



AUDIT REPORT



To preserve the public trust as guardians of the people's records and assets

DATE June 13, 2022

NO. 2022-002

CARES ACT

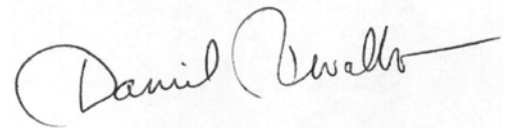
INTERNAL AUDIT DIVISION
ROGER D. EATON
CLERK OF THE CIRCUIT COURT AND COUNTY COMPTROLLER
CHARLOTTE COUNTY FLORIDA

Honorable Roger D. Eaton
Charlotte County Clerk of the Circuit Court and Comptroller
350 East Marion Avenue
Punta Gorda, Florida 33950

We have completed an audit of the Coronavirus Aid, Relief, and Economic Security Act "CARES Act" Funding Agreement. The purpose of this audit was to ensure adequate controls exist and are operating effectively over the funding process.

The report details the current control environment and includes our comments and recommendations. Management responses have been included and immediately follow the audit report.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel Revallo". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Daniel Revallo
Internal Audit Director

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EXECUTIVE SUMMARY

The Internal Audit Division completed an audit of the disbursements for the Coronavirus Aid, Relief, and Economic Security (CARES) Act for economic recovery purposes. The coverage period included fund disbursements between March 2020 through December 2020.

The purpose of the audit was to determine whether adequate internal controls were in place to mitigate the risks of processing and disbursing fund payments in compliance with the CARES Act provisions, and other related criteria and requirements. A few specific control weaknesses were noted; generally however, controls evaluated were adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.

Based upon the results of our audit, we offer a summary of recommendations. These recommendations are discussed in detail later in this report:

1. **We recommend** Fiscal Services management ensure that grant funds are allocated towards eligible disbursements only, and reimburse the grantor for ineligible disbursements if appropriate.
2. **We recommend** Human Services management implement controls to help ensure duplicate or overlapping funding requests are not created and forwarded to Fiscal Services for processing.
We additionally recommend Fiscal Services management implement controls to help detect and reject duplicate or overlapping funding requests received for processing, and reimburse the grantor if appropriate.
3. **We recommend** CCU management implement additional controls to help prevent duplicate and/or overlapping funding requests from being created and approved.
We additionally recommend Fiscal Services management implement controls to help detect and reject duplicate or overlapping funding requests received for processing, and reimburse the grantor if appropriate.
4. **We recommend** CCU management ensure check requests prepared by staff reflect the appropriate payee (in this case, the approved applicant) and are adequately supported, and see that the grantor is reimbursed if appropriate.
5. **We recommend** that Economic Development management document in the Charlotte CARES for Business Recovery Grant Program (the standards document) all approved changes made to the eligibility requirements and maximum assistance offered and any changes made to required application documentation.
6. **We recommend** that Human Services management ensure the standards document is updated to reflect program documentation requirements and any approved changes that occurred, as well as the corresponding timeline, to ensure compliance with approved procedures.

BACKGROUND

The Coronavirus Aid, Relief, and Economic Security Act “CARES Act” was passed by Congress on March 25, 2020 and signed into law on March 27, 2020. The CARES Act implemented a variety of programs to address issues related to the COVID-19 pandemic.

Section 601 of the Social Security Act, as added by Section 5001(a) of Division A of the CARES Act” established the Coronavirus Relief Fund (CRF) and appropriated \$150 billion for payments by Treasury to States, tribal governments, and certain local governments. The State of Florida was allocated nearly \$8.3 billion; 55% of which was allocated to the State of Florida and 45% was allocated to the counties. \$32.9 million was appropriated for Charlotte County.

The CARES Act Funding Agreement with the State of Florida, Division of Emergency Management “FL DEM” was executed on June 16, 2020, and Amendment No. 1 became effective on September 22, 2020. The initial CRF advance to Charlotte County for 25% of the appropriated amount, or \$8,240,835, was received on June 24, 2020 (Phase1). A second, CRF advance of 20% of the appropriated amount, or \$6,592,668, was received on October 20, 2020 (Phase 2). The remainder appropriated to Charlotte County was disbursed on a reimbursement basis.

The CARES Act provides that payments from the CRF may only be used to cover costs that –

1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. were incurred during the period that begins on March 1, 2020 and ends on December 31, 2021.

Allowable expenditures may include expenditures incurred to allow the State, territorial, local, or Tribal government to respond directly to the emergency, as well as to respond to second-order effects, such as providing economic support to those suffering from employment or business interruptions due to COVID-19 related business closures.

Approx. 18% or \$5.9M was allocated towards economic recovery efforts with about 13.5% allocated to Housing Support (assistance to individuals) and 4.5% allocated to Small Business Assistance. Housing Support (individual assistance) was primarily administered through the Human Services Division. Small Business Assistance was administered through Economic Development Division.

The set maximum benefit amount for Housing Support (individual assistance) per eligible household changed over time based on the duration of the emergency declaration and availability of funds. Eligible bills included rental assistance, utility assistance, and dependent care assistance. Payments were generally made directly to vendors.

Small Business Assistance provided aid to eligible small business over three separate phases. Funding was capped at \$20,000. Funds were to cover operational and working capital expenses during the period March 1, 2020 through December 30, 2020.

AUDIT OBJECTIVES

1. To determine whether program administrators for Housing Support (individual assistance) and Small Business Assistance had adequate controls in place to review and approve program applications.
2. To determine whether adequate controls were in place in the form of a secondary, pre-audit process, to perform a final review of approved program applications prior to funds disbursement.
3. To determine whether sampled applicants met the program eligibility guidelines, and documentation requirements prior to funds disbursement.
4. To determine whether sampled applicants attempted to obtain grant funds through fraudulent means.

SCOPE AND METHODOLOGY

The scope for the audit included a review of the internal controls over the application, review and disbursement processes for the distribution of the CARES Act funds allocated specifically by Charlotte County for economic recovery purposes. This included consideration of the CARES Act funds allocated to Housing Support (individual assistance) and Small Business Assistance.

The coverage period included CARES Act fund disbursements between March 2020 through December 2020.

CaseWare IDEA, a data analytics software, and Microsoft Excel were used to identify any duplicate and over maximum fund payments, as well as any duplicate vendors, etc. Sample selections were also used to determine if eligibility standards were met, and if the required documentation was obtained prior to any grant funds being disbursed, etc.

COMMENTS AND RECOMMENDATIONS

1. **Grant funds were identified as allocated towards ineligible disbursements.**

Of the \$742,349.63 reclassified to grant funds, grant funds totaling \$10,303.28 were identified as paid directly to Charlotte County Utilities (CCU). These disbursements do not comply with 42 USC 601(d) CARES Act. CARES Act funds were not allowed to be used for government revenue replacement purposes, which includes the replacement of any unpaid utility fees. Payments should be for reimbursements only.

We recommend Fiscal Services management ensure that grant funds are allocated towards eligible disbursements only, and reimburse the grantor for ineligible disbursements if appropriate.

2. Duplicate disbursements were identified as paid to Florida Power & Light (FPL) and Invitation Homes.

Of \$358,961.84 in grant funds paid to Florida Power & Light (FPL), duplicate disbursements totaling \$1,913.73 were identified. Duplicate and/or overlapping check requests were created and approved.

Duplicate disbursements totaling \$10,000 were also identified as paid as part of Eviction Diversion Program (EDP) for one approved applicant. Duplicate Purchase Authorization Forms were created by the Human Services Division and sent to the Fiscal Services Division for processing. This led to duplicate check requests being created and approved by Fiscal Services.

We recommend Human Services management implement controls to help ensure duplicate or overlapping funding requests are not created and forwarded to Fiscal Services for processing.

We additionally recommend Fiscal Services management implement controls to help detect and reject duplicate or overlapping funding requests received for processing, and reimburse the grantor if appropriate.

3. Duplicate disbursements were identified as paid to individuals as part of the CARES Act Utilities Assistance Program.

Of \$302,503.41 in grant funds paid as part of the CARES Act Utilities Assistance Program, duplicate disbursements totaling \$3,409.95 were identified as paid to individuals. This program reimbursed approved applicants for payments made to Charlotte County Utilities (CCU) between March 1st and December 31, 2020. Duplicate and/or overlapping check requests were created and approved by CCU.

We recommend CCU management implement additional controls to help prevent duplicate and/or overlapping funding requests from being created and approved.

We additionally recommend Fiscal Services management implement controls to help detect and reject duplicate or overlapping funding requests received for processing, and reimburse the grantor if appropriate.

4. **Grant funds, disbursed as part of CARES Act Utility Assistance program, were identified as paid to someone other than the approved applicant.**

Of \$302,503.41 in grant funds paid as part of the CARES Act Utilities Assistance Program, grant funds totaling \$552.75 were identified as paid to someone other than the approved applicant. The payments identified appeared to pay the CCU account holder (and property owner) versus the approved applicant (tenant). Check requests were prepared for the wrong payee, and were not detected during review.

We recommend CCU management ensure check requests prepared by staff reflect the appropriate payee (in this case, the approved applicant) and are adequately supported, and see that the grantor is reimbursed if appropriate.

5. **The Business Recovery Grant Program document needs update.**

The Charlotte CARES for Business Recovery Grant Program document does not include or reflect any approved program changes made to the eligibility requirements and maximum assistance offered, and the corresponding timeline for when approved changes occurred. Changes were approved by the Charlotte County Board of County Commissioners on 9/22/2020, which changed the eligibility requirements and also the maximum assistance offered. Documentation of program changes made to eligibility requirements and the corresponding timeline will support variations in eligibility requirements and assistance offered.

We recommend that Economic Development management document in the Charlotte CARES for Business Recovery Grant Program (the standards document) all approved changes made to the eligibility requirements and maximum assistance offered and any changes made to required application documentation.

6. The CARES Act Funding for Individual Assistance (Charlotte CARES) document needs update.

The CARES Act Funding for Individual Assistance (Charlotte CARES) standards document does not include the program documentation requirements or any approved program changes that occurred and the corresponding timeline for when approved changes occurred. Documentation of program changes made to eligibility requirements and the corresponding timeline will support variations in eligibility requirements and assistance offered.

The following documents were included in some approved case files and not in others; specifically,

- a. Charlotte CARES Fraud and Duplication of Benefits form (6 of 10 missing)
- b. DEO Signature Waiver (3 of 10 missing)
- c. COVID-19 Policy Signature Waiver (1 of 10 missing)
- d. Case Review Sheet (3 of 10 missing)

In addition, one applicant's driver's license was expired at reapplication. The standard document states "verification of continued validity of documents is required."

The standards document also states "Payments will be made to vendors no more than forty-five (45) calendar days from the application date." This appears to be misstated in the document, which indicates application date vs. approval date.

We recommend that Human Services management ensure the standards document is updated to reflect program documentation requirements and any approved changes that occurred, as well as the corresponding timeline, to ensure compliance with approved procedures.

CONCLUSION

A few specific control weaknesses were noted; generally however, controls evaluated were adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.

ACKNOWLEDGEMENT

We would like to thank the Charlotte County Utilities, Economic Development, Human Services, and Fiscal Services Divisions, as well as the Comptroller's Finance Division for their assistance in the completion of this audit.

Audit performed by:
Misti Payette
Internal Auditor II
Charlotte County Clerk of Court and Comptroller



MEMORANDUM

Date: 05-16-22

To: Dan Revallo, Internal Audit Director, Charlotte County Clerk of Courts and Comptroller

From: Gordon Burger, Budget & Administrative Services Director
Carrie Walsh, Human Services Director
Dave Watson, Utilities Director-Interim
Dave Gammon, Economic Development Director

Subject: Responses to the Internal Audit review of the disbursements for the Coronavirus Aid, Relief, and Economic Security Act

Please find below the list of recommendations from your department and the response from the Board.

- We recommend Fiscal Services management ensure that grant funds are allocated towards eligible disbursements only, and reimburse the grantor for ineligible disbursements if appropriate.**
Response: Fiscal will consult with County Administration to determine if reimbursement is appropriate.
- We recommend Human Services management implement controls to help ensure duplicate or overlapping funding requests are not created and forwarded to Fiscal Services for processing. We additionally recommend Fiscal Services management implement controls to help detect and reject duplicate or overlapping funding requests received for processing, and reimburse the grantor if appropriate.**
Response: Human Services will continue to look for ways to create checks and balances in our communication. Check requests are now streamlined with the help of Fiscal Services. Software upgrades and stricter policy controls will ensure less errors moving forward. Fiscal Services will implement a process to ensure that cancellation requests are confirmed before a reissuance is submitted. Fiscal will consult with County Administration to determine if reimbursement is appropriate.
- We recommend CCU management implement additional controls to help prevent duplicate and/or overlapping funding requests from being created and approved. We additionally recommend Fiscal Services implement controls to help detect and reject duplicate or overlapping funding requests received for processing, and reimburse the grantor if appropriate.**
Response: CCU agrees with this recommendation and has implemented additional controls. We now obtain email documentation from the commitment agency and place a hold on the account until funds are received (i.e., Human Services or United Way). Fiscal will work with departments if this type of funding is received in the future to implement internal controls to further mitigate duplication. Fiscal will consult with County Administration to determine if reimbursement is appropriate.
- We recommend CCU management ensure check requests prepared by staff reflect the appropriate payee (in this case, the approved applicant) and are adequately supported, and see that the grantor is reimbursed if appropriate.**
Response: CCU agrees with this recommendation and has implemented a change in our process. Check requests will no longer be issued and a credit will be placed on the account through the commitment posting. This change eliminates duplication.
- We recommend that Economic Development management document in the Charlotte CARES for Business Recovery Grant Program (the standards document) all approved changes made to the eligibility requirements and maximum assistance offered and any changes made to required application documentation.**
Response: Thank you for the recommendation. We currently have a summation of the approved changes and when those went into effect. We will maintain, and improve, the summary report that shows all the approved changes including eligibility requirements and maximum assistance offered per stage. We will also maintain all the application documentation associated with each successful application.



6. **We recommend that Human Services management ensure the standards document is updated to reflect program documentation requirements and any approved changes that occurred, as well as the corresponding timeline, to ensure compliance with approved procedures.**

Response: Human Services has updated the standards document and will continue to memorialize approved changes in processes moving forward.



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