

## Audit Report

# Economic Recovery Funds: City Effectively Managed COVID-19 Relief Money

November 2021



The City created several programs using federal and local funding to provide economic relief to residents and organizations impacted by the COVID-19 pandemic. These programs included providing financial assistance to Austin renters, small businesses, artists, and others. The City effectively managed the distribution of these economic relief funds. The Economic Development Department appears to have provided funding timely to eligible residents and organizations. For the City's emergency rental assistance program, the Housing and Planning Department made improvements over time to be more accessible to the community and better align with best practices.

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## Objective

Did the City effectively manage the distribution of economic recovery funds?

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## Background

The COVID-19 pandemic has significantly impacted the economy in Austin, the United States, and around the world. To help deal with the economic impacts of the pandemic, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, to provide \$150 billion of relief funding to different parts of the nation's economy. States and cities received some of this funding and could make decisions about how best to spend the money in their community.

The City of Austin received and distributed \$170.8 million as part of the CARES Act. The City's external auditor, Deloitte, tested the City's use of this funding as part of the Single Audit and gave the City a clean opinion for the City's compliance with federal and state programs for fiscal year 2020, meaning the City complied with the applicable regulations in all material respects.

The City also received \$188.4 million from the American Rescue Plan Act, which was passed after the CARES Act. The City used federal funding from the CARES Act and the American Rescue Plan Act as well as local funding from the City's general fund on a variety of community needs, such as providing financial assistance to businesses and residents who were financially impacted by the pandemic.

Multiple City departments have been part of creating relief programs and distributing this funding. The Economic Development Department (EDD) manages several different economic recovery programs. We reviewed the nine programs EDD managed from April 2020 to March 2021 that gave about \$47 million in assistance to small businesses, nonprofits, musicians, creative workers, live music venues, and childcare support providers. The Economic Development Department continues to manage economic recovery programs with additional federal funding from the American Rescue Plan Act as well as funding from the City's general fund.

The Housing and Planning Department manages the Relief of Emergency Needs for Tenants (RENT) program. The Housing and Planning Department has spent at least \$50 million dollars through the RENT program to provide emergency rental assistance to Austin renters who were financially impacted by the pandemic since May 2020. The RENT program will continue providing rental assistance to Austin residents with increased funding from the American Rescue Plan Act.

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# What We Found

## Summary

The City created several programs using federal and local funding to provide economic relief to residents and organizations impacted by the COVID-19 pandemic. These programs included providing financial assistance to Austin renters, small businesses, artists, and others. The City effectively managed the distribution of these economic relief funds. The Economic Development Department appears to have provided funding timely to eligible residents and organizations. For the City's emergency rental assistance program, the Housing and Planning Department made improvements over time to be more accessible to the community and better align with best practices.

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## Finding 1

The Economic Development Department appears to have provided pandemic relief funding timely to eligible residents and organizations.

The Economic Development Department (EDD) managed nine pandemic relief programs from May 2020 to March 2021. For seven of these programs, EDD partnered with organizations outside of the City to manage the application process, select awardees, and distribute funding.

EDD used both federal and local funding sources for these programs. The federal funding source for these programs came from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The federal government included several broad requirements for spending CARES Act funding, such as using it for expenses that were necessary due to the COVID-19 pandemic, expenses not in the budget before the pandemic, and expenses incurred during March 1, 2020 to December 31, 2021. Council passed more specific guidelines for how the City of Austin should spend its CARES Act funding on economic recovery programs, such as dedicating a certain amount to support small businesses, nonprofits, and artists.

The main local source of funding came from the Save Austin's Vital Economic Sectors (SAVES) resolution, which is supported by the City of Austin's general fund. The City also supported two programs with other economic recovery funding from the general fund. These programs also had specific guidelines approved by City Council.

**Exhibit 1: Overview of EDD's economic relief programs from May 2020 to March 2021**

Program	Program start	Awardees	Funding source	Spending amount
Austin Small Business Relief Grant	July 2020	956	CARES Act (federal)	\$18,600,000
Austin Non-Profit Relief Grant	July 2020: Phase 1 September 2020: Phase 2	365	CARES Act (federal)	\$6,027,510
Austin Creative Worker Relief Grant	August 2020	1,866	CARES Act (federal)	\$3,344,000
Austin Live Music Venue Preservation Fund	December 2020: Phase 1 January 2021: Phase 2	74	SAVES Resolution (local)	\$5,000,000
Austin Music Disaster Relief Fund	June 2020	1,497	Other local economic recovery funding	\$1,500,000
Austin Economic Injury Bridge Loan Program	May 2020	70	CARES Act (federal)	\$645,000
Austin Creative Space Disaster Relief Program	June 2020	32	Other local economic recovery funding	\$987,943
Austin Legacy Business Relief Grant	February 2021: Phase 1 March 2021: Phase 2	109	SAVES Resolution (local)	\$4,980,000
Austin Childcare Provider Relief Grant	July 2020: Phase 1 December 2020/January 2021: Phase 2	199	CARES Act (federal): Phase 1 SAVES Resolution (local): Phase 2	\$6,048,000
<b>Total</b>				<b>\$47,132,453</b>

Source: Auditor analysis of program guidelines, funding information, and other documents for relevant economic relief programs, August 2021

### **Awardees we reviewed were eligible for funding**

We conducted a detailed eligibility review of four of EDD's nine programs. The four programs we reviewed accounted for 70% (\$32.9 million) of EDD's spending on these nine programs. We reviewed the Austin Small Business Relief Grant, Austin Non-Profit Relief Grant, Austin Creative Worker Relief Grant, and the Austin Live Music Venue Preservation Fund.

For each of these four programs, we randomly selected a sample of 3% of residents and organizations that received funding. We found that 100% of applicants in our sample for each program met the eligibility criteria approved by City Council for the program.

We also reviewed a 1% sample of applicants who were determined to be ineligible for funding for each of the four programs. We found that 100% of applicants we reviewed were appropriately determined ineligible for funding according to the eligibility criteria approved by City Council.

EDD and the partner organizations managing the application process required applicants to provide documentation to support their application and verified this documentation before making funding decisions.

### **Awardees we reviewed received funding timely**

In the samples we reviewed, we found that residents and organizations received funding in an average of a month or less after the application period closed.

**Exhibit 2: Awardees of EDD's economic recovery programs that we reviewed received money timely**

<b>Program</b>	<b>Time to receive funding</b>
Austin Small Business Relief Grant	31 days after application period closed on average
Austin Non-Profit Relief Grant	21 days after application period closed on average
Austin Creative Worker Relief Grant	20 days after application period closed on average
Austin Live Music Venue Preservation Fund	16 days or less after submitting application: Phase 1 9 days or less after application period closed: Phase 2

Source: Auditor analysis of program guidelines, funding information, and other documents for relevant economic relief programs, August 2021

EDD used partner organizations to manage the application process and issue funding, and this made it possible for residents and organizations to receive funding faster.



## EDD considered equity when promoting and designing these economic recovery programs

For several of their economic recovery programs, EDD partnered with community organizations to promote the programs and help applicants with their applications. This was an effort to ensure that more underserved businesses, nonprofits, and individuals knew about these economic recovery programs and that a wider audience was able to apply.

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The Pandemic Response Accountability Committee's best practices include prioritizing funds for underserved communities.

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EDD also considered equity when designing these programs. The nine programs that EDD managed had different program guidelines approved by City Council with different ways of selecting applicants. Four of the programs specifically included equity in the selection criteria.<sup>1</sup> For three of these programs, 50% of the funding was distributed to applicants who were selected through a scoring matrix that included equity, and 50% of the funding was distributed through a random lottery.<sup>2</sup> For the fourth program, all applicants were selected by a scoring matrix that included equity.<sup>3</sup> The equity matrix gave more points to certain applicants, business owners, or board members, such as those who identified as Black, Indigenous, or a Person of Color (BIPOC). EDD consulted with the City of Austin's Equity Office when creating these equity scoring matrices.

Of the four programs we reviewed in detail, three programs included equity in the selection criteria.<sup>4</sup> The three programs were the Austin Small Business Relief Grant, Austin Non-Profit Relief Grant, and Austin Creative Worker Relief Grant. We found that these equity scoring matrices resulted in more diverse awardees relative to the applicant pools for all three programs.

### Exhibit 3: Awardees were more diverse relative to the applicant pools for the three programs we reviewed with equity criteria

Representation of Black, Indigenous, and People of Color		
Program	Percent of applicants	Percent of awardees
Austin Small Business Relief Grant owner	56.7%	60.4%
Austin Non-Profit Relief Grant board of directors	87.7%	88.5%
Austin Creative Worker Relief Grant applicant	39.4%	48.3%

Source: Auditor analysis of demographic information for relevant economic relief programs, September 2021

<sup>1</sup> These four programs are the Austin Small Business Relief Grant, the Austin Non-Profit Relief Grant, the Austin Creative Worker Grant, and the Austin Creative Space Disaster Relief Program.

<sup>2</sup> These three programs are the Austin Small Business Relief Grant, the Austin Non-Profit Relief Grant, and the Austin Creative Worker Grant.

<sup>3</sup> This program is the Austin Creative Space Disaster Relief program.

<sup>4</sup> The four programs we reviewed in detail were the Austin Small Business Relief Grant, Austin Non-Profit Relief Grant, Austin Creative Worker Relief Grant, and the Austin Live Music Venue Preservation Fund.

## Finding 2

The Housing and Planning Department made improvements to the RENT program over time to be more accessible to the community and better align with best practices.

The Housing and Planning Department managed different versions of the Relief of Emergency Needs for Tenants (RENT) program throughout 2020 and 2021. Each version had different funding sources and other program changes. In this audit, we looked at RENT 1.0 through RENT 3.0.

**Exhibit 4: Variations in the RENT program over 2020 and 2021**

Program	Contract start	Funding amount	Funding source	Approx. Awardees
RENT 1.0	April 2020	\$1.5 million	Housing Trust Funds (local)	1,681
RENT 2.0 & 2.5	August 2020	\$19 million	CARES Act (federal), Housing Trust Funds (local) & other local funding	4,844
RENT 3.0	March 2021	\$29.5 million	Consolidated Appropriations Act, 2021 (federal)	4,585
RENT 4.0	July 2021	\$35 million	American Rescue Plan Act – Emergency Rental Assistance (federal)	Ongoing

Source: Auditor analysis of program guidelines, funding information, and other documents for relevant economic relief programs, September 2021

The Housing and Planning Department partnered with the Housing Authority of the City of Austin to manage the RENT program. After RENT 1.0, the Housing Authority subcontracted another organization to manage the application process, confirm eligibility, and make payments to residents.

Texas Housers' Principles of Equitable Rent Relief say rental assistance programs should be rapid, accessible, accountable, targeted, and sustained.

Texas Housers' Principles of Equitable Rent Relief say rental assistance programs should be rapid, accessible, accountable, targeted, and sustained. With early versions of the RENT program, some community members and tenant advocacy groups noted there were issues with the program that made it difficult for residents to receive assistance, such as requiring a lot of documentation to apply. The Housing and Planning Department and the Housing Authority made changes to later versions of the RENT program to address some of the community's concerns and better align with Texas Housers' principles.

### Rental Assistance Programs Should Be Rapid

When a tenant is selected to receive financial assistance through the RENT program, the payment is typically made to the landlord, and the landlord needs to provide information as part of the application process. In early versions of the RENT program, there was no deadline for landlords to provide this information. If landlords did not respond, it was difficult for tenants to receive funding. In RENT 3.0, the Housing and Planning

Department and the Housing Authority gave landlords 10 days to respond. If landlords did not respond, the Housing Authority's subcontractor would pay the tenant directly. This made it possible for tenants to receive rental assistance faster.

For RENT 3.0, we reviewed how long it took for awardees to receive funding. We found that the average amount of time for an applicant to receive funding after providing the necessary eligibility documentation was 23 days.

### **Rental Assistance Programs Should Be Accessible**

The Housing and Planning Department and the Housing Authority conduct a lottery to select which applicants will receive funding throughout the RENT programs. In earlier versions of the RENT program, residents had to submit several documents when they applied, even if they might not be selected by the lottery. For the RENT 3.0 program, applicants were only asked to submit documentation if they were selected for assistance, making it easier for residents to apply.

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Texas Housers says self-certification is one way to make rental assistance programs more accessible.

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Earlier versions of the RENT program also required applicants to submit specific documentation to prove they were economically impacted due to the pandemic. In RENT 3.0, residents could self-certify that they were impacted due to the pandemic, removing a step of the application process and making the application process more accessible.

Earlier versions of the program were funded with Housing Trust Funds, the CARES Act, and other local funding. The RENT 3.0 program was funded with Emergency Rental Assistance funding from the Department of the Treasury. Housing and Planning Department and Housing Authority staff said they were able to make some of these programmatic changes because of the change in funding source and the accompanying federal guidance.

### **Rental Assistance Programs Should be Accountable**

Texas Housers' Principles of Equitable Rent Relief say program administrators should collect and publish economic and demographic data on relief recipients. This allows the community to know who is receiving funding and helps the program be more accountable. The Housing and Planning Department has published economic and demographic data about residents who have received rental assistance throughout all versions of the RENT program.

### **Rental Assistance Programs Should be Targeted**

Applicants to the RENT program are selected for rental assistance funding through a lottery. This lottery is weighted so that funding is targeted to people who would most benefit from rental assistance. For RENT 3.0, the first priority group was people at or below 30% of the median family income who qualify for unemployment benefits. The second priority group was people at or below 50% of median family income who qualify for unemployment benefits. The third priority group was people who were unemployed, at 50% of the median family income or below, experienced homelessness in the last three years, had not already received assistance,



or were five or more months late on their rent payments. These priority groups allowed the Housing and Planning Department and the Housing Authority to target the RENT program to have more impact in the community.

#### Rental Assistance Programs Should Be Sustained

RENT 1.0 offered only one month of rental assistance. The RENT 3.0 program offered more sustained assistance by providing up to 15 months of rental assistance. The funding amount for RENT 4.0 has increased to 18 months of assistance.

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## Additional Observation

The City should consider continuing the RENT program to serve as a more permanent form of support to prevent the eviction of tenants who have lost income.

The Housing and Planning Department received an additional \$35 million in federal funding from the American Rescue Plan Act and will use the funding to continue rental assistance through RENT 4.0. However, the Housing and Planning Department does not appear to have plans to continue rental assistance programs without federal pandemic relief funding. Texas Housers' Principles of Equitable Rent Relief say, "officials should consider how emergency rent relief can serve as a foundation for more permanent solutions to the housing affordability crisis." A sustained rental assistance program could help address the need for rent relief, which will likely continue after the City has spent its pandemic relief funding. The City should consider continuing the RENT program to serve as a more permanent form of support to prevent the eviction of tenants who have lost income.

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# Management Response



## MEMORANDUM

TO: Corrie Stokes, City Auditor

FROM: Sylnovia Holt-Rabb, Economic Development Department Acting Director

DATE: November 3, 2021

SUBJECT: Management Response: Economic Recovery Funds Audit

The purpose of this memorandum is to provide a management response to the audit report regarding Economic Recovery Funds for COVID-19 Relief. The Economic Development Department (EDD) has received the audit report completed by the City Auditor's Office. We appreciate the City Auditor's work on this audit and the feedback provided.

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# Management Response



## MEMORANDUM

TO: Corrie Stokes, City Auditor

FROM: Rosie Truelove, Director, Housing and Planning Department

DATE: November 3, 2021

SUBJECT: Management Response: Economic Recovery Funds Audit

The purpose of this memorandum is to provide a management response to the audit report regarding Economic Recovery Funds for COVID-19 Relief. The Housing and Planning Department (HPD) has received the audit report completed by the City Auditor's Office. Consistent with the Audit Observation, the City should consider continuing the RENT program to serve as a more permanent form of support to prevent the eviction of tenants who have lost income. HPD has developed the programmatic infrastructure to deploy emergency rental assistance efficiently and effectively for tenants in need. Accordingly, with the allocation of additional local, state, or federal dollars, HPD could continue the RENT program as a more permanent form of support and as part of the department's displacement prevention strategy. We appreciate the City Auditor's work on this audit and the feedback provided.

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## Scope

The audit scope included the Economic Development Department's economic recovery programs from April 2020 to March 2021 and the Housing and Planning Department's RENT program iterations from May 2020 to June 2021.

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## Methodology

To complete this audit, we performed the following steps:

- Interviewed City staff in the Economic Development Department, the Housing and Planning Department, the Equity Office, and the Purchasing Office
- Interviewed the Deloitte team who conducted the City's Single Audit for fiscal year 2020 and relied on Deloitte's work for the City's Single Audit for fiscal year 2020
- Interviewed staff from the third-party organizations that partnered with the City to administer the economic recovery programs in our scope
- Interviewed staff from a community organization involved in tenant advocacy
- Reviewed a random sample of 5% of residents awarded funding from the Relief of Emergency Needs for Tenants program from the March 26, 2021, lottery draw
- Reviewed a random sample of 3% of awardees from four programs managed by the Economic Development Department - Austin Small Business Relief Grant, Austin Non-Profit Relief Grant, Austin Creative Worker Relief Grant, and Austin Live Music Venue Preservation Fund
- Reviewed a random sample of 1% of ineligible applicants from three programs managed by the Economic Development Department - Austin Small Business Relief Grant, Austin Non-Profit Relief Grant, and Austin Creative Worker Relief Grant and reviewed a judgmental sample of 1% of ineligible applicants from one program managed by the Economic Development Department - Austin Live Music Venue Preservation Fund
- Reviewed policies, procedures, and other documents related to the economic recovery programs in our scope
- Evaluated internal controls related to the City's economic recovery programs in our scope
- Evaluated the risk of fraud, waste, and abuse for the City's economic recovery programs in our scope

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## Audit Standards

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Office of the City Auditor was created by the Austin City Charter as an independent office reporting to City Council to help establish accountability and improve City services. We conduct performance audits to review aspects of a City service or program and provide recommendations for improvement.

#### **Audit Team**

Keith Salas and Katie Houston, Audit Managers  
Kelsey Thompson, Auditor-in-Charge  
Anna Morris  
Vicky Pridgen  
Jasmine Triplett  
Jonathan Du

#### **City Auditor**

Corrie Stokes

#### **Deputy City Auditor**

Jason Hadavi

#### **Office of the City Auditor**

**phone:** (512) 974-2805

**email:** [AustinAuditor@austintexas.gov](mailto:AustinAuditor@austintexas.gov)

**website:** <http://www.austintexas.gov/auditor>



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