

Audit of
City of Oviedo
Interlocal Agreement for CARES Act Funding

Report No. 123021

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

March 04, 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 Oviedo 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 black ink, appearing to read "Bill Carroll".

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

Approved by:

A large, stylized handwritten signature in black ink, appearing to read "Grant Maloy".

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



Audit of City of Oviedo
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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 Oviedo (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 Act) 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 Oviedo 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 \$959,120.

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 three hundred seventy-two (372) invoices valued at Nine Hundred Fifty-Nine Thousand One Hundred Twenty Dollars (\$959,120.00).

Overall Evaluation

The County's reimbursement to the City of Oviedo, 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:

- Some payments were outside the term of agreement.

Opportunity for Improvement

1. Some payments were outside the term of agreement.

The interlocal agreement signed on September 21, 2020 was for expenses incurred during the period that begins on March 1, 2020, and ends on December 30, 2020¹.

We noted an invoice that was submitted for \$30,801.30 for various Microsoft licenses covering services beyond the term of agreement (December 30, 2020). Of the amount, \$7,164.53 was for licenses incurred during 2020 (the term of agreement). The balance of \$23,636.77 was for licensing for 2021 and 2022 (the details on page 7 as Schedule A).

The City also contracted for various Heating, Ventilation, and Air Conditioning (HVAC) services and purchased materials, supplies and equipment valued at \$6,988.20 in 2021. This is beyond the period of the interlocal agreement. An accounting of these purchases is on page 7 as Schedule B.

Also, on March 23, 2021, a check for \$42,273.89 was paid to the City for reimbursement of paid sick leave and labor costs due to COVID-19 response. These expenses were actually incurred by the City from December 31, 2020 to February 28, 2021. Thus, outside the term of the agreement. The term of the agreement was for the period of March 1, 2020 through December 30, 2020.

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.

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. With the federal government extending CARES through December 31, 2021, the interlocal agreement could also be updated and modified to meet the current needs.

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.

¹ Interlocal Agreement Section 4(f)(3).

Recommendation

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

Schedule A

City of Oviedo					
Microsoft Licenses					
Invoice No. B12295029 09/17/20					
Item	Maintenance	No. of	Extended	I N C U R R E D I N	
Number	Period	Months	Price	2020	2021 & 2022
17676054	09/10/20 - 01/31/22	17	\$3,683.80	\$866.78	\$2,817.02
21945922	09/10/20 - 01/31/21	5	\$292.80	\$234.24	\$58.56
21945922	02/01/21 - 01/31/22	12	\$882.00	\$0.00	\$882.00
17676237	09/10/20 - 01/31/22	17	\$14,996.00	\$3,528.47	\$11,467.53
26891092	09/10/20 - 01/31/21	5	\$288.00	\$230.40	\$57.60
26891092	02/01/21 - 01/31/22	12	\$864.00	\$0.00	\$864.00
25377506	09/10/20 - 01/31/22	17	\$6,308.10	\$1,484.26	\$4,823.84
32751382	09/10/20 - 01/31/22	17	\$3,486.60	\$820.38	\$2,666.22
Total			\$30,801.30	\$7,164.53	\$23,636.77

Schedule B

City of Oviedo			
Purchases in 2021			
Vendor Name	Invoice No.	Invoice Date	Invoice Amount
Johnston Supply	S9282504	01/28/21	\$1,593.20
Smithson Electric	43989	01/29/21	\$2,880.00
Smithson Electric	43990	01/29/21	\$2,515.00
Total			\$6,988.20

Management Response

This management response letter is provided in connection with the audit of the City of Oviedo for CARES Act Funding, Report No. 123021, for the purpose of expressing an opinion as to whether the City of Oviedo complied with federal and state laws, and the Interlocal Agreement between Seminole County and the City of Oviedo, for CARES Act Funding.

We confirm, to the best of our knowledge and belief, as of March 1, 2022, the following representations made to you regarding the audit:

- 1) We have fulfilled our responsibilities, as set out in the terms of the Interlocal Agreement, including our responsibility for the receipt of funds and expenditure of funds under the Agreement, in accordance with Generally Accepted Accounting Principles ("GAAP"), as defined by 2 C.F.R. 200.49, GAAP.
- 2) Under the provisions of the CARES Act Funding, payments to the City of Oviedo were only used to cover expenditures that were:
 - a. Incurred due to the public health emergency with respect to the Coronavirus Disease 2019;
 - b. Not accounted for in the budget most recently approved as of March 27, 2020; and,
 - c. Incurred during the period that begins on March 1, 2020 and ends on December 30, 2021.
- 3) We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of expenditures incurred, such as vouchers, invoices and supporting documentation,
 - b. Any and all additional information requested from us for the purpose of the audit.
- 4) All transactions have been recorded in the accounting records, and are reflected in the financial statements and the schedule of expenditures of federal awards and state financial assistance.
- 5) We have no knowledge of any fraud or suspected fraud affecting the reimbursement of CARES Act funding to the City of Oviedo.
- 6) As part of the audit, all three hundred seventy-two (372) invoices valued at Nine Hundred Fifty-Nine Thousand One Hundred Twenty Dollars (\$959,120) were examined. We acknowledge our responsibility as it relates to these invoices and the terms and conditions of the interlocal agreement, federal, state, and county laws, regulations, and guidelines.
- 7) We agree with the findings of the audit that the original term of the Interlocal Agreement was not amended to reflect the extension of CARES Act funding through December 31, 2021.
- 8) We agree with the findings of the audit that payments were received for expenditures incurred after the expiration date of the Interlocal Agreement, but before the expiration of the CARES Act on December 31, 2021.

- 9) Please note that these expenditures were approved and authorized by the office of the Seminole County Manager, and the City recognizes that it will need to work with Seminole County to obtain an amended Interlocal Agreement to extend the original term through December 31, 2021.