

# Memorandum

**TO:** RULES AND OPEN GOVERNMENT  
GOVERNMENT COMMITTEE

**FROM:** Councilmember Esparza  
Councilmember Jimenez  
Councilmember Khamis

**SUBJECT:** CORONAVIRUS RELIEF FUND  
ACCOUNTABILITY

**DATE:** June 4, 2020

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Approved

Date 6/04/2020

*Maya Esparza Sergio Jimenez Johnny Khamis*

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## **RECOMMENDATION:**

1. Direct the City Manager to enlist an outside, independent auditor to conduct an audit of our dispersal and use of CARES Act funds to reduce further impacts to staff while ensuring transparency and fiscal accountability in the use of these funds.

## **BACKGROUND**

At \$178.3 million, our CARES Act funding allotment, designated as the Coronavirus Relief Fund, is the largest influx of federal dollars for a single event in our City's history. This funding was allotted as a designated emergency measure for local governments to respond rapidly to the unprecedented crisis posed by COVID-19. Given the unprecedented scope of this funding, particular care is called for to ensure that the use of these funds complies with our transparency policies, and with general public accountability.

We fully understand the gargantuan undertakings that staff have faced these past few months, and appreciate their tireless diligence at seeing our City through one of its most trying times. Since we were awarded the \$178.3 million in CARES Act funding nearly two months ago, our discussions at Council have been defined by a general lack of clarity around the use of the funds, as well as frequently changing allotments. We understand that this was due in large part to a lack of clarity from the federal government, and staff has cited concerns regarding potential federal claw-backs at a later date. We appreciate the additional challenge that staff has faced in navigating the Byzantine federal terms and conditions of this funding as they have sought to incorporate it into our budget under very trying circumstances.

Concerned with this lack of clarity from the federal government, two of us, along with our colleagues Councilmembers Peralez, Carrasco, and Arenas, submitted a letter on May 18th to Congresswoman Zoe Lofgren requesting further clarification on the eligible uses of CARES Act funds. On May 27<sup>th</sup>, the City Manager released MBA #3, outlining incorporation of the CARES Act funds into our 2020-2021 Proposed Budget. The estimates we have been given for various

CARES Act funding uses have varied significantly, including estimates on the cost of our food distribution efforts that have ranged from \$147 million on May 12, 2020, to the \$50 million allotted in MBA #3 on May 27<sup>th</sup>, 2020. This \$50 million represents individual contracts of up to \$22 million. Given that these unprecedented expenditures are expected to take place through at least the end of 2020, we feel there is sufficient time to conduct an audit, to be paid out of the CARES Act funds as an administrative cost. Furthermore, basic principles of transparency and accountability dictate that we should aim to maximize clarity over the use of these funds, while seeking to avoid further burdening our staff as they continue their critical work of keeping our residents safe.

We believe that the most effective way to ensure good accountability, while minimizing further impact to staff, is to bring in an outside, independent auditor to track and review the dispersal and use of the Coronavirus Relief Fund. We should bring in an outside firm such as Harvey M. Rose Associates that has the experience and expertise in public sector auditing, and fiscal analysis of government funds needed for this complex undertaking. This will relieve some of the burden on staff, while providing for public confidence in our use of these funds.

*The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City council, or that member's staff, concerning any action discussed in the memorandum, and that each signer's staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff.*