

## Audit of Select CARES Act Programs and Expenditures

Report No. 23-04



In 2020, the City and County of Honolulu received \$387 million from the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, to respond to the COVID-19 pandemic. In 2021, the Office of the City Auditor initiated an audit of select CARES Act programs and expenditures. The audit objectives were to:

- Determine whether Coronavirus Relief Funds (CRF) were or were not spent in accordance with the 2020 COVID-19 Recovery Act and subsequent amendments, and review the controls in place to sufficiently track, monitor, and report CRF expenditures;
- Review select CRF expenditures to determine if they accomplished their intended purpose; and
- Determine the amount of program funds spent on direct community benefit.

### The City Heavily Funded Small Business Relief with \$175 Million, and Exposed the Program to Fraud and Abuse by Prioritizing Quick Distribution of Funds over Confirming Applicant Eligibility

Nearly one-half of the city's CARES Act funds went to the Small Business Relief and Recovery Fund, with inadequate oversight, controls, or accountability. The program began with \$25 million, but was eventually expanded to seven times that amount, much higher than similar jurisdictions, without clear and measurable outcomes. The city solely relied on businesses to self-certify that they hadn't received other grants, and eligibility requirements and monitoring of funds were also flawed and unclear. 98 percent of grant recipients in our statistical sample did not provide all required documentation to verify eligibility, including state residency, physical commercial space, and state business registration. 51 percent of small business applicants applied multiple times, receiving an average of over \$16,000.



### The City Engaged in Wasteful and Excessive Spending on Vehicles

In April 2020, the city contracted for 27 new paratransit Handi-vans for nearly \$4 million in CARES Act funds. However, the city was already contracted to receive 63 Handi-vans by August 2020, the price per vehicle for the 27 new vans was almost \$150,000 higher, and ridership was still down nearly 70%. Additionally, the Honolulu Police Department purchased 40 new ATVs, purportedly to enforce COVID-19 restrictions at beaches and parks. However, by October 2021, several new ATVs had low mileage indicating minimal use, and many older ATVs had been rotated out, suggesting the city used CARES Act funds to replace outdated equipment.



### The City Did Not Distribute Emergency Rental Assistance Funds in an Equitable and Timely Manner

The city established the Household Hardship Relief Fund with \$25 million to assist households in need. However, the city ultimately prioritized small business relief over individual household relief. Despite growing demand, funding was never increased, and many applications were left unprocessed, so applicants couldn't access other forms of relief. Ultimately, burdensome requirements and early program closure led to over 2,200 applicants being turned away without funding, resulting in over \$9 million in unmet community need.



We made 5 recommendations to improve the efficiency and effectiveness of future emergency programs, aligning with the community's demand for transparency and accountability in public administration. The Managing Director's Office expressed general agreement with the report's findings and recommendations.

For the full report, and to see other audit reports from the Office of the City Auditor (Ke Ke'ena o ka Luna Hō'ōia): <http://www.honolulu.gov/auditor/reportsworkplans.html>

