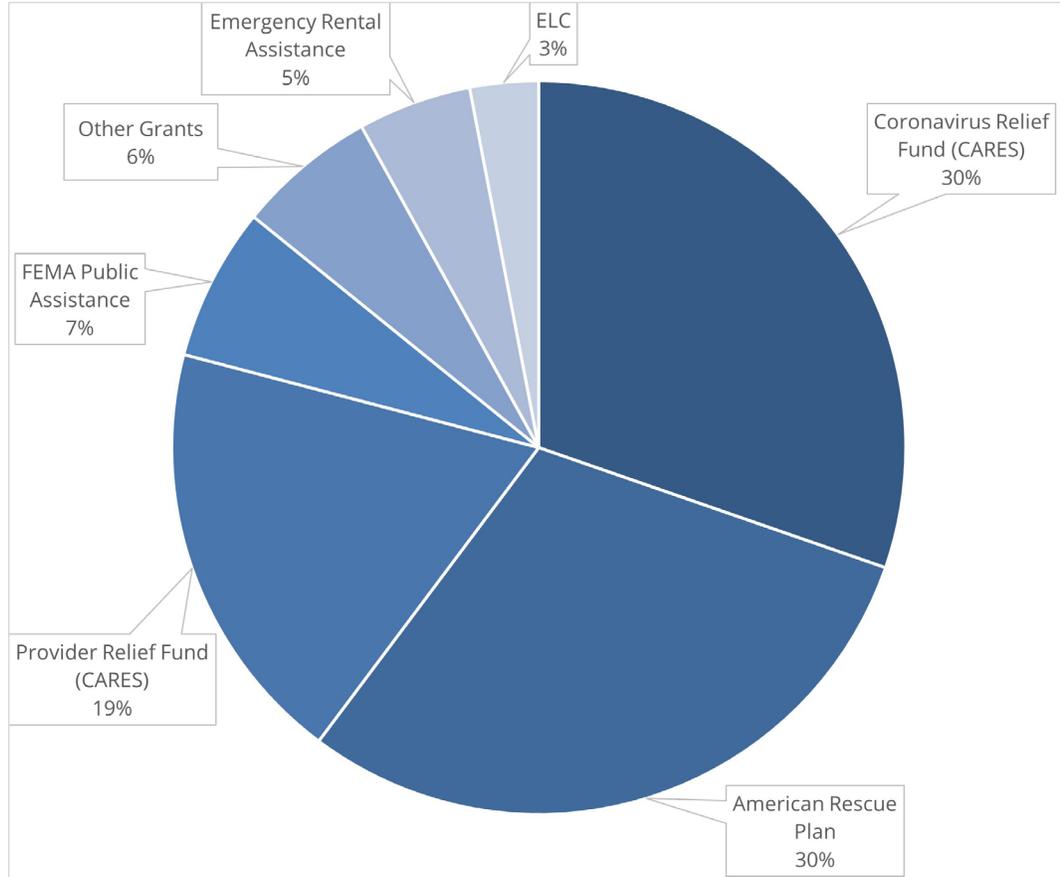
Status of Application/Claims	Amount
FEMA PA Claims Under Review	\$94,947,289
Provider Relief Funds Application Under Review	\$47,000,000
Total COVID-19 Revenues Under Review	\$141,947,289
Total Revenues Recorded in Dashboard But Not Received	\$425,229,860

Source: County Revenue Dashboard data.

Of the \$425.2 million that the County reports on its COVID-19 Revenue Dashboard as a "grant amount" that has not yet been received, \$141.9 million, or one-third, remains under review by the respective funding agency. As noted in Section 3, starting on page 37 of this report, we recommend that the revenue dashboard be revised to more accurately reflect revenues obligated, revenue applications under review, and revenues received.

Of the COVID-19 relief revenues already received by the County, the two grants from the CARES Act—Coronavirus Relief Fund and Provider Relief Fund—comprise nearly 50% of the total, as shown in Figure I.8 on page 17.

Figure I.8: COVID-19 Revenue Sources as a Percentage of Total Revenues Received, As of March 3, 2022



Source: County Revenue Dashboard data.

As noted above, County Administration estimates that COVID-19 costs will exceed \$1.3 billion at the end of the 2021–22 fiscal year, which leaves a potential funding shortfall of over \$400 million as shown in Figure I.9 below.

Figure I.9: Projected COVID-19 Funding Shortfall

Total COVID-19 Revenue Received	\$625,629,887
Additional COVID-19 Revenues Allocated	\$244,092,760
Total COVID-19 Revenue Received or Allocated:	\$869,722,646
Projected COVID-19 Expenditures	\$1,300,000,000
Potential Funding Shortfall:	\$430,277,354

Source: County Revenue Dashboard data, Mid-Year Budget Report February 8, 2022.

County officials have not yet publicly provided COVID-19 expenditure projections beyond Fiscal Year 2021–22. It is likely that costs will continue to be incurred beyond June 30, 2022, which will drive the total disaster expenses and potential funding shortfall higher.

As of February 8, 2022, County Administration has requested Board of Supervisors approval to appropriate a total of \$90 million in General Fund discretionary revenues to cover COVID-19 costs.

RECOMMENDATION PRIORITIES

The priority rankings shown for each recommendation in the audit report are consistent with the audit recommendation priority structure adopted by the Finance and Government Operations Committee of the Board of Supervisors, as follows:

Priority 1: Recommendations that address issues of non-compliance with federal, State and local laws, regulations, ordinances and the County Charter; would result in increases or decreases in expenditures or revenues of \$250,000 or more; or, suggest significant changes in federal, State or local policy through amendments to existing laws, regulations and policies.

Priority 2: Recommendations that would result in increases or decreases in expenditures or revenues of less than \$250,000; advocate changes in local policy through amendments to existing County ordinances and policies and procedures; or, would revise existing departmental or program policies and procedures for improved service delivery, increased operational efficiency, or greater program effectiveness.

Priority 3: Recommendations that address program-related policies and procedures that would not have a significant impact on revenues and expenditures but would result in modest improvements in service delivery and operating efficiency.

ACKNOWLEDGMENTS

We would like to thank the staff at the Finance Agency and County Executive's Office for their assistance with this study.

Section 1: Strategic Management

Background

In accordance with federal and state requirements, and under the leadership of the Office of Emergency Management, the County activated the Emergency Operations Center (EOC) in response to COVID-19 consistent with the County's Emergency Operations Plan, which provides structure and assigns responsibilities for the coordination of disaster response activities. Within the EOC, the County established a Disaster Cost Recovery Group, whose functions have been established by the County's Disaster Cost Recovery Functional Annex. The magnitude and duration of the COVID-19 pandemic has been unlike any recent disaster and has stressed the County's existing disaster response structure.

Problem, Cause, and Adverse Effect

The County has not adequately adapted and enhanced its organizational structure in order to maximize federal and state revenues for COVID-related expenses. Although the County added three staff positions in FY 2021-22 to augment the cost recovery function, after more than two years into the COVID-19 disaster, the County still does not have senior subject matter experts on staff and engaged full-time on cost recovery.

The County has relied heavily on a disaster cost recovery consultant, whose primary expertise is in the FEMA public assistance claims process, to supplement the existing disaster response structure. Although the consultant provided a funding matrix to the County in July 2020, which listed 31 potential sources and their respective eligible uses, the County did not formally adopt or operationalize this tool. Instead, the Budget Director explained in February 2022 that the administration uses a "preferential order" to identify which of four revenue categories COVID-19 costs will be assigned, but could not provide a breakdown of this funding analysis. As noted by the Board of Supervisors at hearings since at least August 2021, because disaster costs cannot be funded by duplicate sources, there is an urgent need to optimize the use of available funds and limit the financial liabilities to County taxpayers.

Recommendations

We recommend that the County Executive request authorization for a full-time cost recovery/grants manager and fill the position within six months of authorization. In addition, we recommend that the Controller-Treasurer work with the Office of Emergency Management to update the Disaster Cost Recovery Annex. Consistent with Section 2, starting on page 29 of this report, we also recommend that the Controller-Treasurer work with the County's Recovery Director to establish performance measures and associated goals/timelines related to ongoing disaster cost recovery for COVID-19 and ensure that these measures and goals are incorporated into any future contracts for disaster cost recovery advisory services.

Savings, Benefits, and Costs

We estimate the cost of hiring a permanent cost recovery/grants manager to be approximately \$300,000 per year, including benefits. The County has already spent \$2 million for cost recovery services provided by a consultant, which are eligible for reimbursement from FEMA. The benefits of investing in long-term internal subject matter expertise and leadership include greater efficiencies in communicating with departments, an enhanced ability to respond to questions from FEMA regarding claims, an ability to expedite claims submissions and receipt of funds, and overall strengthened oversight of cost recovery.

FINDING

County Should Enhance Organizational Structure and Develop Clear Strategy for Disaster Recovery

In accordance with California's Standardized Emergency Management System² (SEMS), and consistent with the National Incident Management System³ (NIMS), local governments must activate five functions during a disaster: (1) Management, (2) Operations, (3) Planning, (4) Logistics, and (5) Finance and Administration. Local governments in California must use SEMS in order to be eligible for State reimbursement for certain disaster-related costs.

As detailed in the Introduction to this report, following the declaration of the COVID-19 disaster, the County activated the Emergency Operations Center (EOC) under the leadership of the Office of Emergency Management. The EOC was activated in alignment with the County's Emergency Operations Plan, which provides structure and assigns responsibilities for the coordination of disaster response activities. Within the EOC, the County established a Disaster Cost Recovery Group, whose functions have been established by the County's Disaster Cost Recovery Functional Annex, a planning document which details task assignments, policies and procedures, and the coordination of planning efforts. The Disaster Cost Recovery Group is managed by the Cost Tracking Division Manager in the Controller-Treasurer Department (technically called the "Coordinator"), reporting to the Finance/Administration Section Chief at the Emergency Operations Center (see Figure I.1 on page 11 in the Introduction to this report for an organization chart of the Disaster Cost Recovery Group).

According to the Disaster Cost Recovery Annex, the Disaster Cost Recovery Group "provides the organizational structure to coordinate all necessary and/or appropriate activities related to the successful recovery of all eligible funds via local, State and/or Federal disaster assistance program[s]." These activities include, but are not limited to:

- Aggregation of disaster-related costs and associated documentation
- Application for FEMA Public Assistance
- Facilitation of funds management between external funders and internal County departments
- Provisions of assistance to County departments with accounting entries and reporting.

Also noted in the Introduction, because of the ongoing nature of the COVID-19 disaster, this *response* group technically continues to operate alongside the *recovery* functions established by the County. In practice, there is little distinction between these two functions, as the same staff within the Controller-Treasurer Department, described below, conduct the work of tracking and documenting costs.

² SEMS was created by CalOES (the state's Office of Emergency Services) to provide the fundamental structure for the response phase of emergency management. The system unifies all elements of California's emergency management community into a single integrated system and standardizes key elements for operations.

³ NIMS was created by FEMA to create a comprehensive, national approach to incident management that is applicable at all jurisdictional levels and across functional disciplines. It is intended to: be applicable across a full spectrum of potential incidents or disasters, regardless of size, location or complexity; improve coordination and cooperation between public and private entities in a variety of incident management activities; and provide a common standard for overall incident management.

County's COVID-19 Disaster Response Structure

Disaster Recovery Management Team

In May 2020, the County Executive established the Disaster Recovery Management Team, which is typically put into place after the deactivation of the Emergency Operations Center. However, since the COVID-19 disaster was still ongoing, the Disaster Recovery Management Team began operating (and still operates as of March 2022) concurrently with the Emergency Operations Center. Within the Disaster Recovery Management Team, there are seven Recovery Support Functions, including Health Services, Social Services, Housing, Economic, and Natural and Cultural Resources. Generally, the teams under these functional areas facilitate problem solving, improve access to needed resources, and collaborate with government and community partners.

The County Executive appointed a Deputy County Executive as the Director of the Disaster Recovery Management Team.

Economic Recovery Support Function

Under the leadership of the Director of Finance, the Economic Recovery Support Function focuses on:

- Government cost recovery
- Small Business Association issues
- Business impact assessment and assistance triage strategies
- New economic opportunities
- Coordinated support for rebuilding business and employment.

This function has responsibility for tracking all COVID-19 expenditures and managing all revenues that support disaster-related expenses. As shown in the organizational chart provided as Figure I.2 on page 13 in the Introduction, primary support staff for tracking disaster expenditures come from the Controller-Treasurer Department. Reporting to the Assistant Controller-Treasurer, there are 13 employees from three divisions within the Controller-Treasurer Department (Administration Unit, Disbursements Division and Accounting Division) assigned to COVID-19 recovery:

- 1 Senior Management Analyst from the Administration Unit;
- 2 Senior Accountants and 1 Accountant III in the Disbursements Unit; and
- 1 Division Manager, 1 Accounting Manager, 3 Senior Accountants, 2 Accountant IIIs, and 1 Management Analyst from the Accounting Division.

During the first 12 months of the COVID-19 response, seven staff from the Internal Audit Division provided temporary support to the team.

In addition, the Office of Budget and Analysis (OBA) budgets and estimates revenues and expenditures related to the disaster. Aside from the County Budget Director, there are three employees at OBA with specific responsibilities related to COVID-19 projections, including one Budget and Financial Planning Manager, one Principal Budget & Public Policy Analyst, and two Financial and Economic Analysts.

Staff Enhancements for COVID-19 Cost Recovery

To enhance the County's internal capacity for tracking and claiming expenditures related to the COVID-19 disaster, the County Executive requested authorization for three new accounting employees in the Fiscal Year 2021–22 budget. These three employees—two Accountant IIIs and one Management Analyst—are reflected in the details above regarding staff assigned to COVID-19 cost recovery in the Controller-Treasurer Department. The positions were filled between July and September 2021. According to County officials, these three positions will be assigned indefinitely to support ongoing cost recovery related to COVID-19 expenditures, as well as cost recovery for future disasters.

In addition, according to the Recovery Director, the County hired another Senior Accountant on March 21, 2022, reporting to the Recovery Director, who “will be responsible for central coordination of cost tracking, reimbursements, COVID funding (not just ARPA), and projections. [The Senior Accountant will] work with other partners including the County’s Health and Hospital accounting staff and other departments that receive COVID funding, and with the Emergency Operations Center on expenditures for the pandemic response.”

In February 2022 the County also requested approval from the Board of Supervisors to authorize an Accountant position, as part of its larger request to hire more than 200 Disaster Service Worker positions. According to the Recovery Director, the County has not yet determined whether this position will be located in County Executive’s Office and will be shared by the Finance Agency and the Controller-Treasurer Department. The purpose of the request for these additional positions is to provide long-term support to the ongoing response.

The addition of these five positions to the County’s financial staff reflects an acknowledgement that staff capacity has not been sufficient to meet the demands of the tracking and recovery of costs related to the pandemic. We commend the County for taking action to address this critical need, but we believe that additional financial staff capacity was needed much earlier in the response and may still be insufficient to carry out the remaining recovery activities related to this disaster. Other counties reinforced their cost recovery capacity earlier and more extensively. For example, San Francisco deployed most of the Controller’s Office City Services Auditor staff to function as the Disaster Cost Recovery Team—a total of approximately 30 auditors and analysts have been assigned to this team. As noted above, Santa Clara assigned 13 staff to this function, roughly half of San Francisco’s capacity, to serve a County more than twice the population size.

County Lacks Full-Time Senior Leadership for Disaster Cost Recovery

When the COVID-19 pandemic began in March 2020, the County did not have adequate in-house expertise to develop and implement a strategy for maximizing federal and state resources. The County's Finance Director (who served as Finance/Administration Section Chief at the Emergency Operations Center) at that time noted in an After-Action Report in May 2020:

On a more negative note, I believe that the Finance Section was unprepared for this event. This is due to the lack of action by the Finance Section Chief (me) who should have established a more thorough and robust cost tracking and reporting mechanism in the early stages of the event, brought consulting help in sooner, and establish a more sustainable team early on. These items were missed and thus we are making up for it now. Our model was based on short term events and not something that lasts as long as this event. If we did things earlier on, we would be doing much better now.

Nearly two years after this report, the County still does not have senior subject matter experts on staff and engaged full-time on cost recovery. The primary senior management overseeing different aspects of the cost recovery process work in a limited capacity in these functions. In August 2021, the Assistant Controller-Treasurer over the Cost Tracking Team estimated that 25–30% of her time was spent on COVID cost activities. The Director of Finance also estimated in August 2021 that 40% of her time was dedicated to COVID-related activities. The Accounting Manager in charge of the Cost Recovery Team and COVID cost reporting, estimated in October 2021 that, "even with the three new staff, [she is] still spending half of [her] time on COVID." The Deputy County Executive to provide overall coordination and oversight of these activities as the Recovery Director stated in February 2022 that her time is divided between three main assignments, allowing approximately 30% of her time to overseeing the County's disaster cost recovery.

In addition, since the beginning of the pandemic, there has been turnover in existing senior leadership positions at the County, including the Finance Director and the Controller-Treasurer, and the County has still not filled the new Chief Financial Officer position.

County Contracted Out for Disaster Cost Recovery Support and Strategy

As discussed in Section 2, starting on page 29 of this report, the County has relied heavily on the advisory services provided by its disaster recovery consultant. Although the consultant's scope of work reflects expansive responsibilities across multiple potential funding sources, most of the work performed by the firm as of March 2022 has focused on preparing and submitting expenditure claims to FEMA for reimbursement through its Public Assistance award program.

Although the County has relied on the consultant for strategic guidance for maximizing federal revenue sources, the County has not formally utilized a key tool provided by its disaster cost recovery consultant. The County's disaster cost recovery consultant shared a "CARES ACT federal funding assistance program tool" with the County on July 20, 2020. Designed as a matrix, it identified 31 possible funding sources and 73 types of expenditures across seven main cost categories.

The Introduction to this document notes that:

The CARES ACT federal funding assistance program tool is designed to provide entities with a crosswalk of various expenses related to prevention, preparation, response, and recovery activities that may be incurred by state, local, and non-profit organizations. The top row consists of federal agency programs that received appropriations with the passage of the CARES Act of 2020. On the left side of the spreadsheet, the first two columns denote categories of common expenses and activities related to COVID-19. The second column provides a list of various expenses commonly incurred by state, local, tribal, and territorial governments, non-profits, and education entities. The goal of this tool is to assist organizations with identifying federal programs which could potentially provide financial assistance to provide essential community services and support, cover expenses incurred, and other activities related to the pandemic.

According to County officials, this document, which has not been updated since July 2020, is used by the administration to identify which of four revenue categories COVID-19 costs will be assigned. According to the Budget Director's Fiscal Year 2021–22 Mid-Year Budget Review presented to the Board of Supervisor in February 2022, this “preferential order” of revenue categories include:

1. The most restricted federal funding source (limited to the restrictions placed by the source)
2. FEMA (generally for services, supplies, and temporary workers)
3. ARPA (generally for County personnel costs that cannot charge their salary and benefit costs related to pandemic response to their normal funding source), plus other costs approve[d] by the Board for ARPA funding
4. County discretionary sources (for pandemic response costs where there is no other funding source).

Despite describing how the expenditures are analyzed and assigned for funding, County Administration has been unable to provide a breakdown of this funding analysis, making it difficult, if not impossible, for policymakers to understand the magnitude of risk to the County's General Fund for unreimbursed pandemic costs.

Need for Permanent Cost Recovery Expertise in County Management

In 2017, the County acknowledged in its Disaster Cost Recovery Annex:

*The preservation of life, public health, improved property and the environment are inherent responsibilities of local, State and the Federal government. Additionally, **history has demonstrated that government agencies must understand and strengthen their organization's disaster financial management and cost recovery procedures before and during times of disaster**, in order to maintain and improve their ultimate charge to preserve life, public health, improved property, and the environment. While no plan can completely prevent error, **reasonable plans** – carried out by knowledgeable and well-trained personnel – **can minimize loss of life, increase financial stability, and reduce negative impacts to improved property and the environment.** [emphasis added]*

As discussed in Section 5, starting on page 57 of this report, the Disaster Cost Recovery Annex should have been updated in 2020, but the update was delayed due to the COVID-19 disaster. As we note in that section, “reviewing and updating the Annex document in light of lessons learned from COVID...will be key to helping the County prepare for future disasters.”

The County identified the need for a “lead recovery manager position” in 2019, several months before the COVID pandemic began. In its Strategic Visioning Plan⁴, the Office of Emergency Management notes that:

*In recent years, OEM has worked diligently to develop base plans for the other three phases of emergency management: Preparedness, Response, and Mitigation. OEM has developed some critical Recovery Plan Annexes, such as the Cost Recovery Annex and Donations Management Annex. ... In addition to a Recovery Base Plan, which would outline the short- and long-term recovery framework and processes for comprehensive recovery coordination, the County needs to create and fill a lead recovery manager position. This position is similar to an EOC director, a position currently filled by the County Executive or their designee. **Ideally, this should be done before a major disaster to effectively determine and shepherd the County's recovery process.** [emphasis added]*

As noted, the County’s Recovery Director was assigned this role after the disaster and divides her time between multiple functions.

Having a senior management position overseeing the disaster cost recovery activities would enable the Administration to respond more readily to information requests from the Board of Supervisors and the public. For example, at meetings in 2021 and 2022, members of the Board have asked County officials to provide more detail on COVID relief funds, including specific requests regarding the estimation of FEMA reimbursements and a snapshot breakdown of COVID expenses by funding source. The County Budget Director noted in response to this request at the February 8, 2022 meeting that he would need to work with the consultant to try to get this information for the Board. As of March 30, 2022, it has not been publicly provided, and reflects the County’s impaired ability to be responsive in the absence of internal leadership.

While the duration and magnitude of this disaster were uncommon, the County will likely experience more disasters in the future—whether fires, earthquakes, public health, or other unforeseen disasters. The County will regularly need expertise and leadership on cost recovery and grant management and should create this function in-house in order to create efficiencies and preserve historical knowledge and records. As noted in the County’s Disaster Cost Recovery Annex in 2017, “funds management is an ongoing process that requires effective coordination with departmental contacts for cost reporting, as well as communication with external parties, like Cal OES and FEMA for reimbursement related issues.”

⁴ The Strategic Visioning Plan provides a roadmap for the County’s Office of Emergency Management, outlining the day-to-day structure, functions, processes, priorities and responsibilities to effectively perform its Preparedness functions.

In addition to hiring a full-time cost recovery manager, we recommend that the County Executive evaluate the effectiveness and efficiency of ongoing outsourcing for cost recovery support prior to issuing a new work order or contract for disaster cost recovery advisory services. With years of cost documentation, claims processing, and auditing ahead, the County must consider the value of ensuring internal knowledge and expertise in order to position the County for maximum cost recovery and financial management.

CONCLUSION

The County did not have an adequate organizational structure in place to ensure the most effective management of funds to address an emergency with the breadth and depth of the COVID pandemic and has not sufficiently enhanced staffing to provide the ongoing support and leadership necessary to maximize and optimize cost recovery. Instead, the County has had to rely heavily on the advisory services provided by its Disaster Recovery Consultant, whose expenditures (which are eligible for reimbursement from FEMA) have totaled approximately \$2 million as of March 2022.

With over \$1.0 billion in COVID costs incurred as of March 2022, current weekly costs estimated between \$6 million and \$8 million, and only \$42 million received in FEMA reimbursements as of March 2022, the need to provide ongoing management and oversight of cost tracking and recovery is critical. Further, the County should position itself to be prepared for financial management of additional ongoing disasters, such as pandemics and droughts, which may be more likely to occur in the future.

RECOMMENDATIONS

The County Executive should:

- 1.1 Request authorization for a full-time lead recovery manager and fill the position within six months of authorization. (Priority 2)
- 1.2 Evaluate the effectiveness and efficiency of outsourcing disaster cost recovery advisory services prior to the issuance of any future contracts. (Priority 2)

The Controller-Treasurer should:

- 1.3 Work with the County's Recovery Director to establish performance measures and associated goals/timelines related to ongoing disaster cost recovery for the COVID-19 disaster and ensure that these measures and goals are incorporated in any future contracts for disaster cost recovery advisory services. (Priority 2)
- 1.4 Work with the Office of Emergency Management to update the 2017 Disaster Cost Recovery Annex, incorporating lessons learned from this disaster and providing guidance on strategic planning to maximize revenues. (Priority 2)

SAVINGS, BENEFITS, AND COSTS

We estimate the cost of hiring a permanent grants manager to be approximately \$300,000 per year, including benefits. The County has already spent \$2 million for cost recovery services provided by a consultant. The benefits of investing in this long-term internal subject matter expertise and leadership include greater efficiencies in communicating with departments, an enhanced ability to respond to questions from FEMA regarding claims, an ability to expedite claims submissions and receipt of funds, and overall strengthened oversight of cost recovery.

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Section 2: Use of Advisors

Background

On May 1, 2020, the Controller-Treasurer Department issued a Request for Statement of Qualifications (eRFSQ-CON-FY20-0361) to establish a qualified pool of disaster cost recovery professionals to provide advisory and auditing services to the Office of Budget and Analysis and the Finance Agency. Eleven bidders submitted proposals and four firms were selected for the pool. In June 2020, the Controller-Treasurer Department issued a Work Order request to the four members of the Disaster Recovery and Financial Advisory Pool and selected one contractor from these bids.

Problem, Cause, and Adverse Effect

Performance measures are essential tools for management to ensure that contractors are meeting goals. Without performance measures, management cannot effectively hold a contractor accountable. The Board of Supervisors has established requirements for performance measurement and monitoring in Board Policy 5, which states:

Monitoring, administration and evaluation of County contracts are essential to promoting the most cost-effective use of taxpayer dollars and County resources and to ensuring that the County receives the goods and/or services for which it contracts. Although the method used to monitor, administer and evaluate a contract will depend on the type of contract, Agencies/Departments are required to develop performance standards and implement a process that incorporates monitoring, administration and evaluation of contracts.

Despite this mandate, the County did not establish performance metrics in its contract for disaster cost recovery advisory services. The County is paying an increasing amount to this consultant, on whose expertise the County relies on with regards to FEMA Public Assistance grant awards (and to a lesser extent, other federal relief programs), which the County at one point estimated could total between \$417 million to \$512 million. With only \$42 million in claims approved by FEMA as of March 8, 2022, which is less than many of its peer counties as discussed in Section 3, starting on page 37 of this report, and with over \$1 billion in costs incurred, the County risks an increased reliance on discretionary revenues to cover COVID-19 expenses.

Recommendations

In order to maximize federal funds for COVID-19 expenditures, the Controller-Treasurer should work with its disaster cost recovery consultant to establish an aggressive timeline for future FEMA claims submissions and ensure that the contractor meets these deadlines to expedite the process. The Controller-Treasurer should also report to the Board of Supervisors' Finance and Government Operations Committee on a monthly basis with a breakdown of COVID-related expenditures by anticipated funding source.

Savings, Benefits, and Costs

According to the Controller-Treasurer, the County will continue to require the services of a disaster cost recovery consultant, beyond this current contract term, which ends on June 30, 2022, when it will have likely spent the maximum financial obligation amount of \$2.6 million for these advisory services. Establishing performance benchmarks and timelines—typically part of the procurement process—to include in any future agreement for disaster cost recovery services should require no more than 10 hours of staff time, with the benefits of optimizing reimbursements and minimizing the impact on the General Fund for unreimbursed or under-reimbursed expenses.

FINDING

The County Has Relied on a Disaster Cost Recovery Consultant Without Establishing Clear Performance Metrics

On May 1, 2020, the Controller-Treasurer Department issued a Request for Statement of Qualifications (eRFSQ-CON-FY20-0361) to establish a qualified pool of disaster cost recovery professionals to provide advisory and auditing services to the Office of Budget and Analysis and the Finance Agency. Eleven bidders submitted proposals and four firms were selected for the pool. In June 2020, the Controller-Treasurer Department issued a Work Order request to the four members of the Disaster Recovery and Financial Advisory Pool. All four submitted bids and the County selected one firm who signed an initial agreement effective July 9, 2020 to July 8, 2021 for a maximum financial obligation of \$924,100.

Consultant's Scope of Work

The consultant's Work Order Service Agreement provided for both advisory and auditing services.

As detailed in the Attachment A – Scope of Work of the Work Order Service Agreement, the Advisory Services to be provided by the Consultant include an extensive list, which can be found in its entirety as Attachment D on page 91 of this report. Some of the key advisory tasks include:

- Assisting the County with the management and administration of the FEMA Public Assistance Grant Program;
- Advising the County on grant eligibility criteria and documentation requirements for FEMA and CARES Act funds;
- Providing general grant management advice;
- Develop and implement strategies and technical advice to secure funding and claiming opportunities from available sources in order to maximize cost recovery for the County; and
- Train relevant County staff engaged in cost tracking and recovery.

Also detailed in the Attachment A – Scope of Work of the Work Order Service Agreement, the Auditing Services to be provided by the Consultant include:

- Perform Project Worksheet closeouts for FEMA Public Assistance claims;
- Prepare appeals and arbitration materials;
- Respond to audit findings;
- Participate in the After Action Report; and
- Assist with data collection needed for full eligible reimbursement required by the auditors.

Board Policy on Contract Performance Measures

Santa Clara County Board Policy 5, last revised on September 24, 2020, established County policies on soliciting and contracting. Section 5.4 “provides an overview of the County’s contracting activities and sets forth the policy requirements for contracting activities in the County.” Specifically, in Section 5.4.5.5, the policy addresses requirements for the “Monitoring, Administration and Evaluation of Contracts”:

Monitoring, administration and evaluation of County contracts are essential to promoting the most cost-effective use of taxpayer dollars and County resources and to ensuring that the County receives the goods and/or services for which it contracts. Although the method used to monitor, administer and evaluate a contract will depend on the type of contract, Agencies/Departments are required to develop performance standards and implement a process that incorporates monitoring, administration and evaluation of contracts. For example, self-monitoring and self-reporting may be appropriate for certain contracts. Agencies/Departments must also document their performance evaluations of contractors. The retention period for this documentation should [be] the same as the retention period for the subject contract. These performance evaluations may be used by Agencies/Departments to evaluate the propriety of entering into contract extensions or future agreements with the same contractor. The Board or Board Committees may also request copies of evaluations from time to time.

This Board policy aligns with best practices identified by leading industry organizations and agencies, including the U.S. Government Accountability Office (GAO), the Government Finance Officers Association, the National Association of Counties, and the National Association of State Auditors, Comptrollers and Treasurers. The latter three organizations collaborated to produce “A Performance Management Framework,” in which they noted that “it is impossible to overstate the importance of measurement in the operations of government.” The National State Auditors Association noted in its “Best Practices in Performance Measurement” both the importance of selecting key performance measures and establishing performance targets. FEMA, in its Public Assistance Contracting Requirements Checklist, states that non-State entities (which includes Santa Clara County) must “maintain oversight to ensure contractors perform according to the terms, conditions and specifications of their contracts.”

No Performance Measures in Contractor’s Work Order Agreement

Despite County policy requiring the inclusion of performance measures in contracts, there are no performance standards documented in the disaster cost recovery consultant’s Master Service Agreement or Work Order agreement.

Under "Performance Standards" in Section C of the Master Service Agreement, the contract states, "Performance standards will be specified in each work order issued to the Contractor." However, the Section C "Performance Standards" of the work order (or "service") agreement, states:

See Attachment A, incorporated by this reference. This Agreement serves as a work order issued pursuant to a Master Service Agreement executed by the County and Contractor as of June 11, 2020 and attached hereto as Attachment C ("MSA"). This Agreement is subject to all the terms and conditions of the MSA, including standard provisions and exhibits.

Attachment A includes the agreement's scope of services and "intended deliverables," which states that the contractor:

will finalize Development and Implementation Workplan that incorporates the following elements complete with Milestones and Pricing Schedule:

- 1. Provide a comprehensive list of COVID related activities that are reimbursable under the FEMA Public Assistance Program and California Disaster Assistance Act or any other Federal or State acts or (other) programs.*
- 2. Obtain an understanding of the County of Santa Clara's COVID related activities.*
- 3. Review the County's identified COVID costs and determine whether they are reimbursable by FEMA or the CARES Act or another other Federal or State acts or (other) programs.*
- 4. Determine whether any of these activities qualify as reimbursable under the FEMA Public Assistance Program and California Disaster Assistance Act or other Federal or State COVID programs.*
- 5. Analyze noncompliant COVID activities to determine the feasibility of possibly acquiring reimbursement if the activities are modified.*
- 6. Acquire an understanding of the County of Santa Clara's FEMA and State reimbursement processes and suggest areas of improvement.*
- 7. Outline a Recovery Continuum with Short Term, Intermediate and Long-Term Activities.*
- 8. Incorporate the elements and services requested in Category 1 - Advisory Services Disaster Cost Recovery and Financial Advisory Services for the COVID-19 Event EWOPR-CON-FY20-0439 (under Section II B) and Category 2- Auditing Services (under Section II C).*

However, according to County officials, the contractor did not finalize and submit an Implementation Workplan with milestones and pricing schedules. Instead, as part of its technical proposal for the Master Service Agreement, provided to the County on May 11, 2020, the contractor provided "Summary Milestones" for implementation as shown in Figure 2.1 on page 33.

Figure 2.1: Summary Milestones Provided to County by Cost Recovery Contractor

Summary Milestones	Due Date
Project kickoff meeting with County department contacts	7 days from project start
Development of draft project worksheets by FEMA	90 days from project start
Identification of hazard mitigation grant opportunities	120 days from project start
Grant Management tasks	Ongoing from project start

Source: Agreement with Cost Recovery Contractor.

In addition to these milestones, the contractor submits weekly status reports on FEMA claims and participates in biweekly meetings with County administration. However, compared to the detailed and comprehensive scope of work for which the contractor has been engaged, these milestones and timelines do not provide adequate or specific measures by which the contractor's performance could be measured. Performance measures are essential tools for management to ensure that contractors are meeting goals. Without performance measures, the County cannot effectively hold a contractor accountable. It is not clear what criteria the County uses to assess the contractor's performance.

Contract Amendments and Increased Award Amounts

Despite this absence of performance standards, which makes it difficult, if not impossible, for the County to measure and verify that the contractor has provided adequate services, the County has already expanded the contract term and amount. As shown in Figure 2.2 below, the first amendment to the work order agreement was effective May 1, 2021, extending the term of the agreement for 12 months and increasing the maximum financial obligation by \$1 million, from \$924,100 to \$1,924,100—more than double the original amount. The agreement was amended again in January 2022 to increase the maximum financial obligation by \$705,000 for the remainder of the current term.

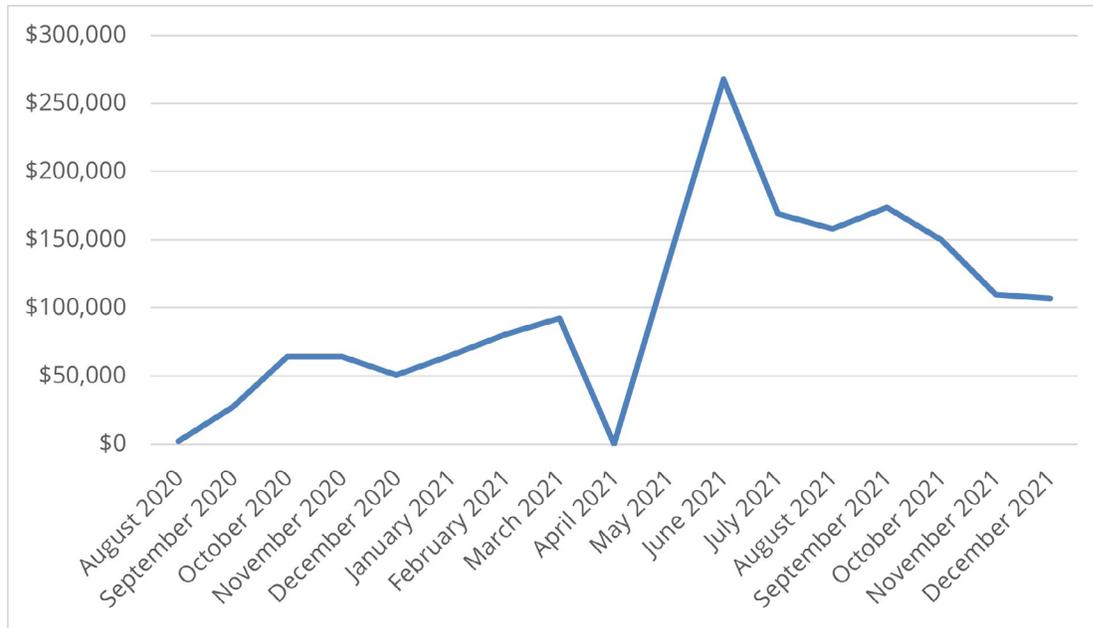
Figure 2.2: Original and Amended Agreement Amounts for Cost Recovery Contractor

Term	Maximum Financial Obligation
July 9, 2020 to July 8, 2021	\$924,100
May 1, 2021 to June 30, 2022	\$1,924,100
January 28, 2022 to June 30, 2022	\$2,629,100

Source: Agreement with Cost Recovery Contractor.

The contractor has billed the County approximately \$100,000 per month, with the highest monthly expenditures of \$267,863 charged to the County in June 2021. As of January 3, 2022, the Contractor had billed \$1,714,959, or 89%, of the \$1,924,100 maximum financial obligation amount. Monthly invoices for the cost recovery consultant are shown in Figure 2.3 below. Note that the contractor submits invoices for work completed in prior months, and some totals shown below included invoices for work completed in multiple months.

Figure 2.3: Monthly Invoices for Cost Recovery Consultant, August 2020 Through December 2021



Source: Dashboard, as of January 3, 2022.

The additional \$705,000 awarded to the contractor for the remainder of the current contract term was funded through the \$40 million allocation of discretionary funds, requested by the County as part of the FY 2021–22 Mid-Year Budget Report and Presentation. As noted in Section 1, starting on page 19 of this report, these costs are eligible for reimbursement from FEMA, and claims should be submitted expeditiously.

CONCLUSION

The County has relied heavily on the expertise of its disaster cost recovery consultant for reviewing and preparing submissions to FEMA for reimbursement through the Public Assistance program—one component of its extensive scope of work. However, no performance metrics have been established in either the master service agreement or the work order agreement despite the requirement that all contracts include performance standards.

The contractor’s agreement with the County has already been amended two times, with its maximum financial obligation increasing from \$924,100 to \$2,629,100. It is not clear how the County has approved these increases without the ability to verify that the contractor has met performance expectations. With over \$1.3 billion anticipated in COVID-19 expenditures by the end of Fiscal Year 2021–22, it is critical that the County put in place meaningful performance measures in order to hold the consultant accountable, given the magnitude of these costs, and the impact on the General Fund if FEMA reimbursement claims are not approved.

RECOMMENDATIONS

If the County determines an ongoing need for disaster cost recovery advisory services, we recommend that the Controller-Treasurer should:

- 2.1 Establish a clear timeline for deliverables for any disaster cost recovery advisory consultant. (Priority 2)
- 2.2 Ensure that timelines have been met before authorizing any future contract agreements or amendments. (Priority 2)

SAVINGS, BENEFITS, AND COSTS

According to the Controller-Treasurer, the County will continue to require the services of a disaster cost recovery consultant beyond this current contract term, which ends on June 30, 2022, when it will have likely spent the maximum financial obligation amount of \$2.6 million for these advisory services. While these costs are eligible for reimbursement from FEMA, the County must still have standards in place to hold consultants accountable for delivery of services. Establishing performance benchmarks and timelines—typically part of the procurement process—to include in any future agreement for disaster cost recovery services should require no more than 10 hours of staff time, with the benefits of optimizing reimbursements and minimizing the impact on the General Fund for unreimbursed or under-reimbursed expenses. As noted throughout this report, the County anticipates over \$1.3 billion in COVID-19 costs by the end of Fiscal Year 2021-22.

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Section 3: Expediting Claims and Appropriations

Background

To compensate for COVID-19 related expenses, the Federal Government has made significant funding available to local governments across the nation, including Santa Clara County. These additional resources have come from multiple federal sources, some of which were newly created, such as funds authorized through the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA). Other funds have been made available through enhanced grants from existing sources, and through the U.S. Federal Emergency Management Agency (FEMA's) Public Assistance Program.

Problem, Cause, and Adverse Effect

Although the County has engaged the services of a disaster cost recovery consultant to help manage the processes for claiming and allocating relief funds, the County continues to lag behind other California counties in the timeliness of submitting claims and in the recovery of eligible costs. The County has also been relatively slow in requesting approval to allocate the first tranche of ARPA funds, which was distributed in May 2021. The pace of these actions puts increased pressure on the County's discretionary General Fund revenues, and potentially risks receiving less revenues or reimbursements at a lower rate. County administration anticipates that COVID-19 expenditures will exceed \$1.3 billion by the end of Fiscal Year 2021–22. While not all of these costs are eligible for FEMA reimbursement, the County estimated in August 2021 that total FEMA reimbursements could range from \$416.5 million to \$520.7 million. With only \$42 million in FEMA reimbursements received to date, the County is at risk of not fully optimizing all available revenue opportunities.

Recommendations

In order to maximize federal funds for COVID-19 expenditures, the Controller-Treasurer should work with its disaster cost recovery consultant to establish an aggressive timeline for future FEMA claims submissions and ensure that the contractor meets these deadlines to expedite the process. The Controller-Treasurer should also report to the Board of Supervisors' Finance and Government Operations Committee on a monthly basis with a breakdown of COVID-related expenditures by anticipated funding source.

Savings, Benefits, and Costs

The County expects to incur over \$1.3 billion in COVID-19 related expenses by the end of Fiscal Year 2021–22 and has invested an estimated \$2 million for consulting services to support disaster cost recovery as of March 8, 2022. Establishing performance benchmarks and timelines—typically part of the procurement process—should require no more than 10 hours of staff time, with the benefits of optimizing reimbursements and minimizing the impact on the General Fund for unreimbursed or under-reimbursed expenses.

FINDING

The County Needs to Expedite the Claims and Appropriations Processes for COVID-19 Expenditures in Order to Maximize Available Resources

As noted in the Introduction to this report, to compensate for COVID-19 related expenses, the Federal Government has made significant funding available to local governments across the nation, including Santa Clara County. The additional resources made available to local jurisdictions to support COVID-19 related expenses have come from multiple federal sources, some of which were newly created, such as funds authorized through the Coronavirus Aid, Relief, and Economic Assistance (CARES) Act and the American Rescue Plan Act (ARPA). Other funds were made available through enhanced grants from existing sources, and through the U.S. Federal Emergency Management Agency (FEMA's) Public Assistance Program.

CARES Act

The CARES Act, passed in March 2020, provided approximately \$2 trillion in various forms of relief to individuals, businesses, farmers, hospitals, and state and local governments. The CARES Act provided approximately \$150 billion to state and local governments through the Coronavirus Relief Fund and approximately \$100 billion for hospitals through the Provider Relief Fund.

CARES Act Coronavirus Relief Fund

Santa Clara County received \$189,613,989 from the Coronavirus Relief Fund (CRF), which is administered by the U.S. Department of Treasury. This includes \$31,514,029 received as a pass-through from the State of California's CRF allocation. In accordance with the terms established in the CARES Act, these funds could be used for:

- necessary expenditures incurred because of the pandemic;
- expenditures not already accounted for in a budget approved before March 27, 2020; and
- expenditures incurred between March 1, 2020 and December 31, 2020.

The initial deadline for spending CARES Act funds was December 31, 2020, but in December 2020, Congress passed the 2021 Consolidated Appropriations Act which extended the deadline from December 31, 2020 to December 31, 2021.

Santa Clara County had fully allocated the Coronavirus Relief Funds by the initial deadline of December 31, 2020.

CARES Act Provider Relief Fund

In addition to the Coronavirus Relief Fund, the CARES Act established the Provider Relief Fund, administered by the U.S. Department of Health and Human Services, to reimburse healthcare providers for increased expenses or lost revenue attributable to COVID-19. These funds are being distributed as grants, not to be repaid, in four phases. As of March 2022, Santa Clara County has received \$117,937,511 in Provider Relief Funds. The County's Phase 4 application is currently under review at the

Health Resources and Services Administration⁵ (HRSA), and the County estimates it will receive \$47 million from this distribution, bringing the total Provider Relief Fund allocation to \$164,937,511. According to County officials, the Phase 4 distribution should be received by May 2022.

FEMA Public Assistance

In accordance with section 502 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. 5121-5207 (Stafford Act), FEMA has made funds available to local governments to assist with responding to the COVID-19 disaster under the Public Assistance Program. For this disaster, FEMA will reimburse 100% of eligible expenses until July 1, 2022, unless the 100% cost-share is extended.

According to FEMA guidance, expenditures eligible for reimbursement through the Public Assistance Program include:

- Medical care;
- Purchase and distribution of food;
- Non-congregate medical sheltering;
- Operation of Emergency Operations Centers to direct and coordinate resources and response activities for COVID-19 declarations;
- Communications to disseminate public information regarding health and safety measures and provide warnings about risks and hazards;
- Mass casualty management; and
- Purchase and distribution of personal protective equipment (PPE).

FEMA Claims Process

As discussed in Section 2, starting on page 29 of this report, the County engaged a disaster cost recovery consultant in July 2020 to “develop and implement strategies and technical advice to secure funding and claiming opportunities through Federal and State programs and special legislation in order to maximize cost recovery for the County.” FEMA awards Public Assistance funds through a claims process, which requires applicants to submit “project worksheets” and supporting documentation for all eligible expenses through a grants portal. The County’s disaster cost recovery consultant has prepared the County’s submissions to FEMA, by identifying potentially eligible expenditures, reviewing documentation supporting those expenses, working with departments as necessary to obtain additional documentation, and creating the corresponding project worksheets that the County posts in the grants portal for FEMA review. Once FEMA has approved a claim for reimbursement, it posts an “obligation” of those funds in the grants portal, as well as a daily Public Assistance award activity report.

There is no specified timeline for FEMA’s review process and claims for Public Assistance awards can take weeks or months for final determinations to be made. Government officials with experience in disaster cost recovery widely acknowledge the typically slow pace of the claims review process. Factors impacting the timeline include the complexity of the project worksheet, the magnitude of the request, staff

⁵ The Health Resources and Services Administration is an agency of the U.S. Department of Health and Human Services and is the primary federal agency for improving access to health care services for people who are uninsured, isolated, or medically vulnerable.

availability and/or turnover, and other competing priorities. Because the COVID-19 disaster impacted the entire country, as opposed to other declared disasters that impact isolated communities, the FEMA Public Assistance Program faces commensurate administrative challenges.

County Claims for FEMA Public Assistance

The County posted its first submissions to the FEMA Grants Portal for Public Assistance claims related to COVID-19 in February 2021. Between February 3, 2021 and February 11, 2021, the County submitted five claims worksheets, requesting \$56.0 million in reimbursements primarily for costs related to vaccinations, but also for non-congregate shelter, ambulance, and personal protective equipment (PPE) costs. Of this amount, FEMA has reimbursed \$18.0 million, or 32%.

As of March 8, 2022, the County had submitted reimbursement claims totaling \$137.2 million, of which it has received \$42.2 million, or 30.8%, as shown in Figure 3.1 below.

Figure 3.1: Submitted Reimbursement Claims for FEMA Public Assistance as of March 8, 2022

Claim Cost Category	Date Submitted	Amount Submitted	Amount Received
Housing	2/3/2021	\$125,758	
PPE	2/3/2021	\$701,777	
Vaccination	2/10/2021	\$50,009,402	\$18,000,000
Non-Congregate Sheltering	2/11/2021	\$5,011,324	
Ambulance	2/11/2021	\$166,080	
Non-Congregate Sheltering	4/1/2021	\$7,961,826	
PPE	5/28/2021	\$4,203,065	
Thermometers	6/2/2021	\$507,509	
Vaccination	7/16/2021	\$48,469,774	\$24,234,887
Communication	7/16/2021	\$923,674	
Communication	8/19/2021	\$957,616	
PPE	8/27/2021	\$5,023,769	
Thermometers	9/3/2021	\$120,055	
PPE	9/24/2021	\$787,696	
Communication	10/12/2021	\$921,286	
Communication	10/12/2021	\$277,058	
EOC	10/12/2021	\$436,673	
Testing	11/16/2021	\$10,575,308	
Total:		\$137,179,650	\$42,234,887

Source: County report, FEMA COVID Claims.

This amount of reimbursement—\$42.2 million—represents a small fraction of total COVID-19 expenditures, which the County anticipates will exceed \$1.3 billion by the end of Fiscal Year 2021–22.

Santa Clara Lags Behind Peers

The County lags behind several other California counties in the amount of FEMA Public Assistance obligations. Further, the County received its first obligated award nearly a year after many other counties.

As of December 31, 2022, Santa Clara ranked 7th in the State for securing FEMA public assistance funding for COVID-19 response as shown in Figure 3.2 below.

Figure 3.2: Total FEMA Obligations to California Counties, as of December 31, 2021

County	Total FEMA PA Obligations
Los Angeles	\$219,321,326
San Francisco	\$151,246,734
San Diego	\$114,093,319
Ventura	\$104,213,383
San Mateo	\$103,931,919
Orange	\$94,112,678
Santa Clara	\$49,239,588
Riverside	\$38,167,627
San Bernardino	\$30,054,720
Sonoma	\$15,849,301

Source: FEMA Daily Public Assistance Award Activity Reports.

Note that the FEMA Daily Public Assistance Award Activity Reports reflect a larger “obligation” amount to the County—\$49.2 million, as opposed to the \$42.2 million that the County reports. The County reports on funds received, as opposed to funds obligated.

According to FEMA data, Santa Clara County received its first obligation from FEMA for a COVID-19 Public Assistance grant award on March 25, 2021, over a year after the pandemic began.

In contrast, Los Angeles County received its first obligation almost exactly one year earlier, on April 2, 2020. As shown in Figure 3.3 on page 42, 20 other California counties received obligations from FEMA for Public Assistance grants before Santa Clara received its first award. Seven counties received obligations in April 2020—the first month following the disaster declaration.

Figure 3.3: California Counties Receiving FEMA Obligations Before Santa Clara

County	Total Obligated Before March 25, 2021	Date of First FEMA PA Obligation
Los Angeles	\$132,299,985	4/3/2020
Mono	\$230,565	4/8/2020
San Diego	\$38,001,307	4/9/2020
Mendocino	\$2,693,663	4/10/2020
San Francisco	\$15,164,798	4/11/2020
Marin	\$3,060,961	4/12/2020
San Mateo	\$47,035,714	4/17/2020
Riverside	\$13,598,606	5/6/2020
Sonoma	\$12,337,077	5/21/2020
San Luis Obispo	\$12,368,101	5/31/2020
Imperial	\$140,538	7/1/2020
Monterey	\$829,467	7/2/2020
Yolo	\$186,259	7/9/2020
Kings	\$210,340	7/21/2020
Orange	\$51,919,450	8/12/2020
Ventura	\$11,691,316	10/13/2020
Sacramento	\$6,896,561	12/31/2020
Del Norte	\$47,750	2/6/2021
Humboldt	\$537,093	2/6/2021
Colusa	\$138,840	2/23/2021
Merced	\$748,700	2/26/2021

Source: FEMA Daily Public Assistance Award Activity Reports.

Of the total \$137.2 million in claims submitted, \$116.7 million (or 85%) were submitted using FEMA's "expedited" process, which allows applicants to access advanced funding for eligible emergency response work sooner in the Public Assistance lifecycle than the standard application process.

As noted above, the County's disaster cost recovery consultant who provides primary support for the production of these claims was engaged by the County in July 2020.

County Estimates for FEMA Public Assistance Reimbursement

At a presentation to the Board of Supervisors on August 31, 2021 on the County's Strategic Vision for the American Rescue Plan Act funds, the County's Recovery Director in the County's Executive's Office estimated that total FEMA reimbursements could range from \$416.5 million to \$520.7 million. The administration added three points of caution on its "Projected FEMA Claims" presentation slide:

1. County may not receive all funding claimed from FEMA
2. FEMA is historically slow to reimburse, and County has been expending significant funds
3. No guarantee that FEMA will reimburse at 100% level after December 31, 2021.⁶

At this meeting, Supervisor Ellenberg requested an Off Agenda Report detailing how these estimates for FEMA reimbursement were put together. Our office has followed up with County officials several times regarding the status of this report and requested the same information. As of March 8, 2022, neither the report nor the supporting information have been provided.

With over \$1.3 billion in COVID-19 expenditures projected by the end of Fiscal Year 2021-22, and the assumption that not all claims will be approved for reimbursement the County should urgently expedite the preparation and submission of claims for review. The County's expenditure projections increased significantly between August 2021 and February 2022, as the anticipated expenses of \$1.3 billion would be recognized a year sooner—by the end of Fiscal Year 2021-22, rather than the end of Fiscal Year 2022-23. As of March 2022, County officials have not offered COVID-19 cost projections beyond the end of Fiscal Year 2021-22. As discussed in Section 2, starting on page 29 of this report, the County's disaster cost recovery consultant who bears primary responsibility for these submissions has received two amendments to its contract since the initial signing, and spending authority has increased from the original not-to-exceed amount of \$924,100 to \$2,629,000, without any explicit performance metrics or timelines for deliverables. Given the magnitude of potential expenses eligible for reimbursement, the County should immediately establish timelines for submissions to ensure that the County maximize this critical source of federal funding for COVID-19 costs.

In addition, as discussed in the Introduction to this report, the County's COVID-19 Revenue Dashboard reflects \$141.9 million in revenues that have not yet been approved or obligated for funding. Because there is no guarantee that the respective federal funding sources will approve these outstanding applications/claims, the County should revise the dashboard to clarify the amount of revenues that have been obligated, the amount of revenues still under the review, and the amount of revenue that has been received.

⁶ As noted, the 100% cost-share has since been extended to July 1, 2022.

American Rescue Plan Act

In March 2011, the U.S. Congress signed into law the American Rescue Plan Act (ARPA) which provided over \$350 billion in additional funding for state and local governments, to be received in two tranches. Counties received population-based allocations, which could be used for:

- Revenue replacements for the provision of government services to the extent of the reduction in revenue due to COVID-19, relative to revenues collected in the most recent fiscal year prior to the emergency;
- COVID-19 expenditures or negative economic impacts of COVID-19, including assistance to small businesses, households and hard-hit industries, and economic recovery;
- Premium pay for essential workers; and
- Investments in water, sewer, and broadband infrastructure.

The County's total ARPA allocation is \$374.5 million, of which \$187.2 million was received in May 2021, with the remainder to be received in May 2022. In accordance with the American Rescue Plan Act, funding must be spent by the end of calendar year 2024.

The US Department of the Treasury required all recipients of American Rescue Plan Act allocations to submit "Recovery Plan Performance Reports" on August 31, 2021. While the County's Recovery Plan Performance Report notes that the "Board of Supervisors of the County of Santa Clara has not yet approved a plan for the intended and actual uses of the funding," the Board had never received such a plan to approve. On the same day that this Recovery Plan Performance Report was issued, County Administration instead presented to the Board of Supervisors a "Strategic Vision for American Rescue Plan Funds" in which it acknowledged that "the Final Rule still has not been published. When the Final Rule is published, Administration will return to the Board with a detailed plan and recommended appropriation modification to allocate the funding."

At that hearing, Supervisor Lee questioned the lack of detail in the strategic vision as presented and noted that Boards of Supervisors in other counties – notably Los Angeles – were reviewing much more detailed proposals.

County Administration reported to the Board of Supervisors that the spending plan would be presented for Board approval upon receipt of Final Rule restrictions, but as that became further delayed, the County instead presented a spending plan to the Board on November 2, 2021. This proposed spending plan (provided in detail as Attachment E on page 97 of this report) included significant investments in programs and services that would require ongoing operational support, despite guidance from both the U.S. Treasury and the Government Finance Officers Association (GFOA) regarding the importance of using these funds for one-time investments, such as revenue recovery and infrastructure.

Three months later, in February 2022, County Administration requested Board of Supervisors' approval to allocate \$118.0 million in American Rescue Plan Act revenue to reimburse personnel and services/supplies costs related to COVID-19. With these appropriations of ARPA funds, in addition to prior appropriations primarily for premium pay for County employees, the County will nearly spend down the first allocation from the US Treasury as shown in Figure 3.4 on page 45.

Figure 3.4: Summary of ARPA Allocations, as of March 2022

Source/Use	Date of Appropriation	Amount
Premium Pay for County Employees	November 2021	\$49,193,734
Administrative Expenses	November 2021	\$204,615
Personnel Costs	February 2022	\$66,300,000
Services and Supplies	February 2022	\$51,696,270
Electronic Health Record Systems for Community Clinics	February 2022	\$7,404,054
Subtotal ARPA Appropriations:		\$174,798,673
APRA Allocation Tranche #1		\$187,200,000
Remaining ARPA funds from Tranche #1		\$12,401,327

Source: County Reports.

Reliance on Discretionary General Fund Revenues

At the Mid-Year Budget Presentation on February 8, 2022, County Administration noted the ongoing uncertainty of the FEMA reimbursement process and requested \$40 million in additional appropriation authority of discretionary funds to cover COVID-related expenditures not yet reimbursed. Despite previous estimates of approximately \$500 million, the Administration stated it could not estimate future FEMA reimbursements and stated that it does not expect any additional FEMA reimbursements to be received before the end of Fiscal Year 2021–22.

As of March 8, 2022, County Administration has allocated a total of at least \$90 million in discretionary General Fund revenues to cover pandemic expenses. With over \$1 billion in expenses incurred, and with the expectation of steady expenditure growth at least over the next several months and no additional FEMA obligations expected in the current fiscal year, it is likely that the County will continue to rely on General Fund discretionary revenues to support pandemic costs.

CONCLUSION

County Administration has not demonstrated a sufficient sense of urgency in claiming and appropriating available pandemic relief funds. As discussed in Section 2, starting on page 29 of this report, the County procured the services of a disaster cost recovery consultant to facilitate the FEMA public assistance reimbursement process, which can be slow and burdensome as FEMA typically requires significant documentation to demonstrate eligibility. However, even with the assistance of this consulting firm (which has received over \$1.7 million in fees as of 12/31/21), the County has only submitted \$137.2 million for reimbursement from FEMA, out of over \$1 billion in COVID-related expenditures, as of March 2022. While not all of these costs are eligible for FEMA reimbursement, the County estimated in August 2021 that total FEMA reimbursements could range from \$416.5 million to \$520.7 million. Santa Clara County lags behind many other peer California counties in receiving reimbursements from FEMA, and in February 2022, County Administration noted the ongoing uncertainty of the FEMA reimbursement process and requested \$40 million in additional appropriation authority of discretionary funds to cover COVID-related expenditures not yet reimbursed.

County Administration also requested Board approval to allocate \$118.0 million in American Rescue Plan Act revenue to reimburse personnel and services/supplies costs related to COVID. Notably, the County's planning and progress related to spending the American Rescue Plan Funds have also been slower than peer counties. The Administration presented its plan for spending to the Board later than most peer counties, many of whom have already allocated funds for spending. The County should act with greater urgency to maximize Federal funding and minimize General Fund support for eligible COVID-19 expenses.

RECOMMENDATIONS

We recommend that the Controller-Treasurer:

- 3.1 Establish a timeline for future FEMA claims submissions and monitor the contractor's ability to meet these deadlines to expedite the process. (Priority 2)
- 3.2 Revise the COVID-19 Revenue Dashboard to reflect actual revenues obligated, revenue claims and applications under review, and revenues received. (Priority 2)
- 3.3 Report to the Board of Supervisors' Finance and Government Operations Committee on a monthly basis with a breakdown of COVID-related expenditures by anticipated funding source. (Priority 2)

SAVINGS, BENEFITS, AND COSTS

The County expects to incur over \$1.3 billion in COVID-19 related expenses by the end of Fiscal Year 2021-22 and has invested an estimated \$2 million for consulting services to support disaster cost recovery as of March 8, 2022. Establishing performance benchmarks and timelines—typically part of the procurement process—should require no more than 10 hours of staff time, with the benefits of optimizing reimbursements and minimizing the impact on the General Fund for unreimbursed or under-reimbursed expenses.

Section 4: Communications and Training

Background

The County primarily relies on email to communicate with fiscal staff across departments on how to record and track COVID-19 disaster costs. The County's 2017 Disaster Cost Recovery Annex serves as the primary document for how it implements cost tracking and recovery during an emergency in order to maximize federal and state reimbursement. The Annex provides general guidance on the responsibilities and process for implementing the County's cost recovery practices during a disaster.

Problem, Cause, and Adverse Effect

The County missed opportunities in its COVID-19 response to better communicate and train staff on disaster cost tracking and recovery practices. Information was primarily communicated through emails and existing meetings, but it was not recorded or posted in a shared place online or on SharePoint for easy access and reference. In addition, dissemination of this information to staff within departments and to nonprofit partners was not centrally coordinated. While the cost recovery efforts are overseen by Finance Agency, and specifically Controller-Treasurer Department, staff in conjunction with staff from the County Executive's Office, including the Office of Emergency Management, there is no centralized communications or training response in place for implementing cost recovery practices.

Based on communication records, it took at least two months for departments to fully implement the expected cost tracking practices. While a learning curve is expected, better preparedness and communication could have helped expedite this process. Sharing information almost exclusively by email and not hosting it in a central location, and not conducting any focused training, can result in missed information regarding cost tracking expectations, inaccuracies in reporting, and delayed implementation of desired practices.

Recommendations

The Controller-Treasurer Department should establish a team that is responsible for managing communications and training related to disaster cost recovery practices. This team should work in coordination with the Office of Emergency Management and with Technology Services and Solutions to designate where disaster-specific recovery policies can live online. Consistent with Section 1, starting on page 19 of this report, we recommend that the Controller-Treasurer work with the Office of Emergency Management to update the Disaster Cost Recovery Annex to incorporate lessons learned from this disaster. The Department should also develop an internal, centralized policy for sharing information with nonprofit and community based organizations related to cost recovery practices and resources for reimbursement.

Savings, Benefits, and Costs

We estimate 60 hours of staff time for the initial implementation of these recommendations, and 20 annual ongoing hours of staff time to maintain up-to-date policies and training. This ongoing effort, while a small portion of time when the County is not responding to a disaster, would improve consistency in how costs are tracked and reported and would expedite the cost review and claiming process. In addition, coordinated communication with nonprofits would improve cost documentation and claiming practices as well as help inform nonprofits of resources available.

FINDING

The County Lacks a Centralized Repository for its Disaster Cost Recovery Communications

Throughout the County's response to COVID-19, the Finance Agency and Controller-Treasurer Department relied heavily on email communication to inform county department leadership and fiscal staff about cost tracking and documentation policies. The corresponding email guidance and memos were not saved in a centralized location online, such as SharePoint, for staff to easily access and reference. The County hosts many of its general fiscal policies online, but additional guidance related to COVID-19 cost tracking and cost recovery efforts were communicated primarily by email. According to the department, these procedures were also communicated to fiscal staff through standing meetings related to the emergency response.

March 3, 2020, Email Initiating Cost Tracking Efforts

On March 3, 2020, Controller-Treasurer Department leadership sent an email to County-only staff participating in the "Operational Area Conference Calls" related to COVID-19. This email initiated cost tracking efforts related to the activation of the Emergency Operations Center (EOC) for COVID-19 response. This included establishing a Statistical Internal Order (SIO) number that County departments could use to tag all costs related to the COVID-19 response for Finance Agency and Controller-Treasurer staff to track. This tagging helps to identify which expenses may be reimbursable for federal and state emergency reimbursement funding. The March 3, 2020 email states:

"Any expenditure of County funds associated with COVID-19 should be tracked and reported referencing the below Statistical Internal Order (SIO):

- *SIO #: 103264*
- *Prior SAP Description: Disaster #11*
- *Description Assigned to this Activation: COVID-19 (formerly Novel Coronavirus)".*

The email also informs staff about the types of costs they should record using this SIO number, which include overtime, extra-help, contract services, and purchases made as a result of responding to COVID-19. In addition, the email asks that staff input the SIO number directly into Kronos, the County's timekeeping system, for personnel costs and SAP, the County's primary financial system, for purchases.

March 25, 2020, Email Providing General Guidance on FEMA Reimbursable Costs

On March 25, 2020, Controller-Treasurer leadership sent out another memo to all department fiscal officers and Executive Leadership with the subject "COVID-19 FEMA Reimbursement Information Request." This email provides general guidance on FEMA reimbursable costs. It outlines eight categories of costs, including:

1. *Management, control, and reduction of immediate threats to public health and safety (EOC costs, training specific to the event, disinfection of eligible public facilities, and technical assistance on emergency management and control of immediate threats to public health and safety)*

2. *Emergency medical care (non-deferrable medical treatment of infected persons in a shelter or temporary medical facility); related medical facility services and supplies; temporary medical facilities and/or enhanced medical/hospital capacity; use of specialized medical equipment; medical waste disposal; emergency medical transport*
3. *Medical shelter (e.g. when existing facilities are reasonably forecasted to become overloaded in the near future and cannot accommodate needs)*
4. *Purchase and distribution of food, water, ice, medicine, and other consumable supplies, to include personal protective equipment and hazardous material suits. Movement of supplies and persons*
5. *Security and law enforcement*
6. *Communications of general health and safety information to the public*
7. *Search and rescue to locate and recover members of the population requiring assistance*
8. *Reimbursement for overtime costs for hourly employees.*

The email also reminds staff to request resources through the EOC Logistics Section's Resource Request Process and to use the correct SIO number (103333 for the Public Health Department and 103264 for all other departments). The email states that if a staff member is uncertain, they should apply the SIO and it will be reviewed prior to submission; and, that more department specific information will be forthcoming to departments reporting expenses.

April 6, 2020, Email Providing Link to 2017 Disaster Cost Recovery Annex

An April 6, 2020 email from Controller-Treasurer leadership to attendees of the weekly Continuity of Operations Planning (COOP) meetings, department leadership, and other county-wide leadership is the earliest communication we reviewed to these stakeholders during the County's response to COVID-19 that provided a link to the 2017 Disaster Cost Recovery Annex document, a key resource for understanding how to track disaster-related costs. The Annex, described in more detail on page 4–6, provides a framework for the County's disaster cost recovery work during and following an emergency. The Annex primarily focuses on the structure and practices in place to track all disaster related expenses and document them to ensure reimbursement from federal and state sources. As described in more detail later in this section, the County intended to revise the Annex in 2020, but this was delayed due to the pandemic. The April 6, 2020 email notes that the Annex provides guidance on the use of SIO numbers. The email asks department leadership "to ensure that your fiscal and accounting staff observe the COVID-19 cost tracking matters to ensure that we recover all possible expenses." Staff indicate that the Annex was also shared through the COOP meetings and with groups within the EOC.

April 27, 2020, Email Informing Staff of the Requirement to Include SIO Numbers on all SAP Entries

In late April 2020, in response to ongoing challenges in the tracking of COVID-19 costs, the County began requiring that all SAP entries include a SIO number to help ensure that all COVID-19 related expenses would be tracked. On April 27, 2020, the Finance Agency staff sent an email to department fiscal officers and executive leadership informing them that SAP will require all COVID-19 related requisitions, payments, or journal entries to include the relevant SIO number 103264, or 103333 for the Public Health Department, as of April 28, 2020. All other, non-COVID-19 transactions would

have to use the SIO number 999999 or any other SIO number that may be applicable. The County worked with Technology Services and Solutions (TSS) to require that the SIO number field be filled out in SAP. SAP users would begin receiving a warning alert reminding them to fill in the SIO number if they didn't fill out the field. This required field was created in response to ongoing issues with departments not including the relevant SIO number for all COVID-19 costs. Notes from a May 11, 2020 Emergency Operations Center Briefing meeting indicate that departments reported having \$4 million in costs that were not recorded under an SIO number during the early months of the County's COVID-19 response.

Additional Communications to County Staff

Several other emails throughout April and May 2020 provide additional reminders to staff about using SIO numbers for COVID-19 costs, particularly timekeeping, and issue additional guidance on timekeeping practices. At the weekly COOP meetings, that included representatives for all departments, Controller-Treasurer staff would remind attendees about cost tracking and reimbursement policies, particularly emphasizing the need to use the SIO numbers to properly record expenses.

These records indicate that the County Finance and Controller-Treasurer staff were active in communicating with department leadership to help ensure that all costs were properly tracked. However, these communications, particularly guidance on FEMA reimbursable costs, and using the SIO numbers, exist only within email and the memos were not posted online. In addition, it was incumbent on departments' leadership to share information with their staff to ensure the expenses were properly tagged and tracked.

Lack of a Centralized Online Repository for COVID-19 Cost Tracking Guidance

The County has a designated place online where its administrative policies are kept, but none of the COVID-19 cost recovery memos or guidance are currently posted there. The Controller-Treasurer also has a section on its website labeled "Emergency Response and Disaster Preparedness," where the 2017 Disaster Recovery Annex is posted alongside two disaster/emergency cost reporting forms for helping determine initial damage estimates and a sample emergency disaster timesheet. The cost reporting forms are not provided with any additional instructions or guidance, nor were they updated to discuss or reference the current COVID-19 response. This webpage does not include any information about the Controller-Treasurer's current COVID-19 emergency response and cost recovery practices.

The lack of an up-to-date centralized repository for disaster cost recovery communications, policies and procedures, and example forms and timesheets makes it challenging to locate current cost tracking and recovery practices and can potentially lead to miscommunication or confusion as key information only exists in emails. It also presents challenges for new staff in obtaining the most up-to-date and comprehensive set of information.

Designating a place online or in a shared portal to maintain key communications and policies related to disaster cost recovery, as well as establishing a team that is responsible for planning and managing these communications would help reduce the potential for miscommunication and confusion.

The County Lacks a Comprehensive Training Policy on Its Disaster Cost Recovery Policies

The County's 2017 Disaster Cost Recovery Annex serves as the County's primary policy and procedure document for implementing cost recovery practices during an emergency. These are policies and procedures that are put into place to help ensure maximum reimbursement from the FEMA's Public Assistance program as well as state funded disaster assistance through California Office of Emergency Services (Cal OES). The Annex document is managed by OEM, but the Finance Agency and Procurement Department play integral roles in developing the content and supporting training and implementation.

Disaster Cost Recovery Annex Overview

The Santa Clara County Disaster Cost Recovery Annex was published in 2017. The document serves as a functional annex to the County's emergency operations plan and is the framework for the County's disaster cost recovery work during and following an emergency. The Annex is comprised of five main components that response and support personnel should review and use once the Annex has been activated in response to a disaster. These components include: (1) Annex Administration and Overview, which offers an introduction to the Annex and its maintenance; (2) Concept of Operations, which covers the structure and function of the Cost Recovery Group; (3) the Emergency Procurement, Disaster Accounting, and Disaster Documentation Guide; (4) Roles and Responsibilities for local jurisdictions, County departments, private organizations, and state and federal agencies; and (5) Authorities, References, and Support Materials that include examples of materials and forms that may be used. The Annex primarily focuses on the structure and practices in place to track all disaster related expenses and document them to ensure reimbursement from the federal and state public assistance programs. The Annex was prepared by staff from the Office of Emergency Management, Procurement, and Finance in 2016. The 2017 Annex was the County's first documentation of its disaster cost recovery policies and procedures. The Annex is supposed to be updated every three years, however due to the County's COVID-19 response, the Annex was not updated in 2020.

The Annex Administration section of the document describes how the Annex was developed, planning groups, and how to maintain the document. On pages 32 and 33 of the Annex, it states that, "The provisions of the Annex planning document shall be incorporated into the County [OEM] Training and Exercise – Annual Training Plan," the nature of which will be determined by OEM along with key stakeholders. On page 33 of the Annex there is a list of related training courses, including a "Disaster Cost Recovery Annex Orientation," which is listed as a local training course that is currently "to be developed." The Annex also recommends a number of state and federal training courses, including courses on recovery planning, EOC operations, and the FEMA public assistance program.

Despite these references to developing an Annex-specific orientation or training there has been no standalone local training or orientation developed on the Annex material. OEM included information on the Annex as a supplement to a state developed training on Essential EOC Finance and Administration Section/ Positions Specific Training, referred to as the G611 training. OEM and Finance staff administered this training to County staff that could be activated to serve in the EOC

Finance Section during a disaster response. The G611 training covers the overall structure and role of the EOC, provides an overview of the Annex, describes the structure of the EOC Finance and Administration Section, and gives a description of the different roles within the EOC Finance Section. The training also includes exercises on how the EOC Finance section would respond during an emergency activation. According to OEM, this training was most recently administered by OEM and Finance staff in July 2019. The Annex document was not updated to reflect this training arrangement. As outlined on page 32 of the Annex, OEM, in collaboration with planning partners, is supposed to review the Annex document annually and update it every three years. The Annex document was scheduled to be updated in 2020, but, according to OEM, the update has been postponed due to the County's response to COVID-19.

There was no additional cost recovery-specific training provided in the early months of the County's COVID-19 response. Ideally, the County Finance Agency would have provided a training to orient all fiscal staff across departments to the cost recovery and documentation needs in order to help maximize reimbursements. Some of the regular occurring meetings, such as the COOP calls, did review the SIO numbers and processes for how to enter the SIO numbers to help ensuring they were included. However, there is no documentation of a set of trainings that were recorded or distributed to fiscal staff beyond the leadership involved in the COOP calls. There was also no training provided on the different state and federal reimbursement programs, how these programs operated, and how fiscal staff were expected to track, record, and document costs appropriate to meet the requirements of these programs.

Establishing a set of trainings that educate and inform all fiscal staff, both internal to the Finance Agency and within departments beyond EOC staff, on what the cost recovery policies and procedures are and the requirements of the different reimbursement streams is critical to ensuring that the County is doing everything it can to maximize reimbursement from state and federal sources. A more comprehensive, formal training plan would greatly enhance the County's ability to establish a baseline knowledge of disaster cost recovery policies as well as the funding available through other programs and the rules governing each program, and establish consistent cost recovery practices in advance, or in the early stages, of a disaster.

Reviewing and updating the Annex document in light of lessons learned from COVID-19 along with establishing a training plan within the document that includes OEM, Controller-Treasurer and Finance staff, as well as all department fiscal staff, will be key to help the County prepare for future disasters.

We were able to find instances where departments conducted their own internal trainings related to cost recovery practices. However, there was not a clear standard established countywide for what type of training was expected within departments. For example, it appears that some departments did not provide additional training for staff on cost recovery practices beyond sharing the email communications from Finance Agency and Controller-Treasurer staff. Others established their own trainings as they saw a need for them. For example, the Office of Supportive Housing prepared a training for Disaster Service Workers assigned to their fiscal team on how to review and process invoices for the non-congregate shelter hotels.

Prior to responding to COVID-19, the County had already identified the need for additional emergency cost recovery and documentation training. An After Action Report/Improvement Plan from the County's 2009–2010 H1N1 Influenza Response found that the finance sections of the Public Health Department Emergency Operations Center and countywide Emergency Operations Center needed to train all potential response staff on clear protocols for reimbursement processes and information required to process expenditures. This report was published in 2011 and was included as part of the County's COVID-19 vaccination plan to the California Department of Public Health. It is not clear how this recommendation was addressed at the time that the report was provided to the County. The Annex document is an important step in helping develop these policies and procedures, but more needs done to build out a more formal training protocol.

Communications with Nonprofit Organizations was Not Centrally Coordinated

As of December 2021, the County has over \$480 million in competitive, single source, and sole source Board contracts and services agreements with community-based organizations (CBOs). A portion of these contracts are for COVID-19 related services, but Controller-Treasurer Department staff could not provide an estimate of the value of these contracts. Departments that have contracts with CBOs were responsible for communicating with these organizations regarding COVID-19 cost tracking and recovery as well as eligibility for cost reimbursement programs.

The Finance Agency did not establish any communication materials or outreach to CBOs regarding COVID-19 cost recovery or reimbursement. Having the departments as the central contact for CBOs is understandable as they are overseeing the contracts and programs. However, there was a missed opportunity for the County to develop general communications and accessible resources for CBOs particularly around the topic of the FEMA Public Assistance Program resources and potential eligibility.

For example, the City and County of San Francisco Controller's Office developed a set of resources for nonprofits that it posted online, including a webinar for nonprofit organizations that provides information on cost recovery for nonprofits and special districts in San Francisco. These resources also include links to relevant federal and state guidance.

The Finance Agency engages with CBOs as part of its monthly Economic Recovery Team calls. The Economic Recovery Team is a longer-term, ongoing function that began in May of 2020 once it became apparent that recovery efforts would need to happen simultaneously with the emergency response. These meetings were focused on providing guidance around regional economic recovery and not explicitly targeted at sharing communications related to cost recovery or reimbursement with CBOs. In addition, on April 2, 2020, Controller-Treasurer staff sent out an email to colleagues in the County's Operational Area, which included municipalities within the County as well as representatives from special districts, alerting them to Applicant's Briefings. These Briefings are part of the FEMA Public Assistance Program and provide opportunities for potential applicants to hear an overview of eligible work, the grant process, and requirements of the Public Assistance Program. The email includes links and dates for both Cal OES Procurement Training and FEMA Procurement training. The Controller-Treasurer did not share any additional examples of communication sent to CBOs with us.

Developing a centralized policy for providing information to CBOs related to disaster cost recovery resources and practices can help to better coordinate and streamline the cost recovery process as well as help direct CBOs to reimbursement resources they may be eligible for.

CONCLUSION

The County could have better coordinated and centralized communications regarding COVID-19 cost recovery tracking. No central repository for relevant COVID-19 cost tracking communications and memos has been established. Further, there was no training provided to a wider group of fiscal staff on countywide disaster cost recovery policies either prior to the pandemic or in the early stages of the County's response. In addition, there was a lack of centralized communication with nonprofit community based organizations (CBOs). There was no general, centralized guidance for CBOs on County disaster cost recovery practices or resources available to CBOs.

The lack of a centralized, coordinated communication and training effort can result in staff being unfamiliar with their role and responsibilities and uninformed or uncomfortable with tracking expectations. Implementing policies to improve communications coordination and training will help prepare the County to respond to future disasters.

RECOMMENDATIONS

The Controller-Treasurer should:

- 4.1 Designate staff that are responsible for managing communications and training around disaster cost recovery practices and implementation in conjunction with the Office of Emergency Management on this effort. (Priority 3)
- 4.2 Develop an internal, centralized policy for providing information to nonprofit and community based organizations related to cost recovery efforts as well as develop a centralized set of information for community based organizations on other possible sources for cost reimbursement. This should be completed within one year. (Priority 3)

The Director of the Office of Emergency Management should:

- 4.3 Update the Disaster Cost Recovery Annex, in conjunction with Controller-Treasurer and department staff, to reflect the lessons of COVID-19. This should be completed within one year. (Priority 2)
- 4.4 Work with TSS to designate a place where emergency cost recovery policies, procedures, and recorded training sessions can live online. This should be completed within six months. (Priority 2)
- 4.5 Work with Controller-Treasurer to develop a training program on the County's disaster cost recovery policies and procedures for all department fiscal staff and a schedule for providing trainings on an annual basis. This should be completed within one year. (Priority 2)

SAVINGS, BENEFITS, AND COSTS

We estimate 60 hours of staff time for the initial implementation of these recommendations, and 20 annual ongoing hours of staff time to maintain up-to-date policies and training. This ongoing effort, while a small portion of time when the County is not responding to a disaster, would improve consistency in how costs are tracked and reported and would expedite the cost review and claiming process. In addition, coordinated communication with nonprofits would improve cost documentation and claiming practices as well as help inform nonprofits of resources available.

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Section 5: Documentation Inconsistencies

Background

As of February 18, 2022, the County has spent over \$889 million on COVID-19 related costs and projects to spend \$1.3 billion by the end of Fiscal Year 2021–22. In order to receive reimbursement from federal and state disaster cost recovery programs, the County must document and demonstrate how funds were spent. The County's 2017 Disaster Cost Recovery Annex provides an overview of the documentation requirements for federal and state disaster assistance programs. The County also produced an internal control memo for the CARES Act Coronavirus Relief Fund Program. However, the Finance Agency and Controller-Treasurer did not issue guidance or conduct training specific to COVID-19 cost recovery submission requirements and the supporting documentation detail needed as other jurisdictions have done.

Problem, Cause, and Adverse Effect

The County's current set of documentation guidance for disaster cost recovery expenses does not provide a clear set of standards for how to document COVID-19 related costs. The current set of guidance does not take into consideration the various funding streams available for reimbursement. In addition, the County did not provide training on the expected documentation practices. Without this set of standards and training, there were challenges with departments recording employee time spent on COVID-19, especially in the first few months of the response. There are also inconsistencies in the supporting documentation we reviewed from a sample of COVID-19 transactions. Incomplete and inconsistent documentation can lead to delayed reimbursement submissions due to the need to review and assemble additional documentation. This could even result in some costs being denied reimbursement if additional documentation is not maintained and cannot be provided.

Recommendations

The Controller-Treasurer should establish a clear set of documentation practices for what departments are expected to provide to justify disaster related expenses. In addition, the Controller-Treasurer should create a clear training and communications policy on how to educate departments about these practices. The Controller-Treasurer, in coordination with the Office of Emergency Management, should develop an internal structure to support departments with their cost recovery work, including creating a cost recovery coordinator role where Controller-Treasurer staff are assigned to specific departments to work with on their cost recovery and documentation processes. Consistent with Section 1, starting on page 19, and Section 4, starting on page 47, we also recommend that the Controller-Treasurer work with the Office of Emergency Management to update the Disaster Cost Recovery Annex, incorporating lessons learned from this disaster.

Savings, Benefits, and Costs

Establishing documentation practice standards, training protocol, and an internal structure for review would be a one-time effort of an estimated 80 hours of staff time, but will require ongoing maintenance of approximately 10 annual staff hours as part of general disaster preparedness. When a disaster is declared, the staff effort on these activities will need to increase as required. The Controller-Treasurer has existing staff conducting cost recovery work. It could more formally designate a staff member into the cost recovery role as well as structure this work to better delineate roles and responsibilities during a disaster.

FINDING

The County Lacked Specific Guidance on COVID-19 Cost Documentation

The County's most up-to-date guidance on how to document costs during a disaster comes from its 2017 Disaster Cost Recovery Annex (the Annex), which provides a framework for the internal control and management of the disaster cost recovery process. Although it issued additional guidance during its early COVID-19 response around how to use the designated Statistical Internal Order (SIO) numbers to track all COVID-19 related costs, the Controller-Treasurer Department did not provide specific guidance or training to departments on the types of supporting documentation to include for COVID-19 related transactions in order to help ensure reimbursement. Furthermore, County Administration did not issue county-wide guidance that addressed an updated standard or expectation for how to document costs given the variety of funding streams the County is receiving.

2017 Annex Documentation Guidance Provides General Standards

The Annex provides extensive guidance on documentation procedures for each FEMA designated category of work. The most relevant work category for the COVID-19 disaster is Category B, Emergency Protective Measures. This category of work includes "actions taken before, during, and after a disaster to eliminate or less immediate threats to life, public health, or safety..." and will reimburse for costs such as running the Emergency Operations Center, providing medical care and transport, childcare, evacuation and sheltering costs, security, and dissemination of information to the public about health and safety emergencies. The Annex document also includes more details on what information the documentation should include, such as: "All supporting documentation should clearly identify the site location and date of work done."

In addition, the Annex provides guidance on properly recording payroll expenses during an emergency, including assigning the Controller-Treasurer Department's General Accounting Unit with ensuring that "all employee time spent in preparation for, response to, and/or recovery from an emergency or natural disaster is properly recorded in the Kronos timekeeping system and SAP to maximize any reimbursement that the County may be entitled via State and Federal assistance and relief programs." The payroll guidance goes on to state that, "In order for the County of Santa Clara to maximize its cost recovery, all disaster-related time should be recorded in Kronos and supporting documentation must be prepared and maintained by the individual operation department."

Guidance on Other Funding Streams was Lacking

The 2017 Annex guidance reflects requirements to receive state and federal disaster assistance, which sets a more detailed standard for cost documentation relative to other forms of COVID-19 funding received, such as the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Relief Fund (CRF) program. According to the US Treasury Department's FAQ on the CARES Act CRF, "A government should keep records sufficient to demonstrate that the amount of Fund payments to the government has been used in accordance with section 601(d) of the Social Security Act." Section 601(d) can be summarized as "State, local, or tribal governments may use payments from the Fund only to cover previously unbudgeted costs of necessary expenditures incurred due to the COVID-19 public health emergency during the covered period."

The County developed a separate CRF Internal Control Memo for this portion of CARES Act funding. This memo outlines control activities, including documenting all COVID-19-related personnel and non-personnel expenses using SIO numbers. In order to review eligible costs, the Controller-Treasurer develops a report from the relevant COVID-19 SIOs and shares this data and supporting documents with the disaster cost recovery consultant assisting with preparing the reimbursement and funding reports. The consultant reviews the COVID-19 expense reports and transactions for CRF expense eligibility. For payroll, the Controller-Treasurer runs Kronos reports for the SIOs, extracts payroll data and collects timesheets to determine total labor costs.

The County has the Annex and CRF Internal Control Memo in place to help inform departments about documentation practices, but this guidance does not provide details on or set a standard for the level of documentation required in light of the variety of funding streams available to reimburse the County for COVID-19 related costs. Although County Administration provided SIO number and timekeeping guidance, a more cohesive policy that speaks to a standard for the supporting documentation for each cost is needed. The County used its existing policies for non-emergency documentation, which do not address the level of detailed required by FEMA nor the standard or expectations for what type of information will be uploaded and retained. While relying on non-emergency documentation practices may have been sufficient for a portion of the supporting documentation, it is not comprehensive enough to maximize federal and state reimbursement.

Other communities, such as San Francisco, created detailed checklists for personnel and non-personnel costs to assist departments with collecting the appropriate documentation for COVID-19 disaster costs. In addition, San Francisco established a Cost Recovery Branch within its Controller's Office and staffed by the City Services Audit Division, which developed this detailed guidance and checklists to help clearly outline the standard of documentation expected from departments. The San Francisco Controller's Office Cost Recovery Branch provided this information to departments as well as offered trainings throughout the initial pandemic response and in ongoing support through department-designated Cost Recovery Coordinators.

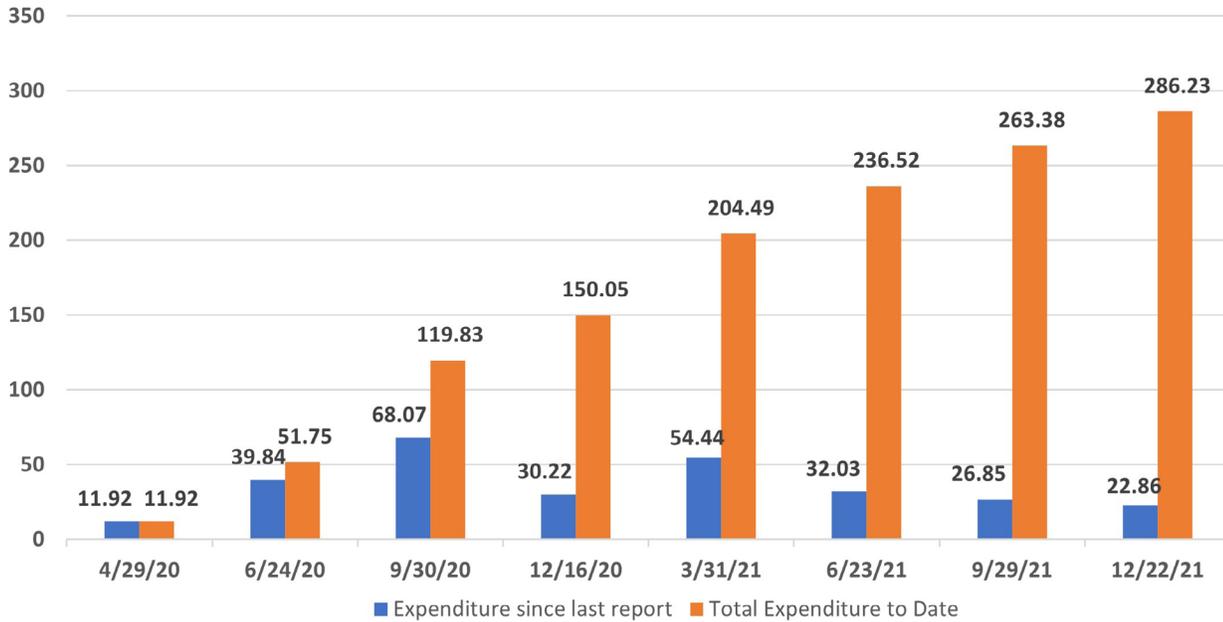
This additional level of structure and support helps to set a standard and expectations for how to document costs. While documentation may ultimately be retrievable as needed, setting an initial standard helps to streamline the cost review and reimbursement process. Establishing a clear set of documentation practices for what supporting documentation departments are expected to upload to justify emergency related expenses is important to create this standard. In addition, establishing a clear policy on training and communicating with departments about these practices, including establishing a cost recovery coordinator role where certain staff are assigned to select departments to work with them on the cost recovery and documentation processes, can help streamline the overall cost documentation and recovery process.

Challenges with Recording Employee Time

Over the first year of the pandemic, as of March 31 2021, the County spent \$204.49 million on payroll costs related to its response to COVID-19. As of December 2021, the County expended \$286.23 million on payroll costs. As shown in Figure 5.1 on page 60, payroll costs increased rapidly at the beginning of the County's COVID-19

response with \$11.92 million in payroll costs as of April 29, 2020, rising to \$119.83 million by September 30, 2020. This rapid increase was a function of the initial response efforts and activation of the Emergency Operations Center and County employees as disaster service workers.

Figure 5.1: County Payroll Expenses on COVID-19 Response (in Millions \$) as of December 22, 2021



Source: Santa Clara County Controller-Treasurer Department.

In order to capture employee time spent responding to COVID-19, the County followed its process as outlined in the Annex document and requested that staff use the designated SIO number to tag all employee time spent on COVID-19 through the Kronos timekeeping system. As early as March 3, 2020, the Controller-Treasurer established the SIO numbers to help identify and track all COVID-19 related transactions, including both personnel and non-personnel costs. There were two SIO numbers that were initially established to track COVID-19 costs: the County designated SIO number for all Public Health Department COVID-19 related costs and a second SIO number for all other departments and all non-Public Health Department costs. Eventually, additional SIO numbers were created for department specific needs or for other aspects of responding to COVID-19, such as the vaccination efforts.

These initial SIO numbers were communicated by email from Finance Agency and Controller-Treasurer leadership out to department and agency leadership, including fiscal and timekeeping staff, multiple times over the first few months of the COVID-19 health emergency as described in Section 4, starting on page 47. Throughout March and April, staff from the Controller-Treasurer Department sent out communications and remind colleagues through EOC briefings and Continuity of Operations Plan calls to use the SIO numbers for all costs and time spent on COVID-19 related activities.

However, internal communications from EOC and Controller-Treasurer staff from the end of April 2020 indicate that there was concern that the County was not properly capturing COVID-19 costs in the Kronos timekeeping system and that specifically there were challenges with department staff not recording an SIO number in Kronos

to identify time spent on responding to COVID-19 activities. An After Action Report prepared on May 8, 2020, which provides an assessment of the Finance section's work during the early months of its COVID-19 response states that regarding "capturing costs, the Finance Section is having difficulty in trying to capture all time spent by County employees on the COVID-19 event. We use a time capture coding to record such time, but not all County departments are following directions in coding the time which has led to a large underreporting of time spent on this event."

By May 12, 2020, the Controller-Treasurer Department sent out a memo to all County department executive leadership and fiscal officers requesting that all employee's time spent on COVID-19 related work be recorded in Kronos and captured using the appropriate SIO number. The memo also requested that employees manually maintain a daily log of COVID-19 activities to support the time that is recorded in Kronos. However, departments were not required to use these time logs, they were only encouraged to do so. In a May 24, 2020 off-agenda report to the Board of Supervisors, the Finance Director at the time stated that, "the Finance Agency believes that Payroll Cost amounts are significantly understated. An effort is underway to account for further costs and work with departments to ensure that payroll is tracked appropriately."

On September 11, 2020, the County Finance Agency sent out another memo to departments and their fiscal staff requesting that they submit information for any staff time spent on COVID-19 activities between June 1 and August 30, 2020, outside of EOC work, that was not submitted with an SIO number. Based on responses from County departments, Controller-Treasurer staff compiled a spreadsheet of time spent on COVID-19 activities but not coded with an SIO number. Between March 8 and October 4, 2020, The Agency collected over 3,050 hours of COVID-19 related activities from nine departments that was not coded with an SIO number. This includes an estimated 74.5 hours of overtime. We did not receive any documentation dated after October 2020 indicating the same level of concern initially raised about underreported time or not properly coding time for COVID-19 activities using the SIO numbers.

Although departments may have become accustomed to the timekeeping requirements by fall 2020, it appears to have taken multiple months into the emergency response to establish these practices based on the communications from March 2020 through September 2020. However, during these initial months, time spent responding to COVID-19 went untracked without the use of the designated SIO numbers. This shows the need for additional guidance and training, as discussed more in Section 4, starting on page 47 of this report. This also indicates inefficiencies within the cost recovery process as it took valuable Controller-Treasurer staff time to review and recode timekeeping records. If tracked properly earlier on, this additional work may have been avoided. Despite eventually becoming accustomed to timekeeping requirements during the COVID-19 response, there are not updated policies and procedures in place to help ensure that the initial challenges associated with capturing time correctly are resolved for future disasters.

Inconsistencies in Documentation Practices

As of February 18, 2022, the County publicly reported \$889.12 million spent on all COVID-19 related costs on its online dashboard. Reports to the Board of Supervisors indicate that this amount, when including encumbrances, is already over \$1 billion. To better assess the County's documentation of these transactions, we reviewed a sample of supporting documentation from a sample of 109 COVID-19 related transactions from the County. A description of the sampling methodology can be found on page 5–7.

As of December 2021, of the 109 transactions selected for our sample, the County has submitted five (4.5%) to FEMA for reimbursement and 24 (22%) are under review for FEMA submission, 32 (29.3%) were reimbursed through the CARES Coronavirus Relief Funds (CRF) program either fully or partially, and six (5.5%) have or will be reimbursed through other sources of funds (e.g. state grants). The 27 (24.8%) transactions from the County Health and Hospital System are likely to be reimbursed using CARES Act Provider Relief Funds (PRF) but this is still being determined. The remaining 15 transactions (13.8%) were either not designated with a reimbursement source, marked as ineligible because it was at this point a year-end accrual estimate, or were noted as eligible for CRF reimbursement, but funding was no longer available. Figure 5.2 below, provides a breakdown of the reimbursement source for the 109 transactions we reviewed.

Figure 5.2: Transaction Review Summary of Reimbursement Sources as of December 2021

Funding Source	CARES Coronavirus Relief Fund	CARES Provider Relief Fund	Under Review for FEMA Submission	Unassigned Source**	Other Source (e.g. State Grant)	Submitted to FEMA	Total
Number of Transactions Reviewed	32* (29.3%)	27 (24.8%)	24 (22.0%)	15 (13.8%)	6 (5.5%)	5 (4.5%)	109 (100%)

Source: Management Audit Division review of 109 COVID-19 transactions from Controller-Treasurer Department and Santa Clara County Valley Medical Center.

Notes:

**Reimbursed in full or partially through Coronavirus Relief Fund.*

***These transactions were marked as either not having a reimbursement source yet, ineligible because it was a year-end accrual as of our review, or the cost was eligible for CARES Coronavirus Relief Funds, but this funding source was no longer available.*

Transaction Sample Methodology

To determine the sample of transactions for review, we selected from the transaction level data that comprises the County's public cost tracking dashboard, which is compiled by the Controller-Treasurer's Office from all COVID-19 identified transactions with the respective SIO numbers. Assembling the data for the dashboard and the information systems involved is described in more detail in Section 6, starting on page 67 of this report.

Our sample represents transactions that were posted between April 19, 2020 and October 28, 2021. Of these 109 transactions, 95 were randomly selected from transactions valuing \$10,000 or more, from 20 budget units, which we refer to more generically as departments. We weighted our sample of transactions by dollar value, with a higher number of transactions selected from departments that had a proportionally higher dollar value of COVID-19 related expenditures. Because the initial random sample selected did not include transactions that were labeled as "donations" nor did it include a transaction from the County's pharmaceutical expenses, we selected two additional transactions to capture these categories of expenses. There were an additional 12 departments not captured in the sample of 95 that had at least \$1 million in COVID-19 costs but in smaller value transactions. To capture a sample of transactions from these departments, we randomly selected one transaction from each. In total we reviewed \$9,010,272 worth of transactions, representing 1.25% of the total dollar amount of COVID-19 transactions the County reported as of October 28, 2021.

Available Supporting Documentation for Review

Of the 109 transactions we reviewed all but one included supporting documentation that we could open and review. Forty-three of the transactions (39.4%) were from payroll, which were documented using the County's Kronos timekeeping system and retrieved as excel sheets, and 66 (60.6%) were for goods and services that were primarily documented through copies of invoices or in one case, email communication and a hardware request form for purchasing laptops. The one transaction that did not have supporting documentation available for review was from the Public Health Department and was sent to us in a file format that was blank. However, it appears that this transaction is a Journal Entry for a year-end accrual estimate and lacks invoice documentation at the time of our review.

As discussed above, the Annex provides a framework for the internal control and management of the disaster cost recovery process. The Annex offers some guidance on proper documentation of expenses for both labor as well as equipment and supplies costs, with a particular focus on receiving reimbursement through the FEMA Public Assistance program. However, the Annex was published in 2017 and has not been updated since its initial publication. The Annex states on page 79 that, "All supporting documentation should clearly identify the site location and date of work done." In the sample of transactions we reviewed, the date of the invoice often did not correspond to the date of the work conducted. This is reasonable given that vendors invoice the county after goods and services are delivered. However, there was not additional documentation provided to help align the dates of when goods were received, when they were used or the work was performed, and the invoice date. In addition, the location of where the work was conducted or where materials were used was also not always clearly identified; this was particularly an issue for goods

that were ordered and shipped to a central receiving area. While Santa Clara County was identified as the general location for shipping or billing, there was frequently no more detail provided. Departments may maintain this level of detail through contracts and purchase orders and provide it as requested when expenses are reviewed for potential FEMA reimbursement eligibility, but we did not receive this additional documentation. It makes it more challenging and time consuming to process when all documentation is not in one location.

Justification and Approval of Expenses

There were inconsistencies in how departments documented approval and justification of expenses. Of the 66 transactions that did not involve Kronos payroll information, 41 (62.1%) included some form of signature or approver's name but 25 (37.9%) did not include this information. Of these 66 transactions, at least 46 (69.7%) of the transactions we reviewed did not explicitly include the justification for the expense or its use related to COVID-19 in the supporting documentation. While for some of the items it may seem self-evident that they were needed to respond to COVID-19, such as certain personal protective equipment or testing materials, there was not additional information in the initial documentation uploaded that offered details on what the expense was needed for or when and where it was used.

There were also inconsistencies in the approval for traveling nurse timesheets. For nurses hired on to help with COVID-19 response or backfill other positions, timesheets require a supervisor's initial for each day. Into the winter of 2021, timesheets were still inconsistently initialed. In February of 2021, one nurse wrote on her timesheet that she was just informed on her second workday that week that the timesheet needed to be initialed, which was why only four of the five days are appropriately initialed.

Inconsistencies in Invoices

We also identified inconsistencies in the total amounts reported through the transaction level cost tracking dashboard and the total amounts listed on invoices. For example, we reviewed 25 transactions (22.9% of the sample) where the supporting documentation invoice total was different than the amount in the COVID-19 cost tracking data for that transaction. For the majority of these transactions, the transaction we requested represented only one line of a larger invoice containing multiple purchases. For these transactions, it appears that only a portion of the invoice is attributable to COVID-19 costs and the remainder of the costs on the invoice were non-COVID-19 related. While for many of these transactions the cost we were comparing to the invoice was circled or highlighted, there was rarely additional text to describe which portion of the invoice is related to COVID-19 response and which portion of the invoice is unrelated. Not clearly indicating which portion is related to COVID-19 response can lead to confusion and result in additional time spent to go back and add additional documentation or information to explain the cost. While the SIO numbers in the accounting system help distinguish costs, this is not documented consistently and clearly on the invoice itself.

In reviewing the transaction data, we also found inconsistencies in the level of detail for certain invoices. For example, we reviewed two different types of invoices for consulting and professional services from two different consultants that the County hired to assist with its COVID-19 response. This is a category of expenses that FEMA will reimburse. One invoice provided extensive detail on the date, number of hours,

and the type of activities provided to the County for each entry. The second invoice listed the contracted deliverables, including assignment to the EOC, along with the daily accounting of hours, but did not provide any detail about what type of work was performed during this time or if the deliverables were met. It is reasonable that different contractors will submit different invoice formats, but the lack of detail about how the time was spent at the EOC on one of the invoices is concerning as it does not provide an adequate accounting of the activities the contractor performed.

Reclassification of Expenses

Our review of transaction level data found that the County had to reclassify a number of transactions. Of the 109 transactions we reviewed, 10 (nine percent) were reclassified. Of these 10 reclassifications, five were from Santa Clara County Health and Hospital System. The remaining five were transactions from five different departments (Assessor, County Executive, Facilities and Fleet, Office of Supportive Housing, and Tax and Collections). Three of the 10 transactions were reclassified because they were initially coded under non-COVID-19 SIO numbers. The remaining seven transactions were reclassified to a different cost center or a different COVID-19 category of work.

While some level of reclassification is understandable given the magnitude of the response, the time spent on reclassifying and correcting documentation results in additional work and possible delays in submission and reimbursement. These inconsistencies can contribute to delays in submitting and receiving reimbursement for costs if the County must take time to find and collect additional documentation. In a worst-case scenario, if the inconsistencies cannot be remedied, the County would not receive reimbursement for these costs. By providing departmental fiscal staff with additional training on how to properly code and document expenses, Controller-Treasurer staff can minimize the amount of time needed on reclassification.

The County's disaster cost recovery consultant is reviewing the documentation for these transactions and helping to determine FEMA Public Assistance eligibility for all COVID-19 related costs. The consultant follows up with the Controller-Treasurer and relevant departments to collect additional documentation regarding the details of where, when, and how these COVID-19 expenses were incurred. This level of detail was often not included in the initial supporting documentation uploaded to the County's finance system, as indicated in our review. The consultant seems to be able to access the additional documentation it needs by working with individual departments. However, working to include this type of information upfront in the initial documentation uploaded by departments and as outlined in the Annex can help improve the timeliness of review by removing the need for this additional back and forth. Establishing a clear policy on training and communicating with departments about these practices and working with the Office of Emergency Management to develop an internal structure that supports departments with their cost recovery efforts and trains staff on this structure can help expedite the cost documentation review and reimbursement process.

CONCLUSION

The County's disaster cost documentation guidance does not establish a clear set of standards for what supporting documentation is needed to reimburse the variety of COVID-19 costs from the different funding streams available. The County also did not provide training on documentation practices for departments, even after problems with timekeeping were identified.

Our review of a sample of the County's COVID-19 transactions shows inconsistencies in the supporting documentation provided by departments to the Controller-Treasurer with several transactions lacking approval signatures and details on where and when materials and equipment were used. While these issues may be addressed through the review process, this takes additional time and can further delay reimbursement submissions. Establishing a clear standard for how to properly track and maintain documentation for COVID-19 related costs and training relevant department staff on this standard is crucial for receiving timely reimbursement through federal and state disaster recovery programs.

RECOMMENDATIONS

The Controller-Treasurer should:

- 5.1 Establish a set of written policies for what supporting documentation departments are expected to upload to justify emergency related expenses. This guidance should be communicated with all departments after issuing a new disaster declaration order. (Priority 2)
- 5.2 Establish an internal policy on training and communicating with departments regarding the documentation policies recommended in Recommendation 4.1. This may include establishing a cost recovery coordinator role where certain staff are assigned to select departments to work with them on the cost recovery and documentation processes. (Priority 2)
- 5.3 Work with the Office of Emergency Management to develop an internal structure that supports all County departments with their cost recovery efforts. This should include training all Controller-Treasurer staff on this structure and their roles and responsibilities. Training should take place at a minimum annually and after issuing a new disaster declaration order. (Priority 2)

SAVINGS, BENEFITS, AND COSTS

Establishing documentation practice standards, training protocol, and an internal structure for review would be a one-time effort of an estimated 80 hours of staff time, but will require ongoing maintenance of approximately 10 annual staff hours as part of general disaster preparedness. When a disaster is declared, the staff effort on these activities will need to increase as required. The Controller-Treasurer has existing staff conducting cost recovery work. It could more formally designate a staff member into the cost recovery role as well as structure this work to better delineate roles and responsibilities during a disaster.

Section 6: Information Systems

Background

SAP is the County's official record for expenses and revenues, but the County uses the additional systems Kronos and PeopleSoft for timekeeping and salary/benefits cost calculation and Ariba for centralized procurement. In addition, the County Health System uses its own systems for procurement and recording pharmaceutical expenses.

Problem, Cause, and Adverse Effect

In order to capture all COVID-19 costs, including those encumbered, the Controller-Treasurer's Cost Tracking team must compile cost information across these systems. This includes running a report from SAP to capture all COVID-19 materials and supplies costs not associated with the hospital, calculating the salary and benefits for employee time spent on COVID-19 by using data from Kronos and PeopleSoft, and receiving and reviewing separate spreadsheets of hospital materials and supplies recorded in the hospital's procurement system as well as a separate spreadsheet of pharmaceutical costs from Santa Clara Health and Hospitals.

The variety of systems used and the inability to easily transmit information from systems into SAP results in an inefficient process for compiling all COVID-19 related costs. In addition, the method for tracking costs does not allow for the County to easily indicate the source or potential source of revenue for reimbursement or even designate if the expense is FEMA eligible. This leads to challenges in estimating how much funding from different sources the County can anticipate receiving, and in turn could make it difficult to strategize around how to optimize the use of revenue. The inefficiencies of the current information systems create a more cumbersome process for tracking costs, which has the potential to lengthen the process for reviewing and submitting costs for reimbursement, limits employees' ability to spend time on the cost review and reimbursement process, and increases the risk for errors.

Recommendations

The Controller-Treasurer should work with Technology Services and Solutions staff to assess current information system capabilities and opportunities for streamlining how to compile disaster related costs. As part of this process, staff should work toward including a field or developing a code that allows fiscal staff to distinguish costs between FEMA or non-FEMA eligibility, at minimum. This would allow those involved in cost tracking and review work to determine possible reimbursement sources more easily. Controller-Treasurer staff should then train department fiscal staff on all updated processes for recording disaster costs.

Savings, Benefits, and Costs

This would require an estimated 80 staff hours from Controller-Treasurer and Technology Services and Solutions staff to assess and create a plan for updating information systems to more easily compile and designate disaster related costs by possible reimbursement source. Implementing changes may require a significant amount of effort depending on what adjustments need made. Training staff on how to implement any changes in the disaster cost recovery recording process would require upfront planning and training sessions with ongoing sessions to maintain staff knowledge. Additional training efforts would also be needed when the County declares a disaster.

FINDING

Information Systems Overview

SAP is the County's primary financial information system and is used to budget and track expenses, contracts, and other financial records related to County finances. SAP is the official record for all budgeted costs and expenses. In addition to SAP, the County also utilizes other financial and procurement systems to track both goods and services costs as well as timekeeping. In the County's financial system, salaries and benefits or other pay to County employees are referred to as "Object 1" costs. Costs of services, supplies, contractors, and equipment are referred to as "Object 2" costs.

Object 1 costs are tracked through the County's timekeeping system, Kronos. Kronos is used to enter County employees' hours worked. Typically, Kronos transmits timekeeping information to PeopleSoft, which the County uses to translate the timekeeping information from Kronos into the total amount of salary and benefits for employees. PeopleSoft then transmits this amount of salary and benefits to SAP for the official accounting of Object 1 costs.

Object 2 costs are recorded using a variety of systems with SAP serving as the official record. The Procurement Department uses an SAP add-on called "Ariba." Ariba is the procurement system for goods and service agreements that are managed centrally by the County through the Procurement Department. However, other departments manage service agreements and contracts directly in SAP. In the Management Audit Division's recent audit of the Procurement Department, the report describes Ariba as a "layer of software that communicates with SAP, but Ariba does not send detailed transaction level records to SAP. Instead it sends summary information for the total amount paid to a vendor." This means that rather than sending the detailed information for each line that composes a total payment, Ariba sends the total amount paid.

The County's Health System tracks Object 2 costs through the Allscripts Supply Chain Solution system (previously known as Pathway Materials Manager system or PMM). The Health System's departments use Allscripts Supply Chain Solution to manage their procurement processes. This system is also able to connect to and reconcile with SAP. However, similar to Ariba, Allscripts Supply Chain Solution only sends summary level transaction data to SAP and does not send the detailed transaction level data.

Compiling and Tracking COVID-19 Costs

In order to track all COVID-19 related expenses, the County established Statistical Internal Order (SIO) numbers that all costs, both Object 1 and Object 2, need to be tagged with in order to identify them as COVID-19 costs. The establishment and use of SIO numbers is described more in Section 4, starting on page 47, and Section 5, starting on page 57, on the County's communication and training and documentation practices, respectively. Technology Services and Solutions (TSS) created a report in SAP that allows the Cost Tracking team to enter a date range and generate all non-hospital, Object 2 costs for the COVID-19 relevant SIO numbers to identify which costs are related to the County's COVID-19 response. In addition, TSS also created categories so that departments could mark the corresponding category for a COVID-19 expense type to further describe the cost. There are 16 categories, including Business and Communication Outreach, Childcare Services,

Case Investigation and Contact Tracing, Housing, Medical, Payroll, Personal Protective Equipment, and Vaccination. Departments are able to indicate which category of costs an expense is associated with, and the majority of expenses are assigned with a category. As of January 3, 2022, 4,323 transactions (6.25%) had the category blank.

In response to a request from the Board of Supervisors approved on May 26, 2020, the Controller-Treasurer began populating an online dashboard to track all COVID-19 related costs that the County was incurring, including both Object 1 and Object 2 costs. The dashboard is publicly available on the County's website and shows costs by day, agency/department, vendor, and category. The dashboard data is updated every two weeks for payroll costs, weekly for the County's hospitals and clinics costs except for pharmacy and drug costs which are updated monthly, and daily for all other Object 2 (services, supplies, etc.) costs.

The Controller-Treasurer Cost Tracking team is responsible for compiling the data that populates the COVID-19 Cost Tracking Dashboard. This task involves the Cost Tracking team collecting all transactions coded with the relevant SIO numbers across systems. For Object 1 (payroll costs), the Cost Tracking team uses timekeeping information from Kronos coded with the relevant COVID-19 SIO number to identify employee time spent responding to the pandemic. As described above, typically Kronos transmits timekeeping information to PeopleSoft which then calculates the total corresponding salary and benefits amounts, which is then transmitted and recorded in SAP. However, this method is designed to record and calculate all timekeeping costs, rather than a portion of timekeeping costs. The Cost Tracking team needs to identify only employee time spent responding to COVID-19. In order to calculate the amount of employee salary and benefit costs spent responding to COVID-19, the Cost Tracking team uses timekeeping information from Kronos that is identified with the corresponding COVID-19 SIO numbers and information from PeopleSoft to calculate the amount of salary and benefits this corresponds with. There is a Microsoft Excel sheet set up to assist in generating this calculation. The final COVID-19 salary and benefit amounts are sent to TSS in a spreadsheet to upload to the COVID-19 Cost Tracking Dashboard.

Object 2 costs for materials and supplies are identified using the TSS developed SAP report. This allows the Cost Tracking team to easily pull all non-hospital Object 2 costs associated with the relevant COVID-19 SIO numbers. The Object 2 costs from the County's Health and Hospital System come from two different systems. The Health and Hospital non-pharmacy Object 2 costs are pulled from the Allscripts Supply Chain Solution system, which is compiled by Health and Hospital staff and sent to the Cost Tracking team in a spreadsheet. Object 2 transactions associated with pharmacy payments are compiled into a separate spreadsheet and sent over to the Cost Tracking team on a monthly basis. In order to populate the dashboard, the Cost Tracking team sends these spreadsheets to TSS to upload to the dashboard.

The total COVID-19 cost information is also used by the Cost Tracking team to compile biweekly reports to County Executive Staff on COVID-19 spending to date. In addition, this information is provided to the County's Disaster Cost Recovery Consultant to assist in their review of the County's COVID-19 expenses and help determine eligibility for the Federal Emergency Management Agency (FEMA) reimbursement and reimbursement through other funding sources. Because the consultant does not have direct access to SAP, this cost tracking spreadsheet is the primary document that the consultant relies on for identifying eligible expenses to claim for FEMA reimbursement.

At the department level, expenses are reported in their respective systems (SAP, Kronos, etc.) as they are processed; however, in some cases departments also track their own COVID-19 expenditures through their own excel sheets. For example, the Office of Supportive Housing fiscal staff keeps an excel workbook for their COVID-19 related expenses in addition to tracking the expenses in the relevant SAP and Kronos systems. The Office of Supportive Housing maintains excel files for different categories of its COVID-19 response, like Non-Congregate Shelters, which include the general ledger details from SAP with additional detail the Department adds related to the type of expenditure, grant eligibility, and grant claimed. This additional layer of tracking may be preferred by some departments. However, using a more robust information system that allows a department to compile and track this information more easily and comprehensively would help improve the process and potentially make these additional sheets unnecessary.

Inadequacies in Information Systems Creates Challenges for Expense Tracking

In a May 2020 report, the Finance Agency identified that regarding “capturing total and reimbursable costs, the Finance Section is finding that we are getting cost information from many different sources and departments and thus it is not a simple process. It would have been better if more thought went into how to access such sources and department information prior to the [COVID-19] event”. This is evident in the number of systems that the Controller-Treasurer Cost Tracking team is having to work with to compile total cost information.

Transactions entered into SAP directly are the easiest to track because of the report TSS developed for the Cost Tracking team. This type of SAP entered transactions accounted for 55.8% (38,583) of the 69,113 total COVID-19 transactions the County has incurred as of January 3, 2022. However, the transactions that are reported through Kronos and the Health and Hospitals procurement and pharmaceutical systems require reviewing additional spreadsheets and separate uploads. These transactions account for the remaining 44.2% of transactions (30,530). The Controller-Treasurer Department estimates that compiling these total costs takes approximately three full days of work for two to three staff members.

In addition, the system is not set up to clearly indicate if a cost is eligible for reimbursement through FEMA or another funding source. Not being able to include this information adds further time and burden to reviewing disaster related expenses. This also makes it challenging for the County to track potential total reimbursement for costs incurred by revenue source. As of February 7, 2022, the County has provided a revenue dashboard to help track the sources of revenue that have come in and how much has been reimbursed through FEMA. However, as discussed in Section 3, starting on page 37 of this report, this dashboard reflects “grant amounts” that include applications not yet approved for funding and does not provide projections of anticipated total reimbursement through sources such as FEMA.

At this point in the COVID-19 response, the Controller-Treasurer Department has established internal practices for navigating the various systems required to compile all COVID-19 costs. In addition, the Controller-Treasurer Cost Tracking team hired three additional staff positions in 2021, including one Management Analyst in July and two Accountants in August and September respectively, to assist with the cost tracking efforts. However, there are potential efficiency gains by reducing the number of steps involved in compiling these costs and streamlining the overall process. Not having systems set up to easily translate and compile cost information results

in additional time and effort on the part of the Cost Tracking team to aggregate all COVID-19 costs, as well as opportunities for errors. It also takes away time that staff could be spending on other cost recovery review and reimbursement activities. In addition, having a system that helps track initial FEMA categories and eligibility would allow for the County to determine potential FEMA reimbursement and assist in strategizing around maximizing sources of revenue more easily.

Alternative Information System Design Opportunities

The County should look to other jurisdictions for examples of how to design its financial information systems to better track, compile, and review all disaster related costs. Looking to other jurisdictions can help inform updates to the County's financial system that would allow it to track costs and revenue more easily in future disasters.

When City and County of San Francisco finance staff established their PeopleSoft financial system, they designed it with the intention of creating a "FEMA ready" reporting system that had established workflows to report and track disaster related costs. Prior to the COVID-19 pandemic, the San Francisco Controller's Office had created project outlines where they predefined some categories of costs and types of costs based on existing knowledge of how FEMA conducts its cost reimbursement. During the early portion of the COVID-19 response, the Cost Recovery team within the San Francisco Controller's Office further defined the different categories of costs based on the emergency. There were also dashboards developed that automatically generate total costs to date based on the pre-determined methods for tagging expenses. Departments in San Francisco are able to easily access this information for their department-specific costs as well. San Francisco's system automatically integrates all COVID-19 related costs as long as the proper coding and tagging of expenses takes place. There were some custom reports designed to either bring together information from two systems or capture new data. In addition, the system is set up to distinguish between FEMA and non-FEMA eligible costs, allowing users to indicate what the FEMA category of an expense falls into, such as management EOC costs or emergency temporary facility. San Francisco's approach of developing a system that anticipates the need to track and compile disaster related costs could serve as a model, or at least help inform, future updates to the County's financial systems.

The Controller-Treasurer Department should work with TSS to assess the current system's capabilities and opportunities to streamline how to compile disaster related costs. Any updates to the cost recovery tracking system should seek to help distinguish between costs that are reimbursable from FEMA or non-FEMA sources and there should be ample training efforts on these updates for all departments and their fiscal staff.

CONCLUSION

The variety of systems used and the inability for these systems to easily transmit information results in a cumbersome process for compiling all of the County's COVID-19 related costs. In addition, the current information system setup and method for tracking costs does not allow for the County to easily indicate the source or potential source of revenue for reimbursement. This leads to challenges in estimating how much funding from different sources the County can anticipate receiving, and in turn could make it difficult to strategize around how to optimize the use of revenue. The effort involved in compiling all COVID-19 costs has the potential

to lengthen the process for reviewing and submitting costs for reimbursement, limits employees' ability to spend their time on the cost review and reimbursement process, and increases the risk for errors. The County should look to other jurisdictions for examples of how to improve its current financial information systems to better assist with disaster cost recovery and reimbursement work. With over \$1 billion in COVID-19-related costs already incurred by the County, and with the likelihood of future disasters a near certainty, the County should prioritize designing financial systems that will expedite and streamline the cost tracking and documentation processes.

RECOMMENDATIONS

The Controller-Treasurer should:

- 6.1 Work with Technology Services and Solutions to assess current information system capabilities and opportunities for streamlining how to compile disaster related costs, including creating reporting mechanisms that are designed to easily track potential FEMA eligible costs. Report back to the Board of Supervisors within six months with an outline of steps taken to streamline the compilation of disaster related costs. (Priority 2)
- 6.2 Work with Technology Services and Solutions to include a field or develop a code that allows for distinguishing costs between FEMA or non-FEMA eligible. This will allow those involved in cost tracking and review work to determine possible reimbursement source more easily. (Priority 2)
- 6.3 Train all department fiscal staff on how to record disaster costs so that they can distinguish between FEMA and other sources for eligibility and can easily be compiled and reviewed for reimbursement. (Priority 2)

SAVINGS, BENEFITS, AND COSTS

These recommendations would require an estimated 80 staff hours from Controller-Treasurer and Technology Services and Solutions staff to assess and create a plan for updating information systems to more easily compile and designate disaster related costs by possible reimbursement source. Implementing changes may require a significant amount of effort depending on what adjustments need made. Training staff on how to implement any changes in the disaster cost recovery recording process would require upfront planning and training sessions with ongoing sessions to maintain staff knowledge. Additional training efforts would also be needed when the County declares a disaster.

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County of Santa Clara

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DATE: May 17, 2022

TO: Cheryl Solov, Contract Management Audit Manager
Santa Clara County Board of Supervisors, Management Audit Division

FROM: Martha Wapenski, Deputy County Executive
Greg Iturria, County Budget Director
Margaret Olaiya, Director Finance Agency
Vinod Sharma, Chief Financial Officer of the Santa Clara Valley Health and Hospital System
Dana Reed, Director of Emergency Management

SUBJECT: Special Study of County Management of COVID-19 Relief Funds

The Office of the County Executive, the Finance Agency, the finance section of the Santa Clara Valley Health and Hospital System, the Office of Budget and Analysis, and the Office of Emergency Management Office (collectively referred to hereafter as the County) received the final report of the Special Study of County Management of COVID-19 Relief Funds on April 27, 2022.

We want to express appreciation for the collaborative approach and professionalism extended by the management audit team throughout its review of the County's systems, processes and activities.

This memorandum provides responses for the recommendations in the Special Study of County Management of COVID-19 Relief Funds.

Section 1- Organizational Structure and Management

- 1.1 Request authorization for a full-time lead recovery manager and fill the position within six months of authorization. (Priority 2)

Response: Partially agree

The County agrees that a full-time lead recovery manager would be a beneficial position to provide in-house expertise on recovery from critical

incidents. The recommendation states that the County should fill the position within 6 months. Because there is no existing job specification for recovery manager, the Employee Services Agency would work with the Office of Emergency Management to develop the job specification. Following that, the County would need to conduct an open-competitive recruitment in order to fill the position. This entire process may take longer than 6 months, and the County can report back on the progress at the next status report for this audit.

- 1.2 Evaluate the effectiveness and efficiency of outsourcing disaster cost recovery advisory services prior to the issuance of any future contracts. (Priority 2)

Response: Agree

The County agrees with the importance of evaluating the outsourcing of disaster cost recovery services, and has been working to increase in-house expertise and training of departmental staff. It should be noted that because of the unique nature of the current disaster, the County obtained cost consultant services to assist with the cost recovery process. Staff completed a Request for Statement of Qualifications (RFSQ) which yielded several firms to evaluate and select from. This RFSQ list is valid for five years and can be used for any future disaster (fire, earthquake, pandemic etc.), but staff would evaluate the effectiveness and efficiency prior to issuing any future contracts.

- 1.3 Work with the County's Recovery Director to establish performance measures and associated goals/timelines related to ongoing disaster cost recovery for the COVID-19 disaster and ensure that these measures and goals are incorporated in any future contracts for disaster cost recovery advisory services. (Priority 2)

Response: Disagree

The Controller-Treasurer Department has existing cost recovery performance measures established and in place. It should be noted that timelines associated with the ongoing and constantly evolving pandemic disaster are impossible to establish. Also, the County's contract for cost recovery services has clear scopes of services established with specific tasks identified, and County staff has a process in place to ensure the completion of each task.

Finally, there are components of the reimbursement process that are outside of the County's control. For example, the County submits claims to the Federal Emergency Management Agency (FEMA), and the reimbursement process is lengthy and complicated. The County is addressing this through regular meetings with FEMA staff and engaging our federal delegation. But in the end, FEMA's extended processes and timelines are outside of the County's control.

- 1.4 Work with the Office of Emergency Management to update the 2017 Disaster Cost Recovery Annex, incorporating lessons learned from this disaster and providing guidance on strategic planning to maximize revenues. (Priority 2)

Response: Agree

The Controller-Treasurer Department will partner with the Office of Emergency Management to update the 2017 Disaster Cost Recovery Annex with lessons learned to date. It should be noted that the pandemic disaster is still ongoing, and the County is simultaneously addressing both the active response and recovery phases. The Disaster Cost Recovery Annex will be updated following the completion of the COVID-19 After-Action Report (AAR) and Improvement Plan so that the Annex can include the comprehensive lessons learned from the pandemic response. The COVID-19 AAR is expected to be completed in the Winter 2023.

Section 2 – Use of Advisors

If the County determines an ongoing need for disaster cost recovery advisory services:

- 2.1 Establish a clear timeline for deliverables for any disaster cost recovery advisory consultant. (Priority 2)

Response: Disagree

Same as response to Recommendation 1.3 above.

- 2.2 Ensure that timelines have been met before authorizing any future contract agreements or amendments. (Priority 2)

Response: Disagree

Same as response to Recommendation 1.3 above.

Section 3 – Expediting Claims and Appropriations

- 3.1 Establish a timeline for future FEMA claims submissions and monitor the contractor's ability to meet these deadlines to expedite the process. (Priority 2)

Response: Partially agree

The Controller-Treasurer Department will evaluate future COVID-19 expenses to identify any FEMA submissions that can be expedited, such as vaccinations. Staff is unable to establish a timeline for FEMA because their timeline is not under the County's control. It should be noted that FEMA's emergency rules surrounding expedited FEMA submissions are constantly changing. Therefore, the County has been strategically meticulous with its standard FEMA claims submissions so that staff can ensure that every dollar obligated to the County will be kept permanently, and not lost due to the changing rules for expedited claims.

- 3.2 Revise the COVID-19 Revenue Dashboard to reflect actual revenues obligated, revenue claims and applications under review, and revenues received. (Priority 2)

Response: Agree

The Controller-Treasurer Department will review the presentation of the COVID-19 Dashboard data for clarity to the external audience.

- 3.3 Report to the Board of Supervisors' Finance and Government Operations Committee (FGOC) on a monthly basis with a breakdown of COVID-related expenditures by anticipated funding source. (Priority 2)

Response: Partially agree

A system for regular reporting to FGOC on COVID-19 related expenditures has already been established by the Board of Supervisors. The Board directed Administration to prepare quarterly reports on COVID-related expenditures for FGOC. The first quarterly report was presented to FGOC in April 2022. As directed by the Board, the July and January quarterly reports will be presented off-agenda, and the October and April quarterly reports will be placed on the FGOC agenda.

Section 4 – Communications and Training Practices

- 4.1 Designate staff that are responsible for managing communications and training around disaster cost recovery practices and implementation in conjunction with the Office of Emergency Management on this effort. (Priority 3)

Response: Agree

The management auditor's recommendation 1.1 to request authorization for a lead recovery manager aligns with the responsibilities outlined in recommendation 4.1 and could be fulfilled by that position.

With regard to training, cost recovery training was provided through the Office of Emergency Management in 2015 and 2017 that covered multiple topics. This training was open to County departments as well as outside jurisdictions. The Controller-Treasurer Department also conducted cost recovery training for fiscal officers in April 2022, and the Office of Emergency Management is scheduled to provide additional training in November 2022. Topics will include items such as FEMA's Public Assistance process, Emergency Operations Center (EOC) documentation, cost tracking documentation and estimates, disaster cost recovery planning and forms, case studies, and the damage assessment process. This training will be added to the County's Integrated Preparedness Plan, formerly known as the Multi-Year Training Exercise Plan (MYTEP), and topics related to cost recovery will be added to the County's annual EOC Exercise. The lead recovery manager from recommendation 1.1 would coordinate closely with the Office of Emergency Management Training and Exercise Team.

- 4.2 Develop an internal, centralized policy for providing information to nonprofit and community-based organizations related to cost recovery efforts as well as develop a centralized set of information for community-based organizations on other possible sources for cost reimbursement. This should be completed within one year. (Priority 3)

Response: Partially agree

The County currently provides grant funding to Collaborating Agencies' Disaster Relief Effort (CADRE), a leading network of organizations that provide community services that are essential in times of disaster. As the designated Volunteer Organizations Assisting Disasters (VOAD) for the County, CADRE's role in the community is to strengthen coordination of disaster response and recovery for nonprofits and community-based

organizations (CBOs). Along with their workshops, symposiums and webinars, CADRE provides recovery and reimbursement information and resources to assist nonprofits and CBOs with disaster recovery efforts. This work is not currently formalized in a County policy, but it is documented on the CADRE website: [Recovery \(cadresv.org\)](http://Recovery.cadresv.org). The Office of Emergency Management also routinely provides cost recovery information to CADRE whenever OEM receives an update from CalOES and/or FEMA.

- 4.3 Update the Disaster Cost Recovery Annex, in conjunction with Controller-Treasurer and department staff, to reflect the lessons of COVID-19. This should be completed within one year. (Priority 2)

Response: Partially agree

Same as response to Recommendation 1.4 above.

- 4.4 Work with TSS to designate a place where emergency cost recovery policies, procedures, and recorded training sessions can live online. This should be completed within six months. (Priority 2)

Response: Partially agree

The County currently utilizes shared drive as an IT solution for repository for cost recovery policies and procedures. Future documentation related to disasters, including recorded training sessions, will be added to the shared drive for the greatest degree of accessibility.

- 4.5 Work with Controller-Treasurer to develop a training program on the County's disaster cost recovery policies and procedures for all department fiscal staff and a schedule for providing trainings on an annual basis. This should be completed within one year. (Priority 2)

Response: Partially agree

Same as response to Recommendation 4.1 above, and staff can develop a schedule for trainings on an annual basis.

Section 5 – Documenting COVID-19 Costs

- 5.1 Establish a set of written policies for what supporting documentation departments are expected to upload to justify emergency related expenses. This guidance should be communicated with all departments after issuing a new disaster declaration order. (Priority 2)

Response: Partially agree

When a local disaster/emergency proclamation, governor's proclamation and/or federal declaration is issued, the Controller-Treasurer Department follows existing policies, procedures and guidelines regarding supporting documentation and departmental communication for emergency related expenses. The same is true for the finance division of the County's Health System. These policies and related documents will be located centrally and reviewed annually.

- 5.2 Establish an internal policy on training and communicating with departments regarding the documentation policies recommended in Recommendation 4.1. This may include establishing a cost recovery coordinator role where certain staff are assigned to select departments to work with them on the cost recovery and documentation processes. (Priority 2)

Response: Agree

The County agrees with the creation of an internal policy on training and communication with departments, as well as establishing a recovery coordinator role, within the EOC Finance/Administration Section, to be the central point of contact.

- 5.3 Work with the Office of Emergency Management to develop an internal structure that supports all County departments with their cost recovery efforts. This should include training all Controller-Treasurer staff on this structure and their roles and responsibilities. Training should take place at a minimum annually and after issuing a new disaster declaration order. (Priority 2)

Response: Partially Agree

Same as response to Recommendation 4.1 above. The County agrees that an appropriate group of Controller-Treasurer staff assigned to this work should be trained, as opposed to "all Controller-Treasurer staff."

Section 6 – Cost Tracking Information Systems

- 6.1 Work with Technology Services and Solutions to assess current information system capabilities and opportunities for streamlining how to compile disaster related costs, including creating reporting mechanisms that are designed to easily track potential FEMA eligible costs. Report back to the

Board of Supervisors within six months with an outline of steps taken to streamline the compilation of disaster related costs. (Priority 2)

Response: Disagree

The County's current systems already include reporting mechanisms to track costs through the use of statistical internal orders (SIOs). It should also be noted that the County's hospital systems already had SIOs in place for cost tracking purposes at the beginning of the pandemic, which allowed the hospital system to quickly stand up a cost recovery process.

The Controller-Treasurer Department currently partners with Technology Services and Solutions (TSS) to work on streamlining the cost tracking process through the categorization of expenses and use of SIOs. TSS has also been assisting to evaluate the capabilities of existing County accounting, timekeeping, and personnel management systems. Part of this process improvement will include possible future enhancements where necessary. Due to the complexity and breadth of TSS's review, as well as conducting market research and other related activities, this recommendation cannot be implemented in 6 months, but the County can report back on the progress at the next status report for this audit.

6.2 Work with Technology Services and Solutions to include a field or develop a code that allows for distinguishing costs between FEMA or non-FEMA eligible. This will allow those involved in cost tracking and review work to determine possible reimbursement source more easily. (Priority 2)

Response: Disagree

As mentioned above in the response to Recommendation 6.1, the County's financial systems already have a robust cost tracking process through the categorization of expenses and use of SIOs. At the very early stages of the pandemic when the cost recovery tracking began, the County used FEMA-eligible coding as part of the established Emergency Operations Center process. When the FEMA coding was created, it was not known at that time that other funding such as CARES Act and American Rescue Plan Act funds would become available. As time went on, the County continued to use the same SIOs because the process afforded the County the flexibility to assign costs to various categories depending on the reimbursement source. This helps with reporting compliance from departmental staff, and the work to determine eligibility for various sources of funding can be handled by the Controller-Treasurer staff. The County can look at options for determining

possible reimbursement sources more easily in the future, to address the many unknowns in a critical incident of this size, length, and complexity.

- 6.3 Train all department fiscal staff on how to record disaster costs so that they can distinguish between FEMA and other sources for eligibility and can easily be compiled and reviewed for reimbursement. (Priority 2)

Response: Partially agree

As mentioned in the responses to Recommendations 4.1, 4.5 and 5.3 above, the Controller-Treasurer Department conducted cost-recovery training for fiscal officers in April 2022 and the Office of Emergency Management will be conducting additional cost recovery training that is scheduled for November 2022. Topics will include FEMA's Public Assistance process, EOC documentation, cost tracking documentation and estimates, disaster cost recovery planning and forms, case studies, the damage assessment process, and several others. This training will be added to the County's Integrated Preparedness Plan, formerly known as MYTEP, and topics related to cost recovery will be added to the County's annual EOC Exercise.

Also, County departments have received regular communications regarding claims from the Controller-Treasurer Department since the County began its pandemic cost tracking efforts in 2020. The Controller-Treasurer staff hosted weekly, and subsequently bi-weekly meetings with the Office of Supportive Housing, Public Health Department, Health and Hospital Systems fiscal staff and County Counsel to review FEMA projects. Some of these working meetings also included the County's consultants so that departments could receive immediate feedback.

In March 2022, the County also began meeting bi-weekly with representatives from FEMA and CalOES to review the status of the projects the County has submitted to FEMA.

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**please note that this is not exhaustive list

CARES Act

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law by President Trump in March 2020 in response to the severe economic impact of the COVID-19 emergency. The CARES Act provided approximately \$2 trillion in economic stimulus through various forms of relief to individuals, businesses, farmers, hospitals, and state and local governments. Funding to state and local governments through the CARES Act totaled approximately \$150 billion through the Coronavirus Relief Fund and \$100 billion for hospitals through the Provider Relief Fund.

CARES Act Coronavirus Relief Fund

The Coronavirus Relief Fund is administered by the U.S. Department of Treasury. In accordance with the terms established in the CARES Act, these funds could be used for:

- necessary expenditures incurred because of the pandemic;
- expenditures not already accounted for in a budget approved before March 27, 2020; and
- expenditures incurred between March 1, 2020 and December 31, 2020.

The initial deadline for spending CARES Act funds was December 31, 2020; this deadline was later extended to December 31, 2021. These funds were distributed as grants, not to be repaid.

CARES Act Provider Relief Fund

In addition to the Coronavirus Relief Fund, the CARES Act established the Provider Relief Fund, administered by the Health Resources and Services Administration (HRSA) of the U.S. Department of Health and Human Services, to reimburse healthcare providers for increased expenses or lost revenue attributable to COVID-19. These funds were distributed as grants, not to be repaid, and made available in multiple phases of funding.

FEMA Public Assistance

In accordance with section 502 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. 5121-5207 (Stafford Act), the Federal Emergency Management Agency (FEMA) has also made funds available to local governments to assist with responding to the pandemic under the Public Assistance Program consistent with President Trump's March 2020 COVID-19 emergency declaration. There is no cap on the amount of eligible reimbursable costs under FEMA's Public Assistance program, but eligibility determinations by FEMA require documentation, which FEMA staff verify through a claims review process. FEMA will not duplicate assistance otherwise provided by other sources, such as the U.S. Department of Health and Human Services (HHS) or the Centers for Disease Control and Prevention (CDC). Federal reimbursements were initially set at 75 percent of eligible costs. On February 3, 2021, FEMA confirmed that 100 percent of eligible costs will be reimbursed for this disaster, rather than the

initial rate set at 75 percent of eligible costs.

Emergency protective measures that may be reimbursed under FEMA's Public Assistance program include:

- Management, control and reduction of immediate threats to public health and safety;
- Emergency medical care; and
- Medical sheltering (e.g. when existing facilities are reasonably forecasted to become overloaded in the near future and cannot accommodate needs).

Specifically, according to FEMA guidance, the Public Assistance Program may reimburse local governments for eligible disaster activities, including:

- Medical care;
- Purchase and distribution of food;
- Non-congregate medical sheltering;
- Operation of Emergency Operations Centers to direct and coordinate resources and response activities for COVID-19 declarations;
- Communications to disseminate public information regarding health and safety measures and provide warnings about risks and hazards;
- Mass casualty management;
- Purchase and distribution of personal protective equipment (PPE); and,
- Certain other activities only when necessary to perform otherwise eligible emergency work.

American Rescue Plan Act

In March 2021, the U.S. Congress signed into law the American Rescue Plan Act (ARPA) which provided over \$350 billion in additional funding for state and local governments, to be received in two tranches. Counties received population-based allocations, which could be used for:

- Revenue replacements for the provision of government services to the extent of the reduction in revenue due to COVID-19, relative to revenues collected in the most recent fiscal year prior to the emergency
- COVID-19 expenditures or negative economic impacts of COVID-19, including assistance to small businesses, households and hard-hit industries, and economic recovery
- Premium pay for essential workers
- Investments in water, sewer, and broadband infrastructure.

Epidemiology and Laboratory Capacity (ELC) Grants

Through the CARES Act, the Centers for Disease Control and Prevention provided ELC grants to help rapidly establish and monitor key activities related to COVID-19 in the areas of epidemiology, laboratory, and informatics that will allow state, local, and territorial governments to make data-

driven policy decisions about the most appropriate level of community mitigation efforts necessary to reopen their communities while still protecting the public's health.

Examples of activities include:

1. Establish or enhance ability to aggressively identify cases, conduct contact tracing and follow up, as well as implement recommended containment measures
2. Improve morbidity and mortality surveillance
3. Enhance laboratory testing and reporting capacity
4. Prevent and control COVID-19 in healthcare settings and protect other vulnerable or high-risk populations
5. Monitor and mitigate COVID-19 introductions from connected jurisdictions (i.e., neighboring cities, states; including air travel)
6. Work with healthcare system to manage and monitor system capacity
7. Improve understanding of jurisdictional communities with respect to COVID-19 risk

Community Development Block Grant Supplemental Funding

With additional funding made available through the CARES Act, the US Department of Housing and Urban Development authorized additional grants through the Community Development Grant program to eligible jurisdictions. At least 70 percent of every grant must be expended for activities that benefit low- and moderate-income persons by providing housing, a permanent job, a public service, or access to new or significantly improved infrastructure. The remaining 30 percent may be used to eliminate slum or blighted conditions, or to address an urgent need for which the grantee certifies it has no other funding.

Emergency Solutions Grant

The US Department of Housing and Urban Development allocated \$2.96 billion in Emergency Solutions Grants (ESG) funding to support homeless Americans and individuals at risk of becoming homeless because of hardships such as job loss, wage reduction, or illness due to COVID-19. Eligible uses include:

- Emergency shelters & operations
- Hotel/Motel Vouchers for homeless families and individuals.
- Rapid Rehousing services to rehouse homeless individuals
- Essential services for homeless (including childcare, health services, transportation)

CA Emergency Rental Assistance

This program provides up to \$2.6 billion in emergency rental assistance to California households and landlords impacted by the COVID-19 pandemic. Eligible households and landlords may receive assistance with arrears and/or prospective rent and utility bills. The State program will serve residents where local jurisdictions have not elected to run their own local programs.

CA Project Roomkey

Administered by the California Department of Social Services, Project Roomkey was established in March 2020 as part of the state response to the COVID-19 pandemic. The purpose of Project Roomkey is to provide non-congregate shelter options for people experiencing homelessness, protect human life, and minimize strain on health care system capacity.

Project Roomkey gives people who are experiencing homelessness and are recovering from COVID-19 or have been exposed to COVID-19 a place to recuperate and properly quarantine outside of a hospital. It also provides a safe place for isolation for people who are experiencing homelessness and at high risk for medical complications should they become infected. The Project Roomkey and Rehousing Strategy is designed to quickly provide dedicated resources to ensure Project Roomkey units remain online through the continued public health emergency and that homelessness is non-recurring. Project Roomkey units are intended to be temporary, emergency shelter options, while also serving as a pathway to permanent housing.

CA Project Homekey

Administered by the California Department of Housing and Community Development (HCD), approximately \$1.4 billion (FY 2021-22) in grant funding will be made available to local public entities, including cities, counties, or other local public entities, such as housing authorities or Tribal Entities within California.

Homekey is an opportunity for state, regional, and local public entities to develop a broad range of housing types, including but not limited to hotels, motels, hostels, single-family homes and multifamily apartments, adult residential facilities, and manufactured housing, and to convert commercial properties and other existing buildings to Permanent or Interim Housing for the Target Population.

Ryan White

The CARES Act provided one-time funding to help current Ryan White HIV/AIDS Program (RWHAP) recipients prevent, prepare for, and respond to coronavirus disease 2019 (COVID-19).

The CARES Act appropriated \$90 million to help recipients respond to COVID-19 related health service needs for RWHAP clients. The CARES funding in large measure will support core medical and support services for RWHAP clients. In addition, funds have also been strategically allocated to several RWHAP national technical assistance programs. These funds are administered through the US Health Resources and Services Administration.

US Department of Justice: Emergency Supplemental Funding Program

Through the CARES Act, the Department of Justice made \$850 million available to help public safety agencies respond to the challenges posed by the outbreak of COVID-19. Funds may be used to hire personnel, pay overtime costs, cover protective equipment and supplies, address correctional inmates' medical needs and defray expenses related to the distribution of resources to hard-hit areas, among other activities. Grant funds may be applied retroactively to Jan. 20, 2020, subject to federal supplanting rules.

COVID-19 Expenditures by Budget Unit*, as of 1/3/22

Budget Unit/Department	Amount
Santa Clara Valley Medical Center Hospitals & Clinics	256,459,708
Controller-Treasurer Department	103,332,920
Office of Supportive Housing	97,877,217
Office of The County Executive (Including Emergency Operations Center)	70,333,434
Public Health Department	61,907,073
Facilities and Fleet Department	43,733,810
Social Services Agency	30,262,464
Probation Department	22,424,685
Technology Services and Solutions	18,713,749
Department of Correction	17,986,402
Office of the Sheriff	11,484,793
Behavioral Health Services Department	8,622,647
Office of the District Attorney	8,616,207
Office of the County Counsel	7,508,083
Department of Environmental Health	5,941,470
Department of Parks and Recreation	5,314,200
Consumer and Environmental Protection Agency	5,310,678
Custody Health Services	5,081,795
County Library	4,996,163
Department of Child Support Services	4,657,967
Clerk of the Board	3,615,284
Roads Department	3,494,938
Valley Health Plan	3,449,788
Office of The Assessor	2,752,184
Employee Services Agency	2,668,813
Department of Tax & Collections	2,534,134
Office of the Public Defender	2,270,770
Procurement Department	1,693,462
Register of Voters	1,385,150
Vector Control	1,289,318
Community Health Services	1,237,112
Office of Pretrial Services	1,188,907
County Clerk-Recorder's Office	1,041,114
Department of Planning and Development	1,034,867
Risk Management	1,014,118
Emergency Medical Services	852,195
County Communications	714,258
Fleet Services	665,511
Medical Examiner - Coroner	626,584
(not identified)	377,070
Airports Department	80,007
Local Agency Formation Commission-LAFCO	7,754
Special Programs and Reserves	188
Non-Budgetary Trust Funds	184
Criminal Justice Services	0
Total COVID-19 Expenditures	824,559,175

* Excludes Board Districts

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Disaster Cost Recovery Consultant's Scope of Work

The **Advisory** Services to be provided by the Consultant include:

- A. The [Consulting] Team will assist the County in managing and administering all aspects of the Public Assistance Grant Program including:
 1. Develop and implement a process/system to efficiently submit Federal grant applications, identify eligible projects, capture costs, prepare cost reports, reconcile invoices, and close- out projects.
 2. Attend meetings with the state and FEMA to address eligibility and process issues as needed.
 3. Provide guidance in dealing with Federal regulations, specifically including the CARES Act, Stafford Act, Section 44 of the Code of Federal Regulations, FEMA Public Assistance Policy and Procedures Guide V3.1 2018, and all related FEMA COVID-19 FACT Sheets and disaster specific guidance.
 4. Proactively identify and resolve issues that may arise related to the funding of work completed or to be completed by the jurisdiction.
 5. Obtain, analyze and gather field documentation, including gathering relevant records to extract pertinent information necessary for submittal including timekeeping and staff assignment records.
 6. Review for clarity and completeness, as well as consistency and accuracy, all data and supporting documentation.
 7. Evaluate and assist in the formulation of FEMA PA Emergency Protective Measures Project Worksheets. This will involve expertise in Cost Estimating, developing Detailed Damage Descriptions and Dimensions ("DDD's") and a project's Scope of Work ("SOW").
 8. Review Project Worksheets to determine final eligible costs and third-party refunds and reimbursements.
 9. Reconcile eligible costs and prepare Project Worksheet versions, as necessary.
 10. Prepare first and second appeals, as requested.
 11. Track Project Progress and Deadlines.
 12. Document Indirect and Direct Administrative Costs
 13. Assist with insurance considerations
 14. Support and complete an assessment of damage to County infrastructure.

- B. The [Consulting] Team will provide advice and guidance to Santa Clara County to conduct the following work:
 1. Confirm that the County has not overlooked any reimbursable costs;
 2. Confirm that the County's cost tracking methodology for tracking personnel and nonpersonnel expenditures is appropriate;
 3. Advise the County on other funding sources and how/when to access those sources in conjunction with FEMA funding; and
 4. Provide on-call consultant advice as the need arises.

- C. The [Consulting] team will document costs in a manner that ensures maximum reimbursement of its fees and provide a timekeeping system that will meet all FEMA standards for reimbursement.

- D. The [Consulting] Team will provide the following in their time tracking:
1. The individual consultant performing the work,
 2. The appropriate Project Worksheet
 3. The type of work performed, and
 4. The specific actions and tasks performed.
- E. The [Consulting] Team will assist the County with financial and grant management support as follows:
1. Advise the County on CARES Act rules, FEMA rules, practices and procedures and provide advice on how to track costs, including direct administrative costs to facilitate reimbursement for all eligible client costs, including contractor costs.
 2. Provide general grant management advice.
 3. Conduct pre-audit activities and preparing documentation for audit.
 4. Meet as necessary with County/State/Federal representatives in connection with the programmatic, financial, contracting and accounting services necessary to meet Federal and State regulations.
 5. Prepare reports for the County, State and Federal governments as needed.
 6. Provide oversight of contractors' billing to ensure that they invoice properly and are only compensated for work actually performed, and that all costs eligible for the disaster grant funding are documented and claimed.
 7. Categorize, record, track costs in support of the financial reimbursement process.
 8. Track Project Worksheet status and status of payment from the County.
 9. Provide interagency (Federal, State, County) coordination and technical support, as well as identify funding resources that may be available to assist in the long-term recovery process.
 10. Manage all aspects of workflow through FEMA's Emergency Management Mission Integrated Environment (EMMIE), and maintain account details on a secure data management platform.
- F. The [Consulting] Team will provide support with County staff to compile a comprehensive list of eligible costs and collect documentation. Ensure all eligible costs and damages have been identified. Provide assistance in identifying and capturing eligible costs for the Coronavirus Aid, Relief, and Economic Security (CARES) Act Fund and FEMA eligible costs and with all other Agencies/Acts involved with reimbursement.
- G. The [Consulting] Team will develop and implement strategies and technical advice to secure funding and claiming opportunities through Federal and State programs and special legislation in order to maximize cost recovery for the County.
- H. The [Consulting] Team will provide the ability to increase and decrease staff and expertise assigned to the engagement quickly and efficiently.
1. Provide expert programmatic and policy advice on Federal and State disaster relief programs and other grant programs that may become available.
 2. Provide support for strategic planning and coordination of all recovery efforts.
 3. Represent the County and attend meetings with FEMA, Cal OES or other agencies as may be necessary on behalf of the County.

- I. The [Consulting] Team will continually interact and communicate with and update the Finance Agency on its progress.
- J. The [Consulting] Team will provide the County with subject matter expertise in the development and execution of an operational incident management system to analyze and prepare for emergency situations that provide for a clear and effective response and recovery.
 1. Assist in the development and execution of procedures that address coordination activities among those within the County with an emergency response role including federal agencies, CalOES, and various County stakeholders.
 2. Assist the County in the development and implementation of a system of procedures and processes that will be National Incident Management System (NIMS) compliant and integrate with both the traditional Incident Command System (ICS) and the modified ICS used by FEMA that incorporates Emergency Support Functions (ESFs). Incorporated into the design will be a robust system of data collection, analysis and management tools, and the use of Artificial Intelligence to provide near Real Time functionality and the ability to accurately predict resource deployment, logistical needs, and resource management when in the midst of a disaster response operational phase.
- K. The [Consulting] Team will work with the County to resolve disputes with FEMA, Cal OES, or other agencies as may be necessary, including but not limited to the preparation of appeals.
- L. As needed, the [Consulting] Team will provide education and training to County staff that will or may be involved with the various aspects of disaster recovery, including FEMA documentation requirements, FEMA Public Assistance Program as well as other Federal and State programs, as applicable.
 1. The Project Manager, joined by other appropriate professionals/trainers, will conduct initial and ongoing training pursuant to the development, maintenance and extension of new and existing team member sets of knowledge/skills/abilities applicable to verification of benefits and necessary to function at maximal efficiency/effectiveness, while simultaneously achieving high level of program compliance. The objectives of this professional development regimen are to both reinforce individual responsibility for performance and, concurrently, build a highly integrated team. Specific training modules include, but are not necessarily limited to:
 - a. Provide Training FEMA PA Model and Database usage
 - b. Provide Training for Project Close-Outs
 - c. Provide Training for identifying Hazard Mitigation opportunities
 - d. Provide Training for IA State Staff for Disaster Case Management
 - e. Provide Training to County or Field Staff regarding survivor sensitivity, data collection and PII laws and regulations
- M. The [Consulting] Team will provide guidance in recovering reimbursement for County costs associated with the COVID crisis.
 1. As needed, the [Consulting] Team will work with the County to secure pre-event contracts for services that are anticipated to be required in the aftermath of a

- disaster as well as post-event contracts and purchases of services on an emergency or standard procurement basis.
2. As needed, the [Consulting] Team will advise on all steps of the procurement process from bid formulation and advertisement through contract execution and activation of services ensure that all procurement actions undertaken by the County are in compliance with the Federal procurement guidelines contained in 2CFR §200.
- N. The [Consulting] Team will provide technical expertise and knowledge related to the Stafford Act and any other COVID related acts. The [Consulting] Team will discuss and provide expert advice related to the funding options available and the development of designing a strategy that will assist the County maximize benefits from all available federal funding sources.
- O. The [Consulting] Team will provide support and general eligibility guidance for all Federal and State grant and cost recovery programs.
1. Ensure that eligible expenses are correctly documented. The [Consulting] Team will foster an open dialogue between FEMA and CalOES, ensuring that documentation efforts and requirements are at the forefront of the operation.
 2. Leverage their knowledge of the PA Program to train and prepare the County staff before applying for disaster aid to ensure they are adequately prepared to make their best case for eligible assistance.
- P. The [Consulting] Team will provide expert guidance on COVID-19 eligibility of costs for claims to jurisdictions and community-based organizations as part of the County of Santa Clara Operational Area.

The **Auditing** Services to be provided by the Consultant include:

- A. The [Consulting] Team will reconcile eligible costs and prepare Project Worksheet versions, as necessary.
- B. The [Consulting] Team will monitor reconstruction efforts, actual versus Project Worksheet scope of repair, and progress payments.
- C. The [Consulting] Team will review all data and supporting documentation to determine whether costs appear eligible and are adequately supported.
- D. The [Consulting] Team will review Project Worksheets to determine final eligible costs and third-party refunds and reimbursements.
- E. The [Consulting] Team will perform Project Worksheet closeouts.
- F. The [Consulting] Team will prepare appeals and arbitration materials, as required.
- G. The [Consulting] Team will respond to audit findings, as required.
- H. The [Consulting] Team will participate in the After Action Report as needed.
- I. The [Consulting] Team will assist with data collections needed for full eligible reimbursement required by the auditors.
- J. The [Consulting] Team will work with the County to resolve disputes with Federal, State, or other agencies as necessary, including but not limited to the preparation of appeals.
- K. The [Consulting] Team will assist the County with establishing document control and file retention system to ensure records are complete and ready for audit.

- L. The [Consulting] Team will communicate with relevant federal and state officials, including written communication and attending meeting as needed.

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County Executive Proposed ARPA Spending Plan, November 2, 2021

	Proposed Expenditure	2021-22	2022-23
SYSTEM OF COORDINATED CARE	Electronic Health Record System for Community Clinics	7,400,000	
	Homeless Veterans Services	150,000	150,000
	Supportive Housing for Family Reunification	1,750,000	1,000,000
	Heading Home Campaign	7,500,000	7,000,000
	Emergency Rental Assistance for Re-Entry Clients	2,000,000	2,000,000
	Withdrawal Mgmt for TAY	1,200,000	1,200,000
	Telehealth Support for BHS	250,000	
	Netsmart Electronic Health Record (BHSD)	1,187,651	
	Placement Options - Seriously Mentally Ill Individuals	1,030,000	1,000,000
	Behavioral Health Expansion	15,400,000	15,000,000
	Utilization Mgmt (BHS)	1,500,000	
	Subtotal	39,367,651	27,350,000
CONTINUITY OF OPERATIONS	Grant Program for CBOs	5,000,000	5,000,000
	Homeless Encampment Outreach	3,005,000	
	Subsidized Employment Initiative	3,100,000	3,100,000
	SSI Advocacy	3,000,000	3,000,000
	Childcare Services related to COVID	2,500,000	2,500,000
	Children's Agenda	10,000,000	10,000,000
	School-Based BHS	5,000,000	5,000,000
	Groceries and Meal Supports	2,250,000	2,250,000
	COVID-19 Pandemic Pay	76,400,000	
COVID-19 Pandemic Pay for County Fire	740,000		

County Fire - Cardiac Monitors/Defibrillators	1,400,000	
Video Visiting for Families	1,500,000	1,500,000
Expeditors for Court Cases and Treatment Placements	1,000,000	1,000,000
Small Business Air Quality	2,500,000	
Subtotal	117,395,000	33,350,000
Ongoing COVID Response not covered by FEMA	78,500,000	78,500,000
TOTAL ANNUAL EXPENDITURES	235,262,651	139,200,000
TOTAL PROPOSED ARPA EXPENDITURES		374,462,651

Source: 11/2/21 Presentation to Board of Supervisors