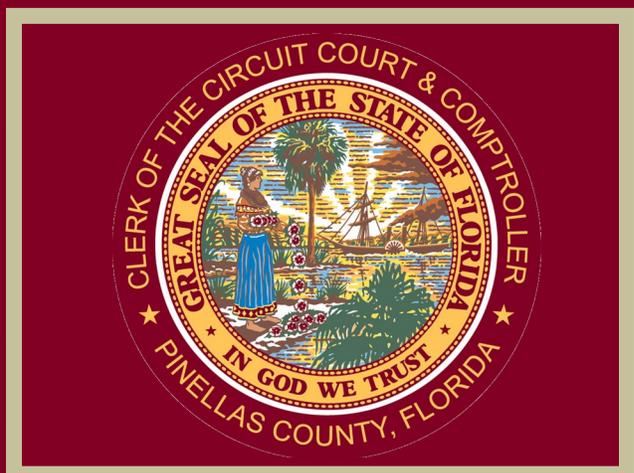




DIVISION OF INSPECTOR GENERAL
Ken Burke, CPA
Clerk of the Circuit Court and Comptroller
Pinellas County, Florida



AUDIT OF PINELLAS CARES LOCAL BUSINESS GRANT PROGRAM



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REPORT NO. 2021-05
MARCH 24, 2021



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March 24, 2021

Michael Meidel, Director, Economic Development Department
Jeanette Phillips, Chief Deputy Director, Finance Division

We have conducted an audit of the Pinellas CARES Local Business Grant program per management request.

A summary of our audit efforts regarding the Pinellas CARES Local Business Grant program is presented in this report.

We appreciate the cooperation shown by the staff of the Economic Development Department, Office of Management and Budget, and Finance Division during the course of this review.

Respectfully Submitted,

Melissa Dondero
Inspector General/Chief Audit Executive

cc: The Honorable Chairman and Members of the Board of County Commissioners
Barry Burton, County Administrator
Ken Burke, CPA, Clerk of the Circuit Court and Comptroller
Bill Berger, Director, Office of Management and Budget
Blaine Butcher, Engagement Director, CliftonLarsonAllen LLP



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INTRODUCTION

Abbreviations

BCC	Board of County Commissioners
CARES	Coronavirus Aid, Relief, and Economic Security
CLA	CliftonLarsonAllen
County	Pinellas County
COVID-19	Coronavirus Disease 2019
DBA	Doing Business As
Finance	Finance Division
OMB	Office of Management and Budget
PCED	Pinellas County Economic Development
TIN	Taxpayer Identification Number

Executive Summary

As a result of a management request from the Finance Division (Finance), we conducted a parallel audit of the Pinellas Coronavirus Aid, Relief, and Economic Security (CARES) Local Business Grant program in conjunction with Pinellas County Economic Development (PCED) and Finance. The objectives of the audit were to:

1. Ensure PCED and the Primary Program Administrator, CliftonLarsonAllen (CLA) LLP, had adequate controls in place to review and approve Pinellas CARES Local Business Grant applications
2. Ensure Finance had adequate controls in place, in the form of a pre-audit process, to perform a final review of approved Pinellas CARES Local Business Grant applications prior to funds disbursement
3. Ensure Pinellas CARES Local Business Grant applicants met the application eligibility requirements prior to funds disbursement
4. Ensure Pinellas CARES Local Business Grant applicants did not attempt to obtain grant funds through fraudulent means

Overall, the administration of the Pinellas CARES Local Business Grant program was very effective. The Office of Management and Budget (OMB) assumed a lead role in the coordination of budgetary and program eligibility requirements with PCED and Finance. In addition, the OMB was instrumental in customizing the software used for grant application processing and review. The process to develop grant requirements and customize the software was extremely swift without compromising the integrity and success of the program.

The initial application review process at CLA and the subsequent review by PCED was effective in identifying applications with deficient supporting documentation or eligibility questions. CLA quickly assembled and trained its team to begin assisting applicants and reviewing submitted applications. The necessity to initiate the program quickly and the required learning curve resulted in some processing delays at the onset of the program. However, we noted many applicants did not supply the required supporting documentation which necessitated additional communication efforts and review. We had open communications with the CLA team, PCED staff, and OMB staff and were able to provide insight on common eligibility issues from the Pinellas CARES Small Business Grant program. We also generated data to assist the CLA team in performing a more efficient review of applications.

Subsequent to grant application approval, Finance performed a pre-audit prior to payment processing. This review was also effective in identifying additional documentation needs or concerns.

Using a risk-based approach supported by our experience from auditing the Pinellas CARES Small Business Grant program, we performed daily analytical procedures on the cumulative population of approved applications to detect potential issues such as duplicate applications or unsatisfied tax liens. This review resulted in the detection of ineligible applications or ones where additional documentation was required. For example, we identified multiple businesses with

federal or state tax liens filed in official records. Those businesses were required to prove they had satisfied the liens prior to application approval. We found the Neighborly application to have an extremely user friendly report builder function which allowed us to customize our reports and efficiently execute them to produce data populations for daily testing. We generated the reports at off-peak times to avoid unnecessary strain on the system.

A specific high-risk consideration for the Pinellas CARES Local Business Grant program was the selection of the correct maximum grant award amount based on the sliding scale while ensuring funds awarded in the Pinellas CARES Small Business Grant program, as applicable, were reduced from the maximum award amount. Therefore, we performed a daily sample review to confirm the accuracy of applicant gross receipt amounts. In addition, we performed a daily analytical review of all approved applications to ensure the correct maximum and final approved award amounts were selected. Overall, we had no concerns regarding award amounts.

Throughout our review process, we were in frequent communication with CLA, PCED, Finance, and OMB staff to discuss specific cases and request additional documentation. All communication was efficient and effective and established a successful partnership.

This report will detail the following:

- A statistical summary of the Pinellas CARES Local Business Grant program
- The audit procedures we performed
- Examples of our observations

Background



Pinellas County (County) extended two rounds of assistance to impacted businesses. The scope of the first round was small businesses only, and the scope of the second round expanded to include more local businesses. Each round is discussed in more detail within the headings below.

Pinellas CARES Small Business Grant Program

The County received \$170 million from the Coronavirus Aid, Relief and Economic Security (CARES) Act federal stimulus package. Of that sum, the County identified an estimated \$35 million in emergency relief funds to support the small businesses hardest hit by the Coronavirus Disease 2019 (COVID-19) pandemic. The Pinellas Board of County Commissioners (BCC) voted unanimously to approve the Pinellas CARES Small Business Grant program at its meeting on April 28, 2020.

The County provided emergency financial support through the Pinellas CARES Act Small Business Grant for qualified small businesses that were negatively impacted by the COVID-19 pandemic due to orders to close or limit operations. This program was intended to help offset the significant, temporary loss of revenue to these qualified businesses during this pandemic and to assist businesses in retaining and paying employees.



The County reviewed applications submitted in the Neighborly web-based application and accepted applications for small business grants from May 4, 2020, through June 30, 2020. Inspector General Report #2020-18, issued October 7, 2020, contained a summary of the Pinellas CARES Small Business Grant program.

Pinellas CARES Local Business Grant Programs

The BCC unanimously approved a second round of the Pinellas CARES program for local businesses during its meeting on July 7, 2020. The impetus of the program changed to include businesses with more than 25 full-time equivalent employees instead of small businesses only. Therefore, the program name was altered to reflect local businesses without a size qualifier.

The expanded program for local businesses included \$49.4 million to provide grants for those impacted by COVID-19. Eligibility was expanded to include businesses with more than 25 employees, businesses that did not occupy commercial space, such as home-based businesses, and it extended eligibility to more industries.

The Pinellas CARES Local Business Grant program included four, separately administered types of grants intended to target specific needs and gaps:

- Sliding-scale Local Business Grants of \$2,500 to \$10,000 for business types most impacted by the COVID-19 local or state safer-at-home orders that earned between \$17,000 and \$3 million in gross receipts in tax year 2019
- Business diversity micro-grants, which combined financial assistance and capacity building, for businesses impacted by COVID-19 with barriers to participation in the sliding-scale Local Business Grant (e.g., technological deficits, a lack of business acumen or record-keeping, and other barriers)
- Arts micro-grants via Creative Pinellas (designated countywide arts agency) to support professional artists and arts/creative businesses that experienced COVID-19 caused losses but which were not eligible for the sliding-scale Local Business Grant
- Reimbursement matching grants up to \$10,000 to assist target industry businesses (those that created high wage jobs in targeted, high value-added industries) implement COVID-19 related health and safety precautions

Our focus was the sliding-scale Local Business Grant program. The BCC, through the Office of Management and Budget (OMB), contracted with CliftonLarsonAllen (CLA) LLP as the Primary Program Administrator for the following services related to the sliding-scale program:

- Applicant service and support
- Screening and intake
- Eligibility assessment
- Application referral to micro-grant program partners

The original program intent was to select a Pinellas CARES Business Diversity Micro-grant Partner to administer the business diversity micro-grants. The Micro-grant Partner would have been responsible for assessing the needs of referred applicants, coordinating business development services, and making an award recommendation in compliance with United States Treasury guidance and applicable state and local laws. Instead, the Pinellas County Economic Development (PCED) Small Business Development Center staff administered the program, as the County was unsuccessful in securing a viable partner.

Creative Pinellas played an instrumental role as the County's selected Pinellas CARES Artist and Arts Business Micro-grant Partner. In this role, Creative Pinellas provided additional support and follow-up, as needed, for professional artists and arts businesses.

The County again used the Neighborly application as a single application portal for all Pinellas CARES Local Business Grant program types. This included the sliding-scale Local Business Grant program as well as the three supplemental business grant programs managed by separate micro-grant program partners. One of the Primary Program Administrator Scope of Work requirements, as stated in the request for Letters of Interest issued July 16, 2020, was the capability to support the upload of applicant and award information from the initial Pinellas CARES Small Business Grant program to check for duplicate applications and awards.



A business was eligible for a sliding-scale Local Business Grant up to \$10,000, if it:

- Was physically located in the County
- Was operational since at least October 1, 2019
- Was still in operation on February 29, 2020
- Was expected to return to full operations after local and state emergency guidelines during COVID-19 were rescinded
- Suffered economic damages from business interruption caused by COVID-19 since March 1, 2020, excluding those covered by insurance or reimbursement from any federal program
- Could support the required level of 2019 gross receipts, up to a maximum of \$3 million
- Was eligible for funds in excess of the Pinellas CARES Small Business Grant program \$5,000 grant if reapplying
- Was a business type most impacted by the local or state safer-at-home orders

Ineligible businesses included the following:

- Publicly traded companies
- Non-profit organizations
- Businesses with unpaid code enforcement or other liens or court fees
- Businesses with an owner, officer, partner, or principal actor who had a felony conviction for financial mismanagement within the last two years for which he or she was still serving a sentence (including prison, parole, and probation)
- Businesses operating in violation of any state, federal, or local laws

A business could apply for grants in the Pinellas CARES Small Business Grant program and the Pinellas CARES Local Business Grant program. However, the applicant was required to have 2019 gross receipts sufficient to support a total Pinellas CARES Local Business Grant program award in excess of the \$5,000 Pinellas CARES Small Business Grant program award. In the event an eligible applicant applied for grants in both programs, the applicant only received the difference in its maximum Pinellas CARES Local Business Grant program eligible award amount, based on 2019 gross receipts, and the \$5,000 Pinellas CARES Small Business Grant program award, as \$10,000 was the maximum award for both programs.

Application acceptance commenced on August 31, 2020. CLA staff performed the initial intake and review of applications to ensure the submission of all required documentation and

adherence to all eligibility requirements. Following completion by CLA, PCED reviewed and approved applications for payment, and the Finance Division (Finance) received the approved applications and performed a pre-audit review of the applications prior to payment.

We performed a parallel daily review of PCED approved applications to ensure applicant eligibility requirements were met and no fraudulent activity was identified prior to funds disbursement.

The following diagram shows the Division of Inspector General's placement in the review process:



SCOPE AND METHODOLOGY

We have conducted a parallel audit of the award and disbursement of CARES Act emergency grant funds to local businesses in the County in conjunction with CLA, PCED, and Finance.

The scope of the audit included the controls over the award and disbursement of grant funds. Our review determined if the controls in place at CLA, PCED, and Finance were adequate to prevent ineligible applicants from obtaining Pinellas CARES Local Business Grant funds. We also performed specific procedures to detect ineligible applications prior to funds disbursement and report, as applicable, any instances of fraudulent activity in accordance with governing statutory provisions.

The audit period was August 31, 2020, through December 30, 2020.

During the audit, we performed the following:

1. Analyzed the CLA, PCED, and Finance review checklists, as applicable, to ensure the amount of required review performed was sufficient to detect ineligible applicants
2. Performed daily random sampling of grant applications approved for payment by CLA, after a second level review by PCED, to confirm the accuracy of gross receipt input
3. Used analytics software to apply specific fraud detection processes to the cumulative daily population of applications approved for payment by CLA after a second level of review by PCED
4. Performed a more detailed application review in the case of suspected fraudulent activity

OBJECTIVES AND OUTCOMES

The objectives of the audit were to:

1. Ensure PCED and the Primary Program Administrator, CLA, had adequate controls in place to review and approve Pinellas CARES Local Business Grant applications
2. Ensure Finance had adequate controls in place, in the form of a pre-audit process, to perform a final review of approved Pinellas CARES Local Business Grant applications prior to funds disbursement
3. Ensure Pinellas CARES Local Business Grant applicants met the application eligibility requirements prior to funds disbursement
4. Ensure Pinellas CARES Local Business Grant applicants did not attempt to obtain grant funds through fraudulent means

As a result of the audit, we determined:

1. PCED and CLA had adequate controls in place to review and approve Pinellas CARES Local Business Grant applications. Overall, the review process was thorough and communication with applicants was effective in obtaining required supporting documentation to verify eligibility. CLA staff communicated well with PCED staff throughout the program. CLA also welcomed us sharing knowledge based on our experience auditing the Pinellas CARES Small Business Grant program. In addition, we shared data with CLA to expedite its review process.
2. Finance had adequate controls in place, in the form of a pre-audit process, to perform a final review of approved Pinellas CARES Local Business Grant applications prior to funds disbursement. Finance consistently identified issues with taxpayer information that prevented payment processing. Finance also ensured no duplicate invoices were paid.
3. Overall, the majority of Pinellas CARES Local Business Grant applicants met the application eligibility requirements prior to funds disbursement. However, we identified some instances of duplication or unpaid state or federal liens. See additional detail in the Observations heading of this report.
4. No confirmed fraudulent activity occurred during the Pinellas CARES Local Business Grant application process. Denied applications were generally the result of uncertainty regarding eligibility requirements. We also noted there were numerous rounds of advertisement for the program that could have solicited repeat applicants.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principles and Standards for Offices of Inspector General* and accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances.

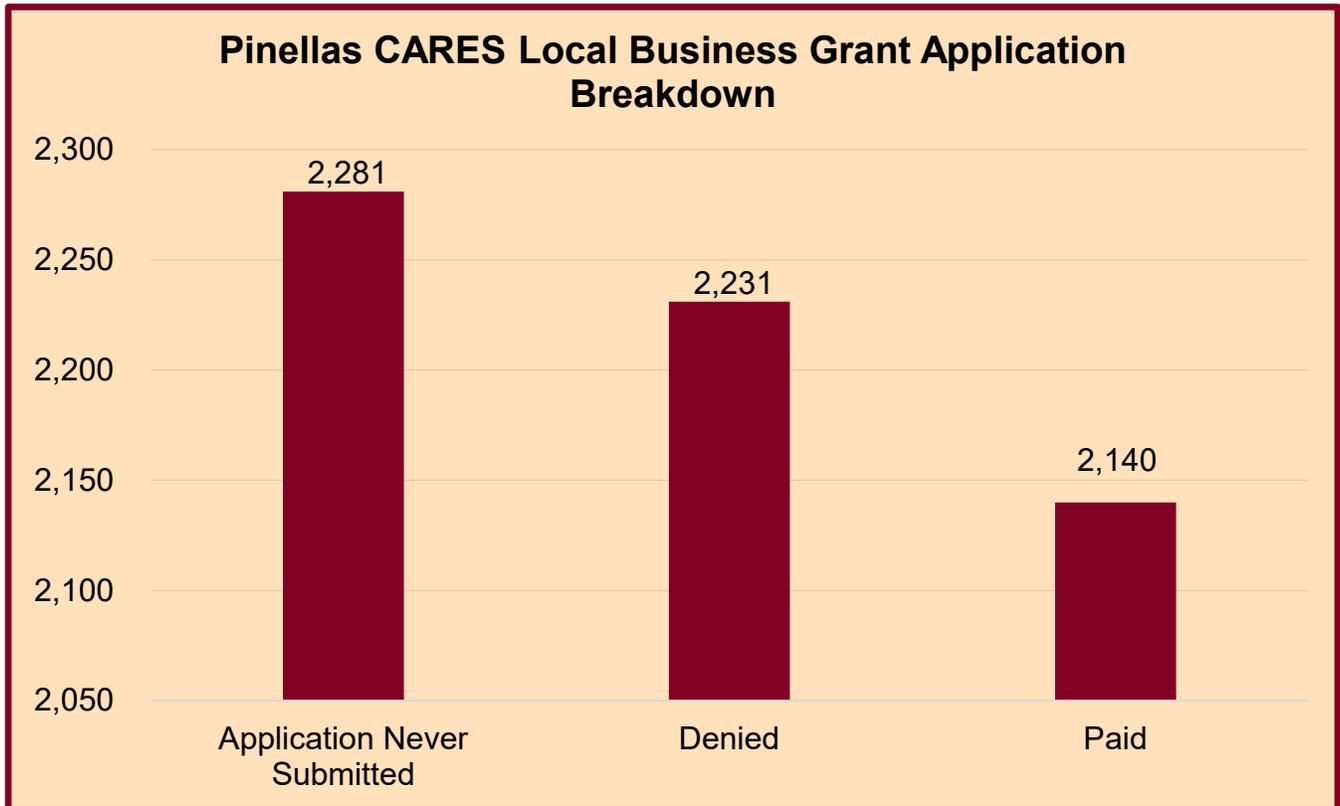
PROGRAM SUMMARY AND OBSERVATIONS

Since our audit was performed in parallel with the review at CLA, PCED, and Finance, it was intended to be a real-time review of the grant application program and not a traditional audit of internal controls. Therefore, we did not identify specific opportunities for improvement in the internal controls.

This portion of the report will be dedicated to summarizing the Pinellas CARES Local Business Grant program statistics, our audit efforts, and observations made during the audit.

Program Statistics

A total of 6,652 applications were created in the Neighborly application during the Pinellas CARES Local Business Grant program. Of that number, 4,371 applications were submitted and 2,140 were paid. Following is a status of all grant applications as of the close of the program:



Program Summary And Observations
Audit of Pinellas CARES Local Business Grant Program

The following is a breakdown of the 2,140 approved cases by program and the total funds distributed:

Total Cases and Funds Distributed		
<u>Program</u>	<u>Total Cases Approved</u>	<u>Total Funds Distributed</u>
Local Business	1,918	\$7,892,250
Diversity Micro-Grant	160	228,875
Artists	61	90,750
Target Industry Reimbursement	1	654
Total	2,140	\$8,212,529

Following the distribution of funds from the Pinellas CARES Local Business Grant program, excess funds still existed. In order to provide the maximum benefit to the businesses of Pinellas County, based on a recommendation by PCED and OMB, County Administration made the decision to distribute additional funds to eligible businesses that had been approved in both the Pinellas CARES Small Business Grant program and the Pinellas CARES Local Business Grant program. As a result, 4,212 business that had been approved in the Pinellas CARES Small Business Grant program and/or the Pinellas CARES Local Business Grant program received additional funds totaling \$31,114,000.

Inspector General Efforts

Based on our experience auditing the Pinellas CARES Small Business Grant program and our assessment of high-risk areas for the Pinellas CARES Local Business Grant program, we performed the following procedure on a daily basis during the audit period to validate eligibility criteria on a sample of grant applications:

Inspector General Sample Review	
<u>Criteria</u>	<u>Sample Testing Review</u>
Gross receipts amount	Reviewed business documentation in Neighborly and compared to the gross receipts input amount

We performed the following automated analytical tests daily on the cumulative population of approved applications using analytical software:

Inspector General Analytical Review	
<u>Analytical Test</u>	<u>Purpose</u>
<i>Duplicates:</i>	
Case name	Identified different cases with same name
Home address	Identified different cases with same home address
Business address	Identified different cases with same business address
Business name	Identified different cases with same business name
Phone number	Identified different cases with same phone number
Doing Business As (DBA) names	Identified different cases with same DBA name
Taxpayer Identification Number (TIN)	Identified different cases with same TIN
Created by	Identified different cases created by same user
<i>Company Type:</i>	
Publicly traded companies	Identified cases with companies listed as publicly traded companies with the National Association of Securities Dealers Automated Quotations
Not-for-profit companies	Identified cases with not-for-profit companies as identified by the Internal Revenue Service
<i>Liens:</i>	
Business name	Identified business names with unsatisfied liens as reflected in County official records
DBA name	Identified DBA names with unsatisfied liens as reflected in County official records
<i>Calculations:</i>	
Sliding scale	Identified cases where the maximum award amount did not match the program sliding scale
Final award check	Identified cases with an incorrect final award amount based on the sliding scale award amount and Pinellas CARES Small Business Grant program award amount



Observations

Our review supplemented the review performed by CLA, PCED, and Finance and was designed to identify applications that were potentially ineligible based on the established application criteria or instances where the applicant provided insufficient documentation to make this determination. We performed our review as efficiently as possible to ensure we did not delay the processing of payments for eligible applicants.

One of our audit procedures designed to ensure businesses were not in violation of any local, state, or federal laws resulted in the discovery of multiple businesses with unpaid state or federal taxes. We identified multiple instances of unsatisfied tax liens as follows:

- One applicant was denied due to failure to satisfy a federal income tax lien in the amount of \$11,561.23.
- One applicant was denied due to failure to satisfy two state sales and use tax liens in the amount of \$12,422.19.
- One applicant satisfied a state reemployment tax lien in the amount of \$497.03 as a result of our identification and was subsequently approved.
- One applicant satisfied a state reemployment tax lien in the amount of \$979.47 as a result of our identification and was subsequently approved.
- One applicant satisfied a state sales and use tax lien in the amount of \$1,021.07 as a result of our review and was subsequently approved.

Although the CLA, PCED, and Finance reviews were very effective in detecting and denying ineligible applications, our sample and analytical testing procedures identified three additional ineligible applications where the owners submitted duplicate applications. We forwarded each instance of an ineligible business to PCED for review and denial of the associated applications. For each of the three cases there was insufficient evidence to substantiate it was done intentionally.



Overall, we found CLA, PCED, and Finance to be very diligent in their review efforts despite being limited in the amount of staff dedicated to application review. Our communication with

PCED, CLA, and Finance was extremely effective and established a good partnership. Communication was prompt, courteous, and thorough while balancing the integrity of the review function and the necessity for eligible applicants to receive their grant payments as promptly as possible.



DIVISION OF INSPECTOR GENERAL

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