Untangling CARES Act Funding Allocation to Streamline COVID-19 Containment for Counties

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Since the COVID-19 outbreak last spring, county officials across the U.S. have faced continued pressure to get the spread of the virus under control. That pressure is mounting due to the ongoing drive to keep businesses open and the start of the 2020-2021 school year.

COVID-19 testing is a major component of managing the pandemic and a significant trigger to securing government funding. The Coronavirus Aid, Relief, and Economic Security (CARES) Act Coronavirus Relief Fund (CRF) provides opportunities to offset the costs related to virus containment, and many counties have already received CRF allocations that can be applied to expanded testing.

To ensure these funds are used in the most efficient and impactful manner, counties must evaluate testing services provided by local entities and determine which ones are best suited for sub-allocations. These evaluations can be complex because the initiatives are intricate, the funding eligibility requirements are rigorous, and the participating entities are often competitive. These dynamics often create obstacles to effective allocation decisions that delay implementation of critically needed testing capacity.

Cut through program clutter to find the best options
Evaluators must have a clear understanding what programs and costs are eligible for CRF funding so that they can quickly eliminate proposed programs that do not meet eligibility parameters. Projects should be prioritized based on how well they will help achieve the desired health outcomes – in this case, reduce virus transmission and infection rates. Using that lens, the county can also rule out funding for lower-impact programs and focus funding on increasing COVID-19 infection testing capacity.

Resolve stakeholder friction to create a cohesive approach
In many counties, multiple entities (such as the county Department of Health (DH), local medical institutions, and independent labs) participate in some phase of the testing process. For example, the DH may take the swabs and put them in the cylinders, but other laboratories perform the tests. If each of these entities submit a separate funding request for testing services, it is likely that there will be significant duplication of effort, discrepancy in reporting formats, and misalignment of budgets to capability and capacity. All these issues complicate the aggregation of testing data and may create federal funding compliance risks.

Instead, local government entities need to view COVID-19 testing expansion as a cohesive, collaborative, community-wide effort. This requires bringing all the stakeholders to the table to work through functional, financial, and compliance issues, determine what mix of activity results in the greatest and most efficient testing initiatives. To accomplish this, experience has shown that having an objective third-party facilitating this coordination can help stakeholders work through conflicts and overlap, stop working at cross purposes, and arrive at a reasonable decision that plays to each other's strengths, so that their contributions complement rather than compete.

Ensure federal audit compliance
All programs and budgets submitted for federal funding consideration must be cost-reasonable in accordance with Office of Management and Budget financial principles. The urgency of COVID-19 containment has led to program budgets being developed so quickly that they lack the in-depth review and documentation required to identify and address potential compliance red flags. This

often results in overbudgeting, including duplicate efforts, unwarranted charges, and inefficient allocation of already budgeted staff to tasks that can be performed at a lower cost.

For example, based on the volume of testing done, a $50-per-test surcharge coupled with direct participation in testing lab equipment and staffing costs associated with performing the test can lead to a per unit test cost well outside of competitive norms that result in cost overages ranging from tens of thousands to millions of dollars. These costs come at the expense of other essential community programs and will invariably be disallowed by federal auditors.

Another red flag area is using higher-salaried professionals to perform basic testing functions that could be done by someone at a lower pay scale. Counties must work with their stakeholders to balance out the testing task-to-expense ratios and develop budget narratives justifying the need for higher-salaried providers with specialized skills and for paying higher salaries for new hires based on a competitive marketplace for qualified professionals.

An expert budget review will produce a clear and clean funding request, which will allow the county to make a swift and sound sub-allocation decision that helps move its testing initiative forward. Eliminating budget overlaps also frees up budget for other critical COVID-19 relief needs such as small business assistance, food security programs, workforce development, and rental assistance programs for individuals who are displaced.

Get the best deal
Often for lack of awareness of better options, COVID-19 testing program equipment budgets assume all vendors are equal and apply market-rate costs and conventional fulfilment timelines. However, only a few equipment vendors have demonstrated the best-performing testing platforms with the capacity to scale. Some vendors also prioritize equipment delivery to high-volume testing facilities. In some cases, delivery times to these higher priority institutions for critical testing analysers and related equipment can be cut to two-to-four months – half the "new standard delivery time". Counties must survey the marketplace to find the best price/performance/fulfilment options available and consider potential strategic partnerships with those institutions that have access to existing or future capacity that is consistent with the county's needs.

Build a foundation for future funding
The evaluation processes counties establish now to strengthen and streamline COVID-19 response allocations will serve them well if future funding programs are set up. They will have a deeper understanding of how to structure funding requests and build a strong basis for collaboration to eliminate roadblocks in securing funding approval. The planning and critical infrastructure will be in place, so additional funding can go directly to scaling up response and containment activities.

Know your limits and seek help
Many jurisdictions that have inhouse disaster funding expertise already have full workloads and may need additional support to be as effective as possible. Navigating the newest COVID-19 funding rules can be even trickier. Working with an experienced, trusted advisor can help bring all the participants together and work through issues to arrive at an optimized, efficient, and fair approach to meet program goals, satisfy everyone's needs and provide the highest benefit to the community.

To this end, Witt O'Brien's is currently supporting State and local governments across the United States optimize use of federal assistance, offering an experienced voice and force multiplier to help deliver timely and impactful COVID-19 programs and initiatives.

About Matt Erchull

Matt knows all too well the struggles communities may face when disaster strikes and brings a wealth of expertise to developing strategies for effective long-term community redevelopment and revitalization. He is a nationally recognized subject matter expert in a broad range of federal funded programs and is overseeing a practice team currently advising nearly 40 public clients on the compliant use of over $4 billion of CARES Act appropriated funding.

Matt joined Witt O'Brien's after a distinguished tenure in New York serving as the Director of Research & Strategic Analysis for the state's Superstorm Sandy recovery. He is a HUD recognized technical assistance provider for CDBG-DR and has previously supported large-scale community redevelopment efforts in Texas, Louisiana, Mississippi, Massachusetts, Oklahoma, North Dakota, Colorado, Puerto Rico and the U.S. Virgin Islands.

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