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Inspector General

**OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY**



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“Enhancing Public Trust in Government”

Contract Oversight Report

CA-2020-0065

**Palm Beach County
Department of Housing and Economic
Sustainability
Restart Business Grant Program
Application Review
December 15, 2020**

Insight – Oversight – Foresight



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CONTRACT OVERSIGHT REPORT CA-2020-0065

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PALM BEACH COUNTY

DEPARTMENT OF HOUSING AND ECONOMIC SUSTAINABILITY - RESTART BUSINESS GRANT PROGRAM APPLICATION REVIEW

SUMMARY

WHAT WE DID

The Palm Beach County Office of Inspector General (OIG) conducted a review of the Restart Business Grant Program (Restart Program) application process administered by the Palm Beach County (County) Department of Housing and Economic Sustainability (DHES).

The County Board of County Commissioners (BCC) allocated \$60 million of the \$261 million the County received from the federal Coronavirus Aid, Relief and Economic Security (CARES) Act for this business grant program.

Our objective was to examine a sample of Restart Program applications to determine if DHES approved or denied them in accordance with federal requirements and County policy and procedure. We reviewed applications received between May 22, 2020 and June 12, 2020.

Our review included interviews with DHES staff and reviewing randomly selected samples of applications for accuracy. One



sample included 149 approved applications submitted for payment. The second sample included 50 denied applications.

WHAT WE FOUND

Nearly all of the applications reviewed in the samples were approved or denied in accordance with County policy and procedure. However, three (3) of the 149 approved applications we reviewed were paid incorrectly. The incorrect payments resulted in overpayments totaling \$6,135.83.¹

WHAT WE RECOMMEND

We recommend DHES consider recouping the grant award amounts overpaid to businesses.

¹ These overpayments are identified costs that the potential of being returned to the entity to offset the taxpayers' burden.

BACKGROUND**Coronavirus Aid, Relief and Economic Security (CARES) Act**

On March 27, 2020, the President signed the CARES Act bill into law. As a result, the County received federal funding to lessen the impact of the economic downturn set in motion by the COVID-19 pandemic. The County received CARES Act funding in the amount of \$261 million from the US Treasury on April 23, 2020, of which \$60,000,000 was allocated by the BCC for the Restart Business Grant Program.

**Palm Beach County Restart Business Grant Program**

On May 15, 2020, the BCC approved the Restart Program. The BCC delegated authority to the DHES to administer the Restart Program funding process. Of the \$60,000,000 allocated for the Restart Program, \$50,000,000 was allocated for businesses with 25 or fewer employees and \$10,000,000 was allocated for businesses with 25 or more employees. The total grant amount per business was not to exceed \$25,000. The \$25,000 maximum was to be reduced by any other COVID-19 relief funding the business already received.

The guiding directive for the implementation of the Restart Program was Policy and Procedure Manual (PPM) HES-O-098² issued by DHES, which specified business eligibility criteria; required documentation to be submitted by an applicant and affirmations and certifications to be made by the applicant; and the application process to be used by a business to request grant funding. Between May 22, 2020 and June 12, 2020, DHES received grant applications and approved \$50,769,711.91 of funding to eligible businesses.

Eligible businesses located in the County had to meet the following eligibility criteria:

- Operating since October 1, 2019 and operating on February 29, 2020;
- Not a publicly traded company;
- Not a non-profit organization; and
- Had not received any COVID-19 relief funds in the form of a grant or forgivable loan exceeding \$25,000.

² PPM HES-O-098 Treasury CARES Act – Restart Business Grant Program was prepared by DHES Administration issued and effective on May 22, 2020. Revised on June 12, 2020. On June 12, 2020, the County revised PPM HES-O-098 to include additional eligible business types.

Eligible businesses included:

- Agriculture
- Child Care Centers
- Gyms and Fitness Studios
- Hair Salons, Nail Salons, Barber Shops
- Health Care Services and Medical Offices
- Retail – Physical Brick/Mortar Stores
- Restaurants, Caterers, Bakeries



Eligible uses of the grant money included:

- Salaries/Payroll
- Inventories
- Commercial lease, mortgage, or rent payments
- Utilities

Determination of Grant Funding Amount



The funding amount for eligible applicants was determined using information from the applicants’ 2018 or 2019 federal tax returns. The deductions amount reported on the tax return (depending on the business legal entity type; i.e. Corporation, Partnership or Sole Proprietor) was entered into a formula used to determine the funding calculation. Within the funding calculation formula, the deduction

amount was reduced by the amount reported for bad debts, depletion, guaranteed payments to partners, depreciation, and amortization.

The subtotal was multiplied by 0.5 to determine the amount of the business expenses for a six-month period. Figure 1: ‘Determining the funding amount’ listed below summarizes how funding amounts were determined for eligible businesses in accordance with PPM HES-O-098.

Business Expenses for six-month	Funding Calculation
Greater than \$25,000	\$25,000 less amount of other COVID-19 relief funding received = Total Funding Amount
Less than \$25,000	Amount of expenses for six-month period less, amount of other COVID-19 relief funding received = Total Funding Amount

Figure 1: Determining the funding amount

Application Reviewed and the Approval or Denial Decision

The County’s Department of Information Services System created the Restart Program CARES For Business Application Portal (Portal) with input from DHES. Applicants went on the DHES website to access the Portal to complete a Restart Program application. The application included four sections: an eligibility questionnaire; a general information

section about the business and how the business was impacted by COVID-19; an upload of required documentation according to the business legal type (individual, corporation or partnership); and application certification where the applicant signed, certifying and acknowledging the information disclosed in the application was true.

The application review process began with DHES staff sending each submitted application to a first level reviewer to check for accuracy and completeness. First level reviewers are independent contractors with finance or accounting experience. If the first level reviewer found the application to be accurate and complete and that the business was eligible for Restart Program funding, the first level reviewer returned it to DHES for a second level review. If the first level reviewer found the application to be incomplete, or contain inaccurate documentation or entries, the reviewer contacted the applicant by phone and/or email to discuss the information and/or the corrections needed. The applicant was given a deadline to submit requested documentation and/or make corrections.

If the required documents were provided and/or corrections were made by the deadline, the first level reviewer returned the application to DHES for a second level review. If documents or corrections were not made by the deadline, first level reviewers returned the application to DHES with a recommendation to deny the applicant Restart Program funding. DHES notified applicants of the reason why an application was denied. There were instances when denied applicants were able to reapply and were approved for funding, because the business met the application eligibility criteria and provided the required documentation to complete the review of the new application.

Once the first level review was completed, DHES's second level reviewer would double check the first level reviewer's work and recommendation. Second level reviewers were County employees working either in DHES or the County's Office of Equal Business Opportunity. Second level reviewers could override the first level reviewer's recommendation.



There were also instances in which applications were “put on hold” as part of the first or second level review. Applications were “put on hold” to give an applicant time to obtain correct information, supply additional required documentation, or to give DHES time to determine if a business type was eligible for grant funds.

If a second level reviewer recommended an application be approved for funding, there was a third level review, which included verification of the business tax identification number by County Purchasing Department staff, DHES senior management approval, and the Clerk of Comptroller's review prior to issuance of a check to an eligible business.

FINDINGS**FINDING (1):**

Of the sample applications reviewed, three (3) applications submitted for payment were approved for the incorrect grant amount due to calculation errors that resulted in an overpayment of grant funds totaling \$6,135.83 to businesses.

OIG Review

The OIG reviewed 149 applications out of 2,985 total approved applications that were submitted for payment, and 50 applications out of 2,004 denied applications.

The denied applications reviewed were processed in accordance with federal requirements and County PPM HES-O-098.

There were six (6) of the 149 (4%) approved applications of the sample that were calculated incorrectly.

Three (3) of the 149 (2%) approved applications reviewed miscalculated the 6-month business expenses. These errors did not result in underpayment or overpayment of the grant funds because the business's expenses exceeded the \$25,000 threshold. (See Figure 1 for an explanation of business expenses and the funding calculations formula.) The miscalculations occurred as a result of expense figures from the applicants' documentation being entered incorrectly into the funding formula.



Furthermore, there were an additional three (3) of the 149 (2%) sample that DHES miscalculated the grant amount, which resulted in an overpayment of Restart Program funds.

- JMG Dental, Inc. received a check for \$7,810 from the Restart Program, but should have only received \$7,090. The application had an error in the amount of other COVID-19 funds received, resulting in an overpayment of \$720.³
- Glamorous Nails and Spa of Wellington, Inc. received \$25,000 of Restart Program funds. However, the DHES Reviewer excluded \$4,415.83 of other COVID-19 funds received, which should have been subtracted from the \$25,000 maximum allowable funds. This resulted in an overpayment of \$4,415.83.⁴

³ JMG Dental, Inc. - This applicant stated they received \$17,190 in Paycheck Protection Program (PPP) funds. The supporting documentation submitted by the applicant indicated that the amount of PPP funds received was \$17,910. The funding calculation requires any COVID-19 relief funding received must be subtracted from the allowable \$25,000. The funding calculation completed by the first and second level reviewers subtracted \$17,190 from the allowable \$25,000 Restart Program grant amount. This transposition error resulted in an overpayment of \$720.

⁴ Glamorous Nails Spa of Wellington, LLC - This applicant received \$4,415.83 in PPP funds based on the supporting documentation submitted by the applicant. The funding calculation requires any COVID-19 relief funding received must be subtracted from the allowable \$25,000. The funding calculation completed by the first and second level reviewers did not subtract the PPP funds of \$4,415.83 from the allowable \$25,000 Restart Program grant amount. This arithmetic error resulted in an overpayment of \$4,415.83.

- Phone Care, Inc. received a check for \$22,038 of Restart Program funds. The DHES Reviewer made a typographical error in the applicant's other COVID-19 funding received in the Restart Program funding calculation, resulting in an overpayment of \$1,000.⁵

On October 20, 2020, the OIG brought the transposition, arithmetic, and typographic errors in the funding calculations to the attention of DHES. On November 4, 2020, DHES informed the OIG that they implemented additional oversight within the review process to avoid inaccurate awards. The additional oversight consisted of changes to the training of 1st and 2nd level reviewers for Phases 2 and 3 of the Restart Program, to include reminders about PPP or other COVID-19 grant documentation, and to enter the amount onto the reviewer sheets. In addition, a final review was added prior to final sign-off. Additionally, DHES notified the OIG that the three overpaid businesses would not be penalized with repayment because they were not accountable for the mistakes.

Recommendation

We recommend DHES consider recouping the grant award amounts overpaid to businesses.

IDENTIFIED COSTS

Identified Costs Total = \$6,135.83⁶

RESPONSE FROM MANAGEMENT

The Palm Beach County Department of Housing and Economic Sustainability notified the OIG that it would not recoup the overpayments to the three businesses. DHES offered no further comments on the report.

ACKNOWLEDGEMENT

The OIG's Contract Oversight and Evaluations staff would like to extend our appreciation to the Palm Beach County Department of Housing & Economic Sustainability for the cooperation and courtesies extended to us during the contract oversight process.

This report is available on the OIG website at: <http://www.pbcgov.com/OIG>. Please address inquiries regarding this report to the Contract Oversight and Evaluations Director by email at inspector@pbcgov.org or by telephone at (561) 233-2350.

⁵ Phone Care, Inc. - The applicant received \$3,962 in PPP funds. The funding calculation requires any non-Restart Program COVID-19 relief funding received be subtracted from the allowable \$25,000. The funding calculation completed by the first and second level reviewers only subtracted \$2,962 in PPP from the allowable \$25,000 Restart Program grant amount. This error resulted in an overpayment of \$1,000.

⁶ Identified costs are costs that have been identified as dollars that have the potential of being returned to the entity to offset the taxpayers' burden.