



John A. Carey
Inspector General

OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY



Inspector General
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“Enhancing Public Trust in Government”

Administrative Review

CA-2021-0017

Limited Scoped Reviews of Businesses that Accepted CARES Act Grants (Second Round)

March 17, 2021



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CONTRACT OVERSIGHT REPORT CA-2021-0017

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SUMMARY

WHAT WE DID

The Palm Beach County Office of Inspector General (OIG) conducted limited scope reviews of a sampling of businesses that accepted Palm Beach County (County) Restart Business Grants Program (Restart Program) funded by the federal Coronavirus Aid, Relief and Economic Security Act (CARES Act). The OIG reviewed thirty-two (32) businesses during the second round of reviews. The OIG conducted a similar review of ten (10) businesses in 2020.¹

The County Department of Housing and Economic Sustainability (DHES) administers the Restart Program application process. The County Board of County Commissioners (BOCC) allocated \$60 million of the \$261 million the County received from the federal CARES Act for the Restart Program.

The objectives of these reviews were to provide reasonable assurance that CARES Act grant recipients were:

- Eligible to receive these grants in accordance with the established program criteria.
- Properly disclosing other COVID-19 relief funds received, such as the U.S.

Small Business Administration's (SBA) Payroll Protection Program (PPP), on the County Restart Program application.

- Using, or have used CARES Act funds appropriately.

This was a limited scope review focused on a sampling of businesses that applied for, and were approved for, Restart Program grants between May 22, 2020 and June 12, 2020.



WHAT WE FOUND

Based on our reviews, we determined that twenty-seven (27) of the thirty-two (32) businesses (84.4%) that received funds were eligible for and complied with the

¹ See OIG Administrative Review, 2021-10-0007, dated December 16, 2020.

requirements of the County Restart Program.

During our initial review process, five (5) of the thirty-two (32) businesses reviewed (15.6%) were forwarded to the OIG's Investigations Division for further evaluation. We determined that further review is needed to evaluate whether the businesses properly disclosed, as

required by the Restart Program, PPP loans received prior to their application date.

WHAT WE RECOMMEND

We offer no recommendations to DHES as a result of our reviews of the businesses.

BACKGROUND**The CARES Act**

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act was signed into law. It allocated \$2.2 trillion in economic relief to individuals, businesses and governments affected by COVID-19.

**Restart Business Grants Program**

On May 15, 2020, the BOCC approved the Restart Business Grants Program. The program used a portion of the \$261 million allocated to the County from the CARES Act, with \$50 million dedicated to businesses with 25 or fewer employees and \$10 million dedicated to businesses with more than 25 employees. Businesses in the County that met certain criteria were eligible to apply. The maximum award for the period relevant to this report was \$25,000. Eligible uses of the money included:

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

Between May 22, 2020 and June 12, 2020, DHES received and approved 2,985 grant applications totaling \$50,769,711.91 of funding to eligible businesses.

The County's Department of Information Services System created the Restart Program CARES For Business Application Portal (Portal) with input from DHES. Before accessing the County's online application, applicants were required to register with the Portal and answer a ten-question eligibility questionnaire. The application listed 11 certifications, affirmations, and acknowledgements. Applicants were required to acknowledge their understanding of these statements by checking a box next to each one. Included among those certifications was the following:

I affirm that due to the public health emergency with respect to COVID-19, this grant is necessary to support the ongoing operations for the applicant business. If funded, I affirm the applicant business will continue business operations in Palm Beach County.

I acknowledge that, if this grant application is approved, Palm Beach County shall have access to my business records, including business records to document expenditures from the time of grant award through December 30, 2020, for the purpose of inspection or audit during normal business hours at my place of business. I further acknowledge that Palm Beach County has established the Office of the Inspector General in Palm Beach County Code, Section 2-421 - 2-440, as may be amended. The Inspector General's authority includes but is not limited to the power to review past, present and proposed County contracts,

transactions, accounts and records, to require the production of records, and to audit, investigate, monitor, and inspect the activities of my business, its officers, agents, employees, and lobbyists in order to ensure compliance with any and all requirements and to detect corruption and fraud. Failure to cooperate with the Inspector General or interfering with or impeding any investigation shall be in violation of Palm Beach County Code, Section 2-421 - 2-440, and punished pursuant to Section 125.69, Florida Statutes, in the same manner as a second degree misdemeanor.

Upon DHES approval, checks were issued and mailed by the Clerk & Comptroller's office to the approved business at the address provided in the application.

OBSERVATIONS AND ANALYSIS

Document Analysis and On-Site Reviews

OIG staff reviewed thirty-two (32) businesses that were approved by DHES for Restart Business grants totaling \$586,732, between May 22, 2020 and June 12, 2020. The businesses included retail sales, professional services, and food services businesses located throughout Palm Beach County.

Businesses Reviewed

	Business Category	Grant Funds Received	Location
1	Restaurants, Caterers, Bakeries	\$25,000	West Palm Beach
2	Hair Salons, Nail Salons, Barber Shops	\$25,000	West Palm Beach
3	Professional Services	\$21,558.50	West Palm Beach
4	Professional Services	\$25,000	West Palm Beach
5	Retail	\$25,000	West Palm Beach
6	Retail	\$19,840	West Palm Beach
7	Retail	\$25,000	Boca Raton
8	Restaurants, Caterers, Bakeries	\$25,000	Boca Raton
9	Professional Services	\$7,973.50	Royal Palm Beach
10	Retail	\$25,000	Belle Glade
11	Retail	\$25,000	South Bay
12	Hair Salons, Nail Salons, Barber Shops	\$19,706	West Palm Beach
13	Hair Salons, Nail Salons, Barber Shops	\$25,000	Lake Worth Beach
14	Hair Salons, Nail Salons, Barber Shops	\$5,525	West Palm Beach
15	Agriculture	\$19,636	Wellington
16	Gyms & Fitness Studios	\$25,000	Boca Raton
17	Restaurants, Caterers, Bakeries	\$25,000	Boca Raton
18	Retail	\$25,000	North Palm Beach
19	Retail	\$1,000	North Palm Beach
20	Professional Services	\$25,000	Boynton Beach
21	Professional Services	\$6,169.50	Boynton Beach
22	Hair Salons, Nail Salons, Barber Shops	\$7,165.50	West Palm Beach
23	Health Care Services & Medical Offices	\$9,532	West Palm Beach

	Business Category	Grant Funds Received	Location
24	Health Care Services & Medical Offices	\$25,000	West Palm Beach
25	Professional Services	\$4,692.50	West Palm Beach
26	Hair Salons, Nail Salons, Barber Shops	\$25,000	Lake Worth Beach
27	Professional Services	\$14,803	Boca Raton
28	Hair Salons, Nail Salons, Barber Shops	\$18,798	Delray Beach
29	Professional Services	\$25,000	Wellington
30	Professional Services	\$19,368	Wellington
31	Professional Services	\$62.50	Wellington
32	Professional Services	\$10,902	Wellington
TOTAL		\$586,732	

The first part of our review included an examination of grant applications and the Florida Department of State's "SunBiz" records for each business to confirm the filing date of the business' registration with the Florida Division of Corporations; officers/directors; and/or authorized representative(s). The second part of the review included a search of SBA PPP loan data to determine if the business had received other reportable relief funds.

Finally, we conducted on-site visits at each business. These on-site reviews consisted of an examination of records that would support appropriate grant fund expense use. For example, we examined bank statements; credit card statements; check stubs; lease agreements; paid receipts for rent, utilities, or insurance; and payroll records. We also interviewed business owners or authorized representatives, and made observations of the business location to assess whether the grant application and grant expenditures were consistent with legitimate business operations. The document reviews, interviews, and observations were conducted to determine whether it could be reasonably assessed that the businesses were eligible for and expending funds in compliance with the Restart Program requirements.

Conclusion

Based on our observations and analysis, we concluded the evidence was relevant, valid, reliable (appropriate), and sufficient to have reasonable assurance that twenty-seven (27) businesses (84.4%), that received \$506,399.50 in grant funds, were eligible for and complied with the requirements of the County Restart Program.

The remaining five (5) businesses reviewed (15.6%), that received \$80,332.50 in grant funds, were forwarded to the OIG's Investigations Division for further evaluation. We determined that further review is needed to evaluate whether the businesses properly disclosed, as required by the Restart Program, PPP loans received prior to their application date.

During a previous OIG review of the Restart Program application process,² DHES informed the OIG that it implemented additional measures that would identify red flags as to whether businesses properly disclosed, as required by the Restart Program, PPP loans

² See OIG Contract Oversight Report, CA-2020-0065, dated December 15, 2020.

received prior to their application date. Therefore, we offer no recommendations to DHES as a result of our reviews of the businesses.

ACKNOWLEDGEMENT

The Inspector General's staff would like to extend our appreciation to the Palm Beach County Department of Housing and Economic Sustainability and the businesses reviewed for the cooperation and courtesies extended to us during the review 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 Director by email at inspector@pbcgov.org or by telephone at (561) 233-2350.