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D.C. Spent Half Billion in 2020 COVID Relief Funds Without Council Authorization

New audit finds failures in internal controls & risk of fund disallowance

August 24, 2023 (WASHINGTON) The first major infusion of COVID-19 federal relief funds were spent by the District without approval by the Council of the District of Columbia, contrary to the District's Home Rule Charter, according to an audit and legal memorandum released today by the District of Columbia Auditor. A review of the expenditure of $495 million in Coronavirus Relief Funds (CRF) provided by the U.S. Treasury in the 2020 CARES Act also faulted program and finance staff for ineffective monitoring and lack of required documentation.

"The good news is our private accounting firm found that the Bowser Administration's actual spending of CARES Act CRF funds complied with federal rules on how funds could be used," D.C. Auditor Kathy Patterson said in releasing the report and a legal memorandum by ODCA's outside counsel, Boies Schiller Flexner LLP. "But it was a significant failure on the part of every branch of D.C. government that the first round of relief fund spending did not follow legal requirements." Patterson singled out the Office of the Chief Financial Officer in failing to exercise its independent oversight authority to require that the 2020 federal payment be appropriated by the D.C. Council before releasing the funds for expenditure.

"This is not the only incident we have documented on the OCFO failing to exercise its own considerable authority to see that the letter and intent of budget law are followed," Patterson said, pointing to earlier audits of housing funds and school modernization.

The report, done for ODCA by certified public accounting firm EFPR Group LLP, looked at the District's receipt of the $495 million CRF, identified the amount unspent and spent by December 31, 2021, examined a sample of cash disbursements made with CRF, tested the sample for compliance with the federal Office of Management and Budget's compliances, and tested the cash disbursements for compliance with D.C. laws.

A summary of D.C.'s CRF spending shows that as of December 31, 2021, the District had expended $470,438,094 of the funds that it was awarded. The top five D.C. agency expenditures were: Fire and Medical Services ($106,326,923); Metropolitan Police Department ($93,750,000); Office of Contracting and Procurement ($72,583,516); Deputy Mayor for Planning and Economic Development ($41,138,873); and Department of General Services ($22,719,441).

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Other findings in the report include that a sampling of awards made by the District found that neither program nor financial staff appeared to be trained in federal requirements for monitoring funding awarded to subgrantees—primarily non-profit organizations. Evaluators found that "no control system is currently in place to ensure that subgrant awards are appropriately identified, assessed for risk or monitored."

The report also found that the District "is currently exposed to potential disallowances of expenditures due to the nature of the control system currently in place" which lacks effective monitoring and lack of documentation.

The D.C. Council's failure to appropriate the $495 million received through the CARES Act in 2020 as required by law was addressed before the District allocated approximately $2.3 billion in Coronavirus State and Local Federal Recovery Funds (SLFRF) approved by Congress in the American Rescue Plan Act of 2021 signed March 11, 2021.

On August 3, 2021, the Council approved the Fiscal Year 2021 Revised Local Budget Adjustment Emergency Act of 2021 and the Fiscal Year 2022 Local Budget Emergency Act of 2021 authorizing expenditures, respectively, from the two federal payments made to the District as part of federal COVID-19 relief.

The report recommends that the District:

- Develop procedures that clearly outline legal requirements for disbursement of federal funds.
- Develop a robust system of internal controls over subrecipient monitoring.
- Invest in training and education for all staff involved in the subrecipient process across all programs that receive federal funds.

ODCA invited comments from both agencies engaged in this review—the Office of the City Administrator (OCA) and the Office of the Chief Financial Officer (OCFO)—and only received comments from the OCA, which are included in the report.

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