

Audit of
City of Lake Mary
Interlocal Agreement for CARES Act Funding

Report No. 122921

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DIVISION OF INSPECTOR GENERAL
Grant Maloy, Clerk of the Circuit Court and Comptroller
Seminole County, Florida

February 28, 2022

To: The Honorable Chairman and Members of the Board of County Commissioners

We have completed the enclosed audit of CARES expenses of City of Lake Mary under the Interlocal CARES Act Funding agreement with the Seminole County.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and the Principles and Standards for the Offices of Inspector General.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Bill Carroll".

Bill Carroll, CPA, CFE, CIG, CIGA
Inspector General
Division of the Inspector General

Approved by:

A handwritten signature in blue ink, appearing to read "Grant Maloy".

Honorable Mr. Grant Maloy
Clerk of the Circuit Court and Comptroller
Seminole County



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HONORABLE GRANT MALOY
CLERK OF THE CIRCUIT COURT AND COMPTROLLER

Bill Carroll, CPA, CFE, CIG, CIGA
Inspector General

Auditor Assigned:
Viola Saine, CPA, MAFM, CIGA, CFE

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Executive Summary

*The following Executive Summary provides a high-level synopsis of:
1) why the audit was performed; 2) the audit objectives, and;
3) the results of the audit.*

Why was the audit performed?

On March 27, 2020, Congress signed into law the CARES Act. This provided funds to Seminole County (County) for distribution to municipalities within its jurisdiction for eligible COVID-19 expenditures. The County and the City of Lake Mary (City) are required to adhere to federal and state laws, county guidelines; and, the interlocal agreement.

The audit was performed to ensure compliance with CARES Act and the interlocal agreement.

What are the objectives for the audit?

The objective of the audit was to determine if that reimbursement to the City was in accordance with the interlocal agreement, federal and state laws, and county policies and procedures.

What were the results of the audit?

Reimbursement to the City, for the most part, is in accordance with the terms and conditions of the interlocal agreement, and federal, state and county laws, regulations, and guidelines.

There are a few reimbursement requests that management needs to revisit.

This issue is discussed in more details in the report that follows.

Background

History

- On March 27, 2020, the Corona Aid, Relief, and Economic Security Act (CARES) was signed into law. Seminole County received an allocation of \$82 Million from Florida's Department of Emergency Management.
- On June 30, 2020, the US Department of Treasury (Treasury) published Guidance for State, Territorial, Local and Tribal Governments interpreting the limitations on the use of CARES Fund.
- On September 2nd, 2020, Treasury published supplemental guidance for determining how CARES Fund could be utilized. The Treasury made an administrative accommodation to local governments so that they could use CARES Fund to offset the payroll cost of public health and public safety employees, and other costs to administer expenses related to public health.
- With the BCC's approval on November 2020, the County reallocated money paid for Public Safety and considered these expenses CARES related. Thus, money previously paid for Public Safety expenses were appropriated and moved to a Capital Projects Fund within the General Fund. In other words, payroll and benefits of public safety (Sheriff) employees were charged to CARES Act Fund (11935).
- The County also entered into an interlocal reimbursement agreement (agreement) for CARES Act related expenses with the City of Lake Mary on September 2020 to provide economic relief. COVID-19 assistance to various cities and organizations were charged to General Fund-BCC Major Project Fund (00112).

Under the interlocal agreement, payments to the City can only be used to cover expenses that:

- (1) are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019;
- (2) were not accounted for in the budget most recently approved as of March 27, 2020 for the State or local government; and,
- (3) were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

County's payments to the City totaled of \$820,016.

The results of the audit are included in the report that follows.

Audit Objective

The objective of the audit was to determine if reimbursement to the City was in accordance with the interlocal agreement, and federal, state, county laws, regulations, policies, and procedures.

Methodology and Scope

The audit included all the County's reimbursement payments to the City under the interlocal agreement.

Our audit procedures included:

- Review the terms and conditions of the CARES Act and the interlocal agreement between the County and the City;
- Review of the Federal, State, and County laws, regulations, guidelines and procedures;
- Examine payment vouchers, invoices and its supporting documentation;
- Determine the responsibilities of the County and the City; and,
- Other procedures considered necessary under the circumstances.

We examined all Two hundred forty-seven (247) invoices valued at Eight hundred twenty thousand sixteen dollars (\$820,016).

Overall Evaluation

The County's reimbursement to the City of Lake Mary, for the most part, was in accordance with the terms and conditions of the interlocal agreement and federal, state, and county laws, regulations, and guidelines.

There are a few reimbursement requests that management needs to revisit:

- Prepayments are generally not allowed;
- Vendor payments were outside the term of agreement; and,
- Supporting documentation is required.

Opportunities for Improvement

1. Prepayments are generally not allowed.

A prepayment includes advancing funds for future goods and services. It is often used to negotiate more favorable prices. CARES prohibits prepaying for future years.

Under CARES, expenditures incurred from March 1, 2020 through December 31, 2021 are allowable. Prepayment of expenses, however beyond year 2021 is not allowed under Treasury's Coronavirus Relief Fund program guidelines¹, more specifically:

"A government should not make prepayments on contracts using payments from the Fund to the extent that doing so would not be consistent with its ordinary course policies and procedures."

Treasury's guidance generally prohibits payments for goods and services for future years. A few invoices (See Schedule A on Page 9) for \$73,000 were paid for subscription or maintenance services that included future years.

Of the \$73,000 in invoices paid, \$16,000 was for services incurred during 2020 (term of agreement²) and \$40,000 for 2021. The remaining \$17,000 was for prepayment of expenses for years beyond 2021.

By making payments during the year of service ensures compliance with CARES Act and the Interlocal agreement ensures full compliance.

Recommendations

In the future, in lieu of prepaying the entire balance, consider making payment during the year of service.

Management Response

After our review of the report and conversation regarding the comments, the City is good with the draft.

¹ Frequently Asked Questions No. 31, Coronavirus Relief Fund Program Guidance for States, Tribal Government, and Certain Eligible Local Governments, Page 4190 Federal Register/Vol. 86, No. 10/Friday, 01/15/2021/Notices

² Agreement Section 3, Effective on March 1, 2020 and ends on December 30, 2020.

2. Vendor payments were outside the term of agreement.

Section 4(b) of the agreement states:

"Eligible expenditures for goods and services authorized by the CARES Act and this Agreement must be received and paid for by SUBRECIPIENT [City] during the Term. Goods and services received or paid for outside of the Term and unauthorized goods and services incurred will not be reimbursed by the County."

Also, under section 24(b), the Agreement states that any alterations, amendments, deletions or waivers of the provisions of this Agreement will be valid only when expressed in writing and signed by the parties.

The City bought supplies, furniture and equipment for almost \$12,000. Both delivery and invoicing of these purchases were on February 2021.

On March 23, 2021, a check for \$21,193.19 was paid to the City for paid sick leave and labor costs due to COVID-19 response. These expenses were actually incurred by the City from December 26, 2020 to March 19, 2021. Thus, generally outside the term of the agreement

By not having an amendment to the Interlocal Agreement, these expenses would not be allowed until a formal agreement is signed by the City and the County.

IG discussed this issue in detail with Fiscal Services. We were informed that the County Manager's Office was aware that there was some overlap in spending. County Manager authorized payment for these costs.

Recommendation

Going forward, we recommend that the County and City process amendments as required per the contract. This ensures for complete transparency.

Management Response

After our review of the report and conversation regarding the comments, the City is good with the draft.

3. Supporting documentation is required.

A government is required to keep records sufficient to demonstrate that payments are in accordance with section 601(d) of the Social Security Act (CARES Act) pursuant to the Treasury's Coronavirus Relief Fund Program Guidance for States, Tribal Government, and Certain Eligible Local Government³.

The City donated \$3,073.37 to a non-profit organization to purchase N95 Masks. The receipts of donation are used as backup for the reimbursement.

The City was not able to provide a receipt for the masks. Although, this is an immaterial amount of money, the City should require in the future for the organization to provide a copy of receipt.

By not having a receipt, there is no evidence that the non-profit organization used the donation as intended for expenditures for public health emergency.

Recommendation

In the future, the City should require a receipt showing that the money donated was spent as intended.

Management Response

After our review of the report and conversation regarding the comments, the City is good with the draft.

³ FAQ (B.2), Page 4193, Federal Register/Vol. 86, No. 10/Friday, January 15, 2021/Notices

Schedule A

City of Lake Mary							
Schedule A - Expenses Beyond 2020							
Vendor	Invoice	Subscription /	No. of	INCURRED IN			
Name	No.	Maintenance Period	Months	Amount	2020	2021	2022 & Up
E-PlanSoft	1453	07/02/20 - 07/02/21	12	\$20,000.00	\$10,000.00	\$10,000.00	\$0.00
SHI	B12394796	10/02/20 - 10/02/23	36	\$28,431.00	\$2,369.00	\$9,477.00	\$16,585.00
DocuSign	INV21867949	11/01/20 - 10/31/21	12	\$11,040.00	\$1,840.00	\$9,200.00	\$0.00
GovQA	1686-201119	10/28/20 - 10/27/21	12	\$11,650.00	\$1,942.00	\$9,708.00	\$0.00
Zendesk	INV06477664	12/01/20 - 11/30/21	12	\$2,352.00	\$196.00	\$2,156.00	\$0.00
Total				\$73,473.00	\$16,347.00	\$40,541.00	\$16,585.00