



TEXAS GENERAL LAND OFFICE  
COMMISSIONER DAWN BUCKINGHAM, M.D.

## REPORT ON THE AUDIT OF COVID-19 FUNDING COMPLIANCE

FEBRUARY 2023

### EXECUTIVE SUMMARY

The General Land Office and Veterans' Land Board (GLO) received approximately \$101 million<sup>1</sup> in Coronavirus Disease 2019 (COVID-19<sup>2</sup>) relief funds to aid in its management of the impact of the global pandemic that was subject to the rules and regulations of multiple awarding federal agencies. The GLO utilized COVID-19 relief funds to respond to the effects of the pandemic on public employee safety and well-being by obtaining personal protective equipment (PPE), improving teleworking capabilities, and acquiring other necessary resources. The GLO used a significant portion of the COVID-19 relief funds to address the impact of the pandemic on the operations of nine Texas State Veterans Homes (TSVHs) by providing reimbursements to the Texas State Veterans Homes Operators (Operators) for operational expenses<sup>3</sup> incurred due to COVID-19. Table 1 illustrates the GLO's COVID-19 funding expenditures through May 31, 2022, in different cost categories.

#### **Texas State Veterans Homes and Operating Expenses**

The General Land Office and Veterans' Land Board contracts with business entities for management and operations services for its Texas State Veterans Homes (TSVHs) that provide long-term skilled nursing care for qualified Texas veterans, their spouses, and eligible parents. At the time of this review, the GLO has contracts with three Operators to manage nine TSVHs.

Operating Expenses include all TSVH operation and management expenses except capital expenditures and depreciation. The Operators are paid a monthly operations fee which is the sum of the Variable Fee and the Fixed Fee (if applicable) components. The GLO reviews the monthly Operations Fee Invoice to ensure the figures submitted in the invoice match the Monthly Census Report.

<sup>1</sup> As of August 31, 2022, LBB COVID-19 Reporting.

<sup>2</sup> Coronavirus Disease 2019 is a disease caused by a virus named SARS-CoV-2 and was discovered in December 2019. The virus is very contagious and has quickly spread around the world causing a global health pandemic.

<sup>3</sup> Operational expenses refer to all cost categories (Incremental Cost Increases, Eligible Costs, and Eligible Costs – COVID-19 Testing) included in the COVID-19 Reimbursement Agreements.

**Table 1: GLO COVID-19 Funding Expenditures**

Award Name	Cost Categories	Amount Expended
<b>Coronavirus Relief Fund (CRF)</b>	Public Employee Safety	\$ 380,700.89
	Improve Telework Activities	\$ 379,682.05
	Incremental Costs	\$ 15,616,859.00
	COVID-19 Costs (Non-Testing)	\$ 9,748,218.03
<b>Provider Relief Fund (PRF)</b>	COVID-19 Costs (Non-Testing)	\$ 2,153,797.42
	Lost Revenue	\$ 5,205,678.86
	Testing (Test Kits & Processing)	\$ 1,182,295.00
<b>Public Assistance Grants (FEMA PA)</b>	Testing (Test Kits & Processing)	\$ 3,473,713.00
<b>VA One-time Emergency Payment to State Extended Care Facilities for Veterans (VA One Time Funding)</b>	TSVH Operational Costs Due to COVID-19	\$ 4,951,923.65
<b>Total Expenditures</b>		<b>\$ 43,092,867.90</b>

*Source: IA Review and Analysis of COVID-19 Expenditure Report*

Each award was subject to specific compliance requirements set by the funding source. The GLO had controls in place to manage the use of the funds, including review and approval processes. However, the GLO followed agency procedures to administer and manage all COVID-19 activities. These procedures addressed some, but not all, compliance requirements to reasonably ensure the funds were used in accordance with relevant funding requirements. Specifically, the GLO procedures related to TSVHs Operating Expenses and Operations Fee Invoices that are limited to verifying the accuracy of monthly census and variable fee figures per the Management and Operations Agreements needed to be completely aligned with the funding guidelines.

There is an opportunity for the GLO to enhance the procedures to address the identified areas for improvement. Addressing these areas can also be beneficial to the GLO to effectively manage the American Rescue Plan Act (ARPA) COVID-19 relief funds which have not yet been spent. To ensure the effectiveness of the control environment, and adherence to funding guidelines and federal requirements, the GLO should:

1. Ensure that sufficient supporting documentation is maintained in accordance with the requirements of each funding source
2. Ensure compliance with reporting requirements of each funding source
3. Strengthen the expenditure review process

## MANAGEMENTS' SUMMARY RESPONSE

*Management generally concurs with the recommendations.* The “Detailed Results” section of this report contains management’s response to each observation.

## ACKNOWLEDGMENTS

We appreciate the assistance and cooperation provided by the management and staff of the Financial Management, Federal Finance section and the VLB-TSVH during this audit. For questions about this report, please contact Tracey Hall at (512)463-6078.



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Tracey Hall, CPA, CISA  
Chief Auditor

February 28, 2022  
Date

## **APPENDICES**

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### **APPENDIX A**

#### **OBJECTIVE**

The objectives of the audit were based on the results of a risk assessment performed during the planning phase of the audit and were to:

1. Determine if COVID-19 relief funds were used for allowable expenditures in accordance with the funding guidelines, and
2. Assess the agency's controls over the administration and management of COVID-19 relief funds.

#### **SCOPE & METHODOLOGY**

The audit scope included an assessment of the agency's administration and management processes related to the allocation, distribution, monitoring, and reporting of COVID-19 relief funds. It consisted of a review of expenditures of the following COVID-19 funding from FY 2020 to FY 2022:

1. Coronavirus Relief Fund (CRF), CARES Act, Public Law 116-136
2. Provider Relief Fund (PRF), CARES Act, Public Law 116-136
3. Public Assistance Grants (FEMA PA), CARES Act, Public Law 116-136
4. VA One-time Emergency Payment to State Extended Care Facilities for Veterans (VA One Time Funding), CRRSA, Public Law 116-260

The audit did not include the agency's expenditures of Coronavirus State and Local Fiscal Recovery Funds (CSLFRF), ARPA, Public Law 117-2.

The methodology included procedures to understand the agency's processes for COVID-19 relief funding activities; reviewing applicable federal, state, and agency guidelines; performing detailed reviews of records and documents; and analyzing and evaluating information and results.

The criteria used to conduct the review were:

- Coronavirus Aid, Relief, and Economic Security (CARES) Act, Public Law 116-136
- Consolidated Relief and Response Appropriations Act (CRRSA), Public Law 116-260
- Office of Management and Budget (OMB) 2 CFR Part 200, Appendix XI Compliance Supplement
- OMB Memorandum 20-21 Implementation Guide for Supplemental Funding
- 45 CFR Subtitle A Subchapter A Part 75 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards
- 86 FR 4182 - Coronavirus Relief Fund for States, Tribal Governments, and Certain Eligible Local Governments
- Treasury OIG CARES Act Reporting and Record Retention Guidance
- Health Resources & Services Administration (HRSA) Provider Relief Programs: Provider Relief Fund (PRF) and ARP Rural Payments FAQs

- FEMA Policies and Guidance on Disaster Grant – Public Assistance Funding
- Uniform Guidance Internal Control Requirements
- GAO-15-593SP, A Framework for Managing Fraud Risks in Federal Programs
- Office of the Governor (OOG) Communication
- Texas Division of Emergency Management (TDEM) Grant Terms and Conditions
- TX Comptroller Uniform Grant Management Standards
- GLO COVID-19 Funding High-Level SOP
- GLO Invoice Processing Procedures
- GLO and TSVH Operators Contract Agreements

The audit was conducted in accordance with *Government Auditing Standards* and *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## APPENDIX B

### BACKGROUND INFORMATION

In response to the COVID-19 pandemic, the federal government enacted six pandemic relief bills and appropriated nearly \$5 trillion in assistance to individuals, businesses, and state and local governments.<sup>8</sup> The GLO received over \$83 million in COVID-19 relief funding across various federal pandemic legislation to address the effects of the pandemic.<sup>9</sup> Several federal agencies administered these funds and were subject to different rules and regulations, including allowability, eligibility, performance period end dates, and the population the award was meant to serve.

The GLO formed a COVID-19 workgroup comprised of representatives from Federal Finance, Veterans Land Board (VLB), VLB Accounting, Procurement, Contract Management, and Legal to address the financial impacts of COVID-19 and to manage the agency's funding activities to ensure compliance with applicable requirements. The funds were primarily used to reimburse Operators for increased operational costs of the TSVHs and to procure goods and services to enhance employee safety and improve teleworking capabilities. Federal Finance, VLB, and VLB Accounting were responsible for various monitoring processes and procedures for COVID-19 funding activities and adopted existing processes and procedures to administer and manage relief funds.

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<sup>8</sup> *Funding Overview*, Pandemic Oversight, <https://www.pandemicoversight.gov/data-interactive-tools/funding-overview>

<sup>9</sup> Coronavirus ARPA funds are included in the \$82 million calculation, however, ARPA funding activities were not included in this review.

## APPENDIX C

**Table 1: COVID-19 Federal Funding Awards**

Award Name	Relief Bill	Award Amount
<b>Coronavirus Relief Fund (CRF)</b>	Coronavirus Aid, Relief, Economic Security Act (CARES Act), Public Law 116-136	\$ 26,125,460
<b>Provider Relief Fund (PRF)</b>	Coronavirus Aid, Relief, Economic Security Act (CARES Act)	\$ 8,541,771
<b>Public Assistance Grants (FEMA PA)</b>	Coronavirus Aid, Relief, Economic Security Act (CARES Act)	\$ 9,058,375
<b>VA One-time Emergency Payment to State Extended Care Facilities for Veterans (VA One Time Funding)</b>	Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), Public Law 116-260	\$ 4,951,924
<b>Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)</b>	American Rescue Plan Act (ARPA), Public Law 117-2	\$ 40,300,000
<b>COVID VA Federal Financial Assistance</b>	American Rescue Plan Act (ARPA), Public Law 117-2	\$12,131,332
<b>Total Funding</b>		<b>\$ 101,108,862</b>

*Source: LBB COVID-19 Reporting as of August 31, 2022, and GLO COVID Expenditure Report*

**Table 2: Population and Sampling Details**

Award Name	Number of Transactions	Amount Expended	Sample Size	Sample Total
<b>Coronavirus Relief Fund (CRF)</b>	612	\$ 26,125,460	33	\$ 9,876,156
<b>Provider Relief Fund (PRF)</b>	117	\$ 8,541,771	27	\$ 2,933,427
<b>Public Assistance Grants (FEMA PA)</b>	217	\$ 3,473,713	30	\$ 810,247
<b>VA One-time Emergency Payment to State Extended Care Facilities for Veterans (VA One Time Funding)</b>	10	\$ 4,978,768	10	\$ 4,978,768
<b>Total</b>	<b>956</b>	<b>\$ 43,119,713</b>	<b>100</b>	<b>\$ 18,598,598</b>

*Source: IA Review and Analysis of COVID-19 Expenditure Report as of May 31, 2022*

## **DISTRIBUTION LIST**

### Texas General Land Office & Veterans Land Board

Dawn Buckingham, MD, Texas Land Commissioner

Mark Havens, Chief Clerk & Deputy Land Commissioner

Jeff Gordon, General Counsel

David Repp, Chief Financial Officer

Elizabeth Ozuna, Director of Federal Accounting

Eric Perales, Manager of Reporting, Analysis, & Grants

Sandra Meyers, Manager of VLB Accounting

Kathy Johannes, Interim Director of Texas State Veterans Homes

### Texas Veterans Land Board

### Governor's Office of Budget and Planning

### Legislative Budget Board

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