

Audit of
City of Winter Springs
CARES Act Funding

Report No. 121421

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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 the City of Winter Springs Interlocal CARES Act Funding Agreement with 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 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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City of Winter Springs – CARES Act Funding
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HONORABLE GRANT MALOY
CLERK OF THE CIRCUIT COURT AND COMPTROLLER

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

Auditor Assigned:
Tim Tschappat, CFE, CIA, CIGA

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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 the CARES Act into law. This provided funds to Seminole County (County) for distribution to municipalities within its jurisdiction, like the City of Winter Springs (City), for eligible COVID-19 expenditures. An interlocal reimbursement agreement was signed on October 27, 2020. The County and the City are required to adhere to the interlocal agreement and federal, state, and county guidelines.

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

What was the objective for the audit?

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

What were the results of the audit?

The County's payments to the City of Winter Springs were in accordance, for the most part, with the terms and conditions of the interlocal agreement and federal, state, and county laws, regulations, and guidelines.

There are certain reimbursements that require management's attention.

These issues are discussed in greater detail in the report that follows.

Background

On March 27, 2020, the Coronavirus 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.

The County also entered into an interlocal reimbursement agreement (Agreement) for CARES Act related expenses with the City government on October 27, 2020, to provide economic relief.

To better serve and protect the community and its employees, the City requested reimbursements for COVID-19 expenses for:

- Purchasing personal protection equipment (PPE) supplies;
- Social distancing initiatives;
- Improvements for telework capabilities;
- Hiring temporary work force;
- Purchase a portable generator; and
- Vehicle purchases

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

- (1) are necessary expenditures incurred due to the public health emergency with respect to COVID-19;
- (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 began on March 1, 2020 and ended on December 30, 2020.

In November 2020, the Board of County Commissioners approved the reallocation of CARES funds outlined by the US Department of Treasury supplemental guidance. Under this guidance, CARES funds could be used to offset the payroll cost of public health and public safety employees and other costs to administer expenses related to public health.

County's reimbursements to the City totaled \$497,597.96.

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

Audit Objective

The objective of the audit was to determine if payments to the City were in accordance with the interlocal agreement and the federal, state, and 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 one hundred thirty (130) invoices valued at approximately \$498,000.

Overall Evaluation

The County's payments to the City of Winter Springs, for the most part, were in accordance with the terms and conditions of the interlocal agreement and federal, state, and county laws, regulations, and guidelines.

There are two areas, noted below, that management needs to revisit:

- Comply with Department of Treasury's CRF program guidance; and
- Vendor payments were outside the term of agreement

Opportunity for Improvement

1. Comply with Department of Treasury's CRF program guidance

Under section 4(f)(1) of the interlocal agreement, "the CARES Act requires that the payments from the Fund only to be used to cover expenses that are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019."

Moreover, Department of the Treasury, CRF Program Guidance¹ states:

"The requirement that expenditures be incurred "due to" the public health emergency means that the expenditures must be used for actions taken to respond to the public health emergency. The statute also specifies that the expenditures using Fund payments must be "necessary"."

"In the context of acquisition of real property and acquisition of equipment, this means that the acquisition itself must be necessary. In particular, a government must (i) determine that it is not able to meet the need arising from the public health emergency in a cost-effective manner by leasing property or equipment or by improving property already owned and (ii) maintain documentation to support this determination."

As noted above, the Treasury's CRF Program Guidance indicates that a government should consider taking cost-effective steps, such as considering leasing property and equipment or improve existing property, before new acquisitions.

The City received reimbursement for the following expenses that may or may not have been necessary due to Covid-19:

Supplier	Invoice Amount	Invoice #	Description
Prestige Ford	\$28,847.00	LKF01019	New 2020 Ford F150 Truck
Prestige Ford	\$28,847.00	LKF50659	New 2020 Ford F150 Truck
Prestige Ford	\$28,847.00	LKF44975	New 2020 Ford F150 Truck
Prestige Ford	\$28,847.00	LKF56894	New 2020 Ford F150 Truck
Prestige Ford	\$28,847.00	LFC28446	New 2020 Ford F150 Truck
TOTAL	\$144,235.00		

¹ Coronavirus Relief Fund for States, Tribal Government, and Certain Eligible Local Governments, Pages 4183 and 4193 (#58) Federal Register /Vol.86, No.10/Friday, 01/15/2021/Notices

According to the City, these costs were necessary to ensure that employees were social distanced when traveling to work sites.

Based on the Treasury's CRF program guidelines and the federal oversight of these programs, we believe that the County could be subjected to a claim of misuse of federal funds by these procurements.

More specifically, the Treasury's Office of Inspector General has responsibility for the management and oversight of the receipt, disbursement, and use of CARES Funds.

Any expenses that fail to fully comply with the use-of-funds provisions, set forth in section 601(d) of the Social Security Act as added by section 5001 of the CARES Act, will be required to be returned to the federal government. Since the County is liable for any questionable procurements made by the City that do not fully comply with Treasury guidelines, we recommend that management revisit the above-mentioned purchases paid to ensure full compliance with Treasury guidelines.

Recommendation

County Management and City should re-evaluate these procurements to determine compliance with the Treasury guidelines and document the re-evaluation.

Management Response

We have reviewed the Treasury guidance. Our conclusion, upon re-review, is consistent with our initial review and conclusion; the purchase of the F150's falls within the Treasury program guidelines as an eligible use of CARES Act Funds.

The CDC recommendations include distancing standards which require employees to maintain a distance of not less than six (6) feet away from other employees to combat the transmission of the SARS-CoV-2 virus. It was not safe to have two or more utility employees riding inside the same enclosed cab with one another. Therefore, since Utility workers are essential personnel and there was no alternative solutions, it was necessary to purchase additional vehicles to reduce the number of workers in each vehicle.

This vehicle purchase was solely in response to the COVID-19 pandemic. The City did not have the cost of an additional F150's vehicles in its fiscal year 2020 budget. Leasing the vehicles was not an option since it was impossible to determine the length of emergency. The CDC continues to recommend staying six (6) feet away from each other. As the emergency continues even today

with no end in sight, the purchase of these vehicles, rather than leasing them, has proven to be the best financial decision for the tax payers.

2. Vendor Payments Were Outside the Term of Agreement

Some vendor payments were outside the term of the agreement.

The following expenses were paid to the vendor in either February 2020 or 2021:

EXPENSE	ORIGINAL EXPENSE INCURRED AND PAID DATE	AMOUNT
Mallory Safety & Supply LLC	February 2020	\$353.39
SHI International (4 invoices)	February 2021	\$5,790.17
TOTAL		\$6,143.46

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.

The reimbursement requests were for expenses that were incurred and paid in 2021, and therefore not covered under the existing 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 Cities process amendments as required per the contract.

Management Response

The City relied on direction provided in an email received on February 22, 2021, from Mr. Steve Fussell, Chief Administrator, Office of Organizational Excellence, Seminole County Government which stated:

“Seminole County Government is in the process of reconciling and wrapping up our Seminole County CARES program. At this time, the only additional expense submissions allowed outside of what has already been approved are reimbursement for unanticipated paid leave and/or additional overtime related to COVID-19 response you incurred between 1/1/2021 and 2/28/2021.”

The Cities have worked very closely with Seminole County through this pandemic and the use of fund and the County has been an excellent partner. When Seminole County amends the agreement with the City at some point, we anticipate the amendment will cover the reimbursements you noted.

Thank you for your due diligence in this matter. Please feel free to reach out further if you need additional information.