



# **Fairfax County Internal Audit Office**

**Department of Economic Initiatives  
Countywide Coronavirus Relief Funding Distributions to  
Third Parties Audit – Fairfax RISE Grant Program  
Final Report**

**August 2021**

*"promoting efficient & effective local government"*

# Introduction

The Internal Audit Office (IAO) is performing audits of COVID relief funding distributions to third parties. The Fairfax RISE (Relief Initiative to Support Employers) Grant program, overseen by the Department of Economic Initiatives (DEI), was selected as one of the programs to perform substantive testing of grant awards distributed after the receipt of CARES Act Relief funds in April 2020. The primary purpose of the Fairfax RISE Grant program was to provide immediate relief to small businesses and non-profits impacted by the COVID-19 pandemic. The program was intended to help small businesses and nonprofit organizations remain in business through the COVID-19 emergency and address gaps that might have existed among complementary programs. Over 4,800 grants totaling \$52.57M in grants were awarded as part of this program. Community Business Partnership (CBP) was selected as the grant administrator. CBP was tasked with verifying the following: the applicant met initial grant eligibility requirements; the applicant was located within the county; the applicant had valid tax documentation; and the funds would be used for allowable expenses. Findings pertaining to the administration of the Fairfax RISE Grant program are noted in this report.

## Executive Summary

In general, based on our test work we found that DEI's and CBP's grant award procedures and controls were adequate over assessing the eligibility of applicants and the allowability of expenses, approving awards, and maintaining required documentation. However, we noted some exceptions where internal controls over granting awards could be strengthened:

- Three awards, totaling \$30,000, were not valid as the documentation provided by the award recipients to support their eligibility for the grants, and the allowability of expenses covered by the grants, could not be verified. DEI will follow up with the award recipients and pursue appropriate action if errors were identified. DEI also has worked with the grant administrator of the PIVOT Grant Program to ensure that controls are in place to identify potentially invalid submissions.
- The same person was the reviewer and approver for two grants. DEI has worked with the grant administrator of the PIVOT Grant Program to ensure that appropriate segregation of duties are in place.

## Scope and Objectives

This audit was performed as part of our fiscal year 2021 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for

our findings and conclusions based on our audit objectives. Our audit objectives were to determine whether:

- Awards were made in compliance with federal, state, and local funding regulations,
- Grants were awarded to separate and distinct businesses or nonprofits,
- Award decisions were sufficiently supported and documented,
- Recipients' use of awards was monitored to ensure that funds were used for allowable purposes.

## Methodology

Our audit approach included interviewing the appropriate staff to obtain an understanding of the RISE Grant program processes to determine if DEI and CBP had adequate controls over reviewing applications, awarding grants, and processing administrative costs. We also performed substantive testing to determine the risk of grants being awarded to duplicate businesses or nonprofits; and grants awarded to recipients who did not provide Employer Identification Numbers (EIN) as part of their application. Finally, we reviewed administrative costs incurred by the CBP to verify that they were supported and approved.

We tested for duplicate awards by obtaining the population of all awards and then performing analytics on different data fields captured as part of the submitted applications. Five categories of data field entries of awards with duplicate information were judgmentally selected for more detailed testing: business bank account number, EIN, primary phone number, primary business contact email, and street address. We judgmentally selected 100% of the awards that were identified with duplicate business bank account numbers or EINs and randomly selected samples from the other selected category data fields with duplicate entries.

We also tested 100% of applications that were submitted without EINs and 100% of administrative cost payments.

The Fairfax County Internal Audit Office is free from organizational impairments to independence in our reporting as defined by Government Auditing Standards. We report directly and are accountable to the County Executive. Organizationally, we are outside the staff or line management function of the units that we audit. We report the results of our audits to the County Executive and the Board of Supervisors.

## Findings, Recommendations, and Management Response

### 1. Ineligible Grantees & Unallowable Expenses

Appropriate documentation to support grantee eligibility and expense allowability were not provided by three grant recipients.

- a. Of the four instances of grant applications with the same bank accounts tested, business eligibility and expense allowability could not be verified for two \$10,000 grantee awards totaling \$20,000. The company names, addresses and EINs listed on the RISE application did not match the names, addresses and EINs provided on the supporting documentation. The required supporting documentation provided by these grantees was the same as other businesses that had been awarded RISE grants that had similar names and the same business bank account number.

The businesses could not be verified to a valid Business, Professional, and Occupational License (BPOL) or other federal tax documentation. Additionally, the number of employees and expenses for reimbursement on the application could not be verified as the documentation provided was under the name of the other businesses mentioned above.

- b. Of the four instances of grant applications with the same EINs tested, an award to a nonprofit of \$10,000 could not be verified to supporting documentation. The EIN noted on the application was the same as another nonprofit. The required IRS Form 990 provided was the same form as another nonprofit who had applied for, and been awarded, a RISE grant.

The allowability of expenses for reimbursement for this organization could not be verified as the documentation provided was for another nonprofit.

Per the RISE Grants Federal Subaward Agreement, "Community Business Partnership (CBP) will review the submitted applications to ensure the applications meet the eligibility criteria established by the Board. For those applicants selected for award, CBP will review the documentation provided by the applicants and confirm the applicants' eligibility for award."

Failure to verify that grant award recipients are valid increases the risk of ineligible applicants being awarded grants. Invalid awards increase the risk of penalties due to noncompliance with federal stimulus funding requirements.

**Recommendation:** We recommend that DEI work with CBP to resolve these inconsistencies. Per the RISE Grants Federal Subaward Agreement, "the Subrecipient must follow-up and take appropriate corrective action on all deficiencies pertaining to the Subaward, as detected through audits, monitoring activities or through other means." If the businesses do not provide appropriate supporting documentation, then the county should pursue recourse outlined in the Subaward Agreement. The county has the right to "disallow costs and recover funds because of a later audit or other review."

We also recommend that future COVID business grant programs include reviews for duplicate bank accounts and stronger controls to validate Employer Identification Numbers.

**Management Response:** DEI will contact the entities noted above to determine appropriate documentation and eligible criteria. If award errors are determined, they will pursue appropriate action per the Subaward and Grant Agreements. The results of review of the awards will be documented and provided to DOF, DMB, and IAO. Management anticipates completing these actions by November 1, 2021.

DEI will ensure future grant programs contain stronger controls by DEI and/or the grant administrator to validate EIN and additional verification to determine appropriateness of duplicate bank accounts for multiple businesses.

**Note:** Management has stated that this item was implemented for the active PIVOT Grant Program.

## 2. Inadequate Segregation of Duties

Per data posted to the RISE Grant database application, the same person was the reviewer and approver for two grants.

Per CBP procedures, the reviewer of the completeness of the application is to exclude himself/herself from the rest of the process, including the approval of the grant.

Failure to maintain adequate segregation of duties increases the risk of grants being approved and provided to ineligible and/or fraudulent applicants. It also increases the risks of application and supporting documentation errors from being detected which could lead to incorrect grant amounts being awarded.

**Recommendation:** We recommend DEI utilize or develop on-line application workflows that will prevent application reviewers from also approving grants. If this is not feasible, we recommend that DEI work with grant administrators to develop procedures to generate reports of reviewers and approvers for periodic review to identify improper segregations of duties timely.

**Management Response:** DEI will ensure future grant programs contain stronger controls by DEI and/or the grant administrator to ensure appropriate segregation of duties by grant administrators. DEI will augment review roles with DEI staff if necessary.

**Note:** Management has stated that this item was implemented for the active PIVOT Grant Program.