


Hernando County Clerk of Circuit Court
Audit Services Department
Audit Report
CARES Act Small Business Assistance
January 30, 2025

MANAGEMENT LETTER

TO: Jeffrey Rogers, County Administrator

VIA: The Honorable Douglas A. Chorvat, Jr.

FROM: Elizabeth Hogan, CIA, CFE, Director of Audit Services 

DATE: January 30, 2025

SUBJECT: CARES Act Small Business Assistance Audit

In accordance with the Audit Services Department's Audit Project Schedule, the internal audit team conducted an audit of the CARES Act Small Business Assistance. Based on testing, observations, and communications with key personnel, the audit team produced the attached report for your review. Management's responses to the recommendations are also included. A copy of this report has been forwarded to the Board of County Commissioners as an agenda "Correspondence to Note" item.

The purpose of this report is to furnish management with independent, objective analyses, recommendations, counsel, and information concerning the activities reviewed. The audit report is a tool to help management discern and implement specific improvements. It is not an appraisal or rating of management.

Although the internal audit team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The courtesy and cooperation extended by the employees of the Economic Development Department and the Financial Services Department during the audit were sincerely appreciated.

If you have any questions, concerns, or need additional information in regard to the above or the attached report, please do not hesitate to contact Audit Services at (352) 540-6235, or stop by our offices in Room 300C.

ATTACHMENT: CARES Small Business Assistance Audit Report

Copy: Valerie Pianta, Economic Development Director

Copy: Board of County Commissioners

Chairman Brian Hawkins
Commissioner John Allocco
Commissioner Ryan Amsler
Commissioner Jerry Campbell
Commissioner Steve Champion

Copy: Audit Services Planning & Priorities Committee

The Honorable Doug Chorvat, Jr., CPM, CGCIO, Clerk of Circuit Court and Comptroller
Albert Bertram, Budget Director
Toni Brady, MBA, CPM, CGFO, Deputy County Administrator
Jon Jouben, Esq., County Attorney
Jeffrey Rogers, PE., County Administrator
Joshua Stringfellow, CPA, Director of Financial Services
William Blend, CPA, CFE, Partner, Forvis Mazars, LLP
Jeff Wolf, CPA, Partner, Forvis Mazars, LLP

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Executive Summary

The purpose of this audit was to provide management with some level of assurance that the internal controls implemented for the receipt and review of the Small Business grant applications ensured that the grant applicants met the eligibility and documentation requirements; the amount of the award complied with the approved dollar amounts; the payment to the applicant and/or the Greater Hernando County Chamber of Commerce (GHCCC) was properly approved; and system access rights aligned with staff responsibilities.

Discussion Point 1: Compliance with Grant Requirements

The Board of County Commissioners (BOCC) approved the eligibility requirements and the associated award amounts for each phase. Phases I and II were administered by County personnel and Phase III was administered by GHCCC, the subrecipient.

To gain an understanding of the application review process, the Audit Services Department (ASD) interviewed key personnel, selected samples of applications from all three phases of the Grant and reviewed applicable documentation.

Phase I and Phase II

The County established a team of staff members from various County Departments to create the processes for the receipt, review, and approval of the Hernando CARES Small Business Recovery Grant. Applications were electronically submitted, reviewed for compliance with BOCC approved criteria, and payments to the applicants were processed through normal accounts payable channels.

For Phase I and II, the review disclosed that there were multiple levels of review, and all transactions were properly approved. Although some errors were identified, overall, the process and controls implemented during Phase I and Phase II appeared to function as intended.

Phase III

The subrecipient was responsible for the receipt, review, and payments to the applicants. The subrecipient submitted invoices to the County for the total amount of the approved applications. The invoices received from the subrecipient, that included supporting information, were properly approved.

For Phase III, although the subrecipient complied with most of the guidelines set forth by the County, there were several approved applications that did not meet the established eligibility requirements. Because sufficient backup documentation was not required of applicants, it could not be determined if some businesses owned or leased space exclusively for their business operations. In addition, for a few businesses, documentation reviewed did not support that they were operational during the specified timeframe.

Discussion Point 2: System Access Rights

Jotform was used by applicants during all three phases to electronically complete the application and to submit required documentation. The subscription level utilized for administering the Grant did not allow multiple users resulting in a lack of accountability.

Acknowledgement

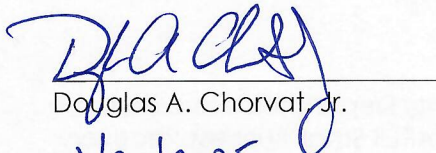
Other minor findings not included in the attached report were communicated to management and/or corrected during fieldwork.

Fieldwork was performed by: Elizabeth Hogan, CIA, CFE, Director of Audit Services
Vicky Sizemore, Internal Auditor

Management's Action Plan was provided by: Valerie Pianta, Economic Development Director

Management's Action Plan was approved by: Jeffrey Rogers, County Administrator

This report was reviewed and authorized by Douglas A. Chorvat, Jr., Clerk of Circuit Court and Comptroller.



Douglas A. Chorvat, Jr.
1/30/2025

Date

Background Information

BACKGROUND INFORMATION

Hernando County entered into the CARES Act Funding Agreement with the State of Florida, Division of Emergency Management on June 29, 2020. The County was awarded funding across three phases for a total amount not to exceed \$33,837,544.

To assist small businesses that incurred a temporary loss of revenue due to the pandemic, the BOCC approved three phases of the Hernando County Small Business Recovery Grant program.

Phase	BOCC Approval Date	Amount
I	06/23/2020	\$5,000,000
II	07/28/2020	
III	02/23/2021	\$2,600,000

Figure 1 - Auditor generated

Phases I and II were administered by Hernando County staff members. For the third phase, the County entered into an agreement with the Greater Hernando County Chamber of Commerce (GHCCC).

ORGANIZATIONAL STRUCTURE

Under the leadership of the Economic Development Director, a team of staff members from multiple County Departments was formed to review, approve, and process the grant applications for the first two phases of the grant program.

FINANCIAL INFORMATION

The grant award amounts for Phases I and II were based on if the business was brick and mortar, or home based and the number of full-time equivalent (FTE) employees. The County received 933 applications and awarded a total of \$1,877,000 in grant funds to small businesses. The total amount awarded by category was as follows:

Business Type	# of FTE	Total Amount Awarded
Brick and Mortar	1-15	\$1,291,500
Brick and Mortar	16-50	\$ 252,500
Brick and Mortar	51-100	\$ 7,500
Home Based		\$ 325,500
Total Awarded		\$1,877,000

Figure 2 - Auditor generated

For Phase III, the GHCCC approved a total of 705 applications at \$3,500 each for a total amount disbursed of \$2,467,500.

OBJECTIVE

The purpose of this audit was to provide management with some level of assurance that the internal controls implemented for the receipt and review of the Small Business grant applications ensured that the grant applicants met the eligibility and documentation requirements; the amount of the award complied with the approved dollar amounts; the payment to the applicant and/or the Greater Hernando County Chamber of Commerce was properly approved; and system access rights aligned with staff responsibilities.

SCOPE

The audit covered the three phases of the Hernando CARES Small Business Recovery Grant. The first two phases took place in FY 2019/2020 and the third and final phase took place in FY 2020/2021.

To accomplish the audit objectives, the Audit Team performed the following procedures:

- Interviewed key personnel, reviewed documentation for compliance with the BOCC approved grant requirements, and assessed the disbursement of funds
- Utilized IDEA data analytics software to
 - Select samples of applications from all three phases of the Hernando CARES Small Business Recovery Grant
- Reviewed grant applications and associated supporting documentation for compliance with the County's approved criteria for each Phase.

CONCLUSION

The audit procedures performed determined that, in general, the internal controls evaluated were adequate and effective. They provided reasonable assurance that applicants submitted documentation in compliance with the grant requirements, and that both the grant applications and the disbursement of funds were properly reviewed and approved. Although the internal controls were generally adequate and effective, the review identified a couple of Opportunities for Improvement.

The identified procedures and practices that could be improved are listed below.

Opportunity for Improvement	Description	Page Reference
1.1	Verify Subrecipients/Vendors Comply with all Grant/Contractual Requirements	9-10
2.1	Utilize Software that Allows for the Assignment of Access Rights based on the NIST principle of least privilege	11

This audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

DISCUSSION POINTS

Discussion Point 1: Compliance with Grant Requirements

The County established a team of staff members from various County Departments to establish the processes for the receipt, review, and approval of the Hernando CARES Small Business Recovery Grant. The Grant requirements were approved by the BOCC.

For Phases I and II, there were multiple levels of review and approvals of the applications and the disbursement of funds. Although there were some errors, overall, these controls appeared to function as intended.

The County and the Greater Hernando Chamber of Commerce entered into a contract to administer the application review and the disbursement of funds for Phase III. The review of Phase III applications determined that the subrecipient complied with the following grant requirements:

- Eligible grant use by business
- Business negatively impacted by pandemic
- Proof of business provided
- Identification was reviewed
- Proper forms were signed and submitted
- Applications were signed

Although controls effectively ensured compliance with many of the prerequisites, documentation for several approved applications did not support the award of grant funds.

1.1 **Opportunity for Improvement: Verify Subrecipients/Vendors Comply with all Grant/Contractual Requirements**

The initial sample of 88 applications determined that six businesses were not eligible and properly denied funding at the beginning of the application process.

Of the remaining 82 applications, four businesses were not eligible but were approved and paid. Grants were disbursed at \$3,500 per application, therefore a total of \$14,000 was disbursed to ineligible businesses.

- 1 did not have documentation to substantiate space was owned/leased exclusively for business operation
- 1 was not operational during the required timeframe
- 2 were not operational during the required timeframe and did not have documentation to substantiate space was owned/leased exclusively for business operation

An additional sample of 100 applications was selected to review specifically for compliance with the following criteria:

- Hernando County registered business in operation as of January 1, 2021, and expected to remain operational
- Businesses must own or lease space exclusively for their business operation

DISCUSSION POINTS

For the additional sample of 100 applications, the review disclosed six applications that did not meet the criteria but were approved.

- 1 filed Articles of Dissolution shortly after the start of the year
- 5 did not have documentation to substantiate space was owned/leased exclusively for business operations

As a result, for the total sample of applications reviewed, \$35,000 was potentially paid to ineligible businesses.

Management Action Plan:

In a subrecipient situation we will institute a more robust review system to verify information and associated documentation at the county department level. Ensure multiple levels of review for greater accuracy.

Implementation Date: 2/1/25

DISCUSSION POINTS

Discussion Point 2: System Access Rights

The Audit Team inquired about the access rights granted in the Jotform system to ensure that they were aligned with each staff member's job responsibilities. The subscription level utilized for administering the Grant did not allow multiple users, resulting in a lack of accountability.

2.1 **Opportunity for Improvement: Utilize Software that Allows for the Assignment of System Access Rights Based on the NIST Principle of Least Privilege**

To administer the grant application process, the County established a subscription account with Jotform. The subscription level selected at the time did not allow multiple user accounts. Therefore, only one login was used by multiple staff members and the subrecipient. According to the National Institute of Standards and Technology (NIST), under the principle of least privilege, "a security architecture should be designed so that each entity is granted the minimum system resources and authorizations that the entity needs to perform its function."¹

Management Action Plan:

Ensure software provides password protected, multi-user access and meets NIST standards.

Implementation Date: 2/1/25

¹ https://csrc.nist.gov/glossary/term/least_privilege