



Angelina “Angel” Colonnese

CLERK OF THE CIRCUIT COURT AND COMPTROLLER OF MANATEE COUNTY

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MEMORANDUM

To: Angelina “Angel” Colonnese, Clerk of the Circuit Court and Comptroller
 Dr. Scott Hopes, County Administrator

From: Lori Stephens, Inspector General *Lori Stephens*

Date: June 30, 2022

Subject: CARES Act Testing Project

The Division of Inspector General (IG) has completed a project to test Coronavirus Aid, Relief, and Economic Security Act payments for the Manatee County Housing Assistance and Small Business Grant Programs. The project was limited to an evaluation of internal controls and sample testing of applications. Our procedures would not necessarily disclose all instances of error; unreported non-compliance or irregularities could still exist within these grant programs.

Background:

On March 27, 2020, the United States Congress passed, and the President signed, the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This act provided approximately \$2 trillion in assistance to be distributed through various State and Federal sources due to the impact of the COVID-19 pandemic. Manatee County received over \$70 million of these funds. The County disbursed the funds in four categories: Community Health, Economic Recovery, Government Facilities, and Public Health. Within Economic Recovery, \$20.3 million was disbursed to help local businesses, and \$3.3 million was disbursed for housing assistance.

Business recovery funds were available for local businesses through four rounds of funding. The funds were paid to businesses to reopen and operate safely, and recover from financial losses due to the pandemic. Housing assistance was available for renters and homeowners through five rounds of funding. Both programs were administered by the Redevelopment & Economic Opportunity Department (REO). As part of the County’s reorganization in 2022, this department is now part of the Community and Veterans Services Department, but will be referred to as REO throughout this report for consistency.

The following table summarizes the applications approved and funds disbursed by funding rounds:

Business Recovery			Housing Assistance		
	Applications	Funding		Applications	Funding
Round 1	52	\$ 239,000	Round 1	77	\$ 442,252
Round 2	399	9,502,237	Round 2	254	1,313,483
Round 3	700	9,630,572	Round 3	115	551,928
Round 4	185	925,000	Round 4	205	785,766
	<u>1,336</u>	<u>\$ 20,296,809</u>	Round 5*	31	214,631
				<u>682</u>	<u>\$ 3,308,060</u>

*Round 5 Mortgage assistance only

“Pride in Service with a Vision to the Future”

Clerk of the Circuit Court – Clerk of Board of County Commissioners – County Comptroller – Auditor and Recorder

Objective:

The project objectives were to determine whether adequate controls were in place to prevent ineligible payments, and to verify that disbursements made under the Business Recovery and Housing Assistance programs were appropriate.

Scope and Methodology:

The scope of the project included reviewing processes and evaluating controls over grant payments for the period August 6, 2020, through May 28, 2021. Controls were evaluated through testing of supporting documentation, application of analytical procedures, and interviews with relevant management and staff.

The procedures performed included:

- Reviewing County, State, and Federal CARES guidance and regulations
- Reviewing related policies and procedures
- Interviewing REO and Clerk's Finance personnel
- Data analytics testing of the application data using Diligent software to identify potential ineligible applicants or payments
- Sampling and testing applications and supporting documentation
- Reporting deficiencies found to REO
- Reporting potential fraud to the Manatee County Sheriff's Office (MSO) or the Property Appraiser's office (PAO)

Project Results:

Controls over CARES assistance payments were found to be generally adequate; however, test work did identify and prevent several ineligible payments from being issued as discussed below. Initially we planned to test applications in all three phases of the process: in progress, denied, and paid. However, we determined that testing only applications that were in progress would be the most effective at preventing improper payments from being issued in real time, due to the volume of transactions and urgency to get the money out to those in need.

Our testing of applications began in early November 2020. By this time the first round (Round 1) of the Business Recovery and Housing Assistance programs had already been paid out. Therefore, we did not test any applications from this round for either program.

Business Recovery Testing

Manatee County disbursed over \$20 million to Manatee County businesses during four rounds of CARES business recovery assistance. Round 2 was available to businesses with 500 employees or less, and provided up to \$50,000. Businesses could receive a \$5,000 base grant for safe operations and up to \$45,000 for reimbursement of business interruption losses caused by COVID-19. Round 3 also provided funding up to \$50,000 for businesses that had not received funding in Rounds 1 or 2, and additional \$5,000 base grants were available for Round 2 recipients. Round 4 provided \$5,000 base grants to businesses that had not received any prior funding in rounds 1, 2, or 3.

To apply for funding, businesses completed an online application and uploaded eligibility documentation into Manatee County's Neighborly software portal. Uploaded documents included, but were not limited to, tax and payroll returns, professional licenses, Sunbiz documents, completed W9 forms, and a signed grant agreement. REO hired temporary staff to help review and process the applications. County REO staff performed a final review of the applications and if approved for payment, they were sent in batch to the Clerk of Court's Finance Department, Accounts Payable Division (AP) for payment; this typically occurred each day.

As batches were submitted for payment, we judgmentally selected at least 25% of the applications to test. We reviewed the applications and supporting documentation to determine if the payments were calculated correctly, the businesses were eligible per the established guidelines, and the documents did not appear to be fraudulent. During our testing, if any exceptions were identified we immediately notified REO of the issues and requested that AP hold the payments until the issues were resolved.

Testing began on November 16, 2020, and continued until the last payment was processed on May 28, 2021. Overall, 334 applications totaling over \$7 million in requested assistance were selected and tested. Test work identified that 42 (13%) of the 334 applications were calculated incorrectly or potentially ineligible. All were sent back to be addressed by REO, who either corrected the payment amounts, obtained additional supporting documentation, or denied the applications. **Our test work prevented \$759,332 of ineligible CARES Business Recovery funds from being paid.** In addition, it appears that fraudulent documents were submitted with one of the applications, which was turned over to MSO for further investigation. See the summary of testing below:

Business Recovery Testing						
	Dates of Grant - (Applications Accepted)	Funding Disbursed (\$)	Applications Tested (\$)	Applications Tested (#)	Applications with Errors*	Ineligible Disbursements Prevented (\$)
Round 2	Aug 17 - Sep 4, 2020	\$ 9,502,237	\$ 1,477,659	55	8	\$ 159,823
Round 3	Oct 21 - Nov 10, 2020	9,630,572	5,081,415	165	25	589,509
Round 4	Mar 4 - 9, 2021	925,000	570,000	114	9	10,000
		<u>\$ 20,057,809</u>	<u>\$ 7,129,074</u>	<u>334</u>	<u>42</u>	<u>\$ 759,332</u>

*Calculation errors, applications unsupported by documentation, applicants ineligible, etc.

Housing Assistance Testing

Manatee County disbursed over \$3 million in CARES housing assistance during 5 rounds of funding to renters and homeowners who lost their job or significant income due to COVID-19. Round 2 was available to all Manatee County residents who did not receive funding in Round 1, providing up to \$6,000 for past due housing balances. Round 3 was available to County residents (except those within the City of Bradenton) who did not receive assistance in Round 1, or apply in Round 2, up to \$10,000 through the end of December 2020. Round 4 was available to City of Bradenton residents and other County residents that did not receive assistance in rounds 1 or 2, or had applied in Round 3, up to \$10,000 through December 2020. Round 5 was known as the Mortgage Assistance Program (MAP). This program provided assistance with past due mortgages only, up to a maximum of \$10,000 including any assistance received in prior Rounds 1-4.

To apply for assistance, individuals completed an online application and uploaded eligibility documentation into the Neighborly portal. Uploaded documents included, but were not limited to, proof of qualifying COVID-19 impact, current lease or mortgage statements, identification for all household members, evidence of delinquency, certification of income, and a signed grant agreement. REO temporary staff reviewed and processed the applications. County REO staff performed a final review of the applications and if approved, payment details were sent individually on audit slips via email to AP for payment; this typically occurred each day.

As audit slips were submitted to AP for payment, we judgmentally selected at least 25% of the applications to test. We reviewed the applications and supporting documentation to determine whether the payments were calculated correctly, the applicants were eligible per the established guidelines, and the documents did not appear to be fraudulent. During testing, if any exceptions were identified we immediately notified REO of the issues and requested that AP hold the payments until the issues were resolved.

Testing began on November 3, 2020, and continued until the last payment was processed on May 28, 2021. Overall, 189 applications totaling over \$1.1 million in requested assistance were selected and tested. Test work identified that 28 (15%) of the 189 applications were calculated incorrectly or potentially ineligible. All were sent back to be addressed by REO who either corrected the payment amounts, obtained additional supporting documentation, or denied the applications. **Our test work prevented \$78,744 of ineligible CARES Housing Assistance funds from being paid.** In addition, it appears that fraudulent documents were submitted with 8 applications; these were turned over to MSO for further investigation. An additional 3 applications were turned over to the PAO for potential homestead exemption fraud. See the summary of testing below:

Housing Assistance Testing						
	Dates of Grant - (Applications Accepted)	Funding Disbursed (\$)	Applications Tested (\$)	Applications Tested (#)	Applications with Errors*	Ineligible Disbursements Prevented (\$)
Round 2	Aug 6 - 20, 2020	\$ 1,313,483	\$ 301,625	53	4	\$ 611
Round 3	Aug 24 - Sep 7, 2020	551,928	279,026	44	9	40,391
Round 4	Oct 28 - Nov 10, 2020	785,766	368,690	57	10	26,571
Round 5	Mar 15 - Apr 2, 2021	214,631	225,802	35	5	11,171
		<u>\$ 2,865,808</u>	<u>\$ 1,175,143</u>	<u>189</u>	<u>28</u>	<u>\$ 78,744</u>

*Calculation errors, applications unsupported by documentation, applicants ineligible, etc

Subsequent to the CARES funding, Manatee County received additional funding for COVID rental assistance under the Emergency Rental Assistance (ERA) Program. Beginning March 9, 2021, we began concurrently sampling and testing ERA applications and supporting documentation. We are continuing to test the ERA program. **As of June 15, 2022, we have tested a total of \$2.1 million in ERA applications and prevented \$350,273 of ineligible funds from being paid. Data analytics testing has identified and prevented another \$89,797 in ineligible funds from being paid.** We have referred 24 of these cases to MSO for potential fraud, and 11 cases to the PAO for potential homestead exemption fraud. A separate memorandum will be issued upon completion of the ERA Testing project.

We would like to thank REO/Community and Veterans Services management and staff, and Clerk of Circuit Court's Finance personnel for the attention given to this project and the continued assistance provided to the IG staff.

LJS/BJW/GR

cc: Board of County Commissioners
 Robert Reinshuttle, Deputy County Administrator
 William E. Clague, County Attorney
 Lee Washington, Director, Community and Veterans Services Department
 Sheila McLean, Interim Director, Financial Management Department
 Kim Wilder, Finance Department Director, Clerk of the Circuit Court