



Angelina “Angel” Colonneseo

Clerk of the Circuit Court & Comptroller of Manatee County

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MEMORANDUM

To: Angelina “Angel” Colonneseo, Clerk of the Circuit Court and Comptroller
Charlie Bishop, County Administrator

From: Lori Stephens, Inspector General *Lori Stephens*

Date: September 26, 2023

Subject: Emergency Rental Assistance Program Testing

The Division of Inspector General (IG) has completed a project to test applications submitted for the Emergency Rental Assistance program. The project was limited to an evaluation of internal controls, and application and data analytic testing. Our procedures would not necessarily disclose all instances of error, as unreported non-compliance or irregularities could still exist within these grant programs.

Background:

The Emergency Rental Assistance (ERA) program provides funding for government entities to assist eligible households who are in need of rental and utility payment assistance due to the impact of the COVID-19 pandemic. The United States Congress appropriated funding for the ERA program in two separate Acts. On December 27, 2020, the President signed the Consolidated Appropriations Act, 2021, which authorized the Department of the Treasury (Treasury) to disburse approximately \$25 billion in COVID-19 relief funding to state, territorial, tribal, and local governments. As of January 26, 2021, Manatee County was allocated \$12,176,502 of these funds to provide rental assistance to Manatee County households that met eligibility requirements (ERA1). In March 2021, the American Rescue Plan Act of 2021 authorized the Treasury to disburse an additional \$21.55 billion in assistance, of which Manatee County was allocated \$6,764,775 (ERA2). If it is determined that any of the funds were not disbursed in compliance with the Acts, the Inspector General of the Treasury has the authority to recuperate funds from Manatee County.

Manatee County’s ERA program was initially administered by the Redevelopment & Economic Opportunity Department (REO) through a combination of full-time and temporary staff. As part of the County’s reorganization in 2022, this department became part of the Community and Veterans Services Department, but will be referred to as REO throughout this report for consistency. On September 29, 2021, REO notified the IG that the County’s ERA program documentation requirements were changing to align with updated Treasury guidance. To accelerate application approvals and the distribution of funds, this new guidance encouraged the use of self-attestations of eligibility, such as household income and COVID-19 impact, without further documentation. Additionally, in August 2022, the County contracted with Carr, Riggs & Ingram, LLC to review and process applications for the remainder of ERA payment requests.

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To apply for assistance, applicants completed an online application and uploaded supporting eligibility documents into REO's Neighborly software application (Neighborly). Eligibility documents included, but were not limited to: applicant photo identification, proof of household income (at or below 80% of the area median income), proof of COVID-19 impact, current lease, letter from the landlord with the rental amount owed, and a signed grant agreement.

According to the Treasury, the ERA program will end on September 30, 2025. However, according to the Community and Veterans Services Department, Manatee County's ERA program has closed. In November 2022, the County stopped accepting new applications and, as of June 2023, the County's funding has been fully expended.

Objective:

The project objectives were to determine whether adequate controls were in place to prevent ineligible payments, and to verify that disbursements made under the ERA program were appropriate.

Scope and Methodology:

The scope of the project included reviewing processes and evaluating controls over ERA program funds for the period February 16, 2021, through June 26, 2023. Controls were evaluated through the testing of supporting documentation using sampling techniques, applying analytical procedures, and conducting interviews with management and staff.

The project included:

- Reviewing County and Treasury ERA guidance and regulations
- Reviewing related policies and procedures
- Conducting interviews with REO and the Clerk of the Circuit Court and Comptroller's (Clerk's) Finance personnel
- Analytics testing of the application data using Galvanize (ACL) data analytics software to identify duplicate applications, duplicate payments, and potential fraud
- Sampling and testing of applications and supporting documentation
- Reporting deficiencies found to REO
- Reporting potential fraud to the Manatee County Sheriff's Office (MSO) or the Manatee County Property Appraiser's Office (PAO)

Effective November 1, 2021, the project scope was changed to no longer test individual applications for eligibility due to the County's use of self-attestation statements, rather than documentation, to support eligibility. Data analytics testing, to identify potential fraud or abuse, continued through June 26, 2023.

Project Results:

Controls over ERA assistance payments were found to be generally adequate. However, test work did identify and prevent several ineligible payments from being issued as discussed below.

The following table represents the total ERA funds allocated to the County, and the total rental assistance paid as of September 21, 2023:

<u>Funds Allocated</u>	<u>Funds Disbursed</u>
\$18,941,277	\$17,065,296

Difference relates to administrative expenses of the program.

Application Sample Testing

Manatee County began accepting applications for the ERA program on February 16, 2021. Applications were reviewed and processed by REO staff. Once approved, IG staff received a spreadsheet from REO listing all approved payments, prior to being submitted to the Clerk’s Accounts Payable Division (AP) for payment. This typically occurred each day.

On March 9, 2021, we began testing approved ERA payments and corresponding applications. A judgmental sample of at least 25% of the approved payments was selected for testing. We notified REO of our selections, and REO removed the selected payments from processing and sent the remainder to AP for payment. We reviewed the application and supporting documentation for each selected payment to determine whether:

- the payment was calculated correctly,
- the applicant was eligible, per the established guidelines, and
- the application and supporting documentation were not falsified/fraudulent.

If any exceptions were identified, REO was immediately notified of the issue.

The following is a summary of the results of application testing for the period March 9, 2021, through October 31, 2021:

Payments Approved by REO		Payments Tested		Exceptions Identified	
# Applications	Total \$	# Applications	Total \$	# Applications	Total \$
644	\$ 5,106,914	265	\$ 2,130,646	114	\$ 357,823

Details of Exceptions

Applications w/Errors		Potential Fraud			
		Falsified Documents		Homesteaded Property	
# Applications	Total \$	# Applications	Total \$	# Applications	Total \$
101	\$ 298,668	8	\$ 59,155	5	N/A

As noted above, test work identified 114 potentially ineligible applications which were returned to REO for further review. In these instances, REO either corrected the payment amounts, obtained additional supporting documentation, or denied the applications. **This prevented \$357,823 of ineligible ERA payments.** Exceptions identified included the following:

- 101 applications included payment calculation errors, and/or insufficient supporting documentation.
- Eight (8) applications contained potentially fraudulent documents. We referred these to MSO for further investigation, and payments were denied by REO.
- Five (5) rental property addresses were identified as having homestead exemptions and referred to the PAO for potential homestead fraud.

Any denied assistance payments were reallocated by REO to other approved eligible applicants.

Analytic Data Testing

Effective November 1, 2021, due to the County's change in program requirements to align with the US Treasury guidance, we no longer tested individual ERA applications for eligibility. However, we continued to perform analytic testing of the ERA data population from Neighborly, using ACL data analytics software, to identify potential fraud or abuse. Tests performed included, but were not limited to:

- Applicant and co-applicant name matching (duplicate applications from the same applicant or co-applicant)
- Address number matching (duplicate applications for the same rental property)
- IP address matching (multiple applications submitted from the same location)
- Tenant and landlord address matching (applicant and landlord living at the same rental property)
- Homestead exemption matching (rental property has homestead exemption)
- Duplicate payment matching (duplicate payments made for the same applicant for the same rental period)

Analytic testing was performed on a weekly basis and the results were reviewed to identify any matches. For the matches identified, we obtained and reviewed the case file documents from Neighborly for each application to determine if potential fraud or abuse existed. The analytic testing identified 162 matches; 94 were evaluated and deemed appropriate to continue on in the application process. Exceptions identified in the remaining matches included the following:

- 68 applications contained potentially fraudulent documents; many of these had already been identified by REO. We referred these to MSO for further investigation, and payments were denied by REO. **These denied applications represented approximately \$1.2 million of ERA funds.** The funds were reallocated by REO to other approved eligible applicants.
- Eight (8) applications contained a rental property address match with a homestead exemption. We notified REO of these for additional review as necessary, and referred all of them to the PAO for further investigation.

We would like to thank REO/Community and Veterans Services management and staff, and Clerk's Finance personnel, for the attention given to this project and the assistance provided.

LJS/BJW/GR/LP

cc: Board of County Commissioners
Courtney DePol, Deputy County Administrator
William Clague, County Attorney
Tracie Adams, Deputy Director Community & Veterans Services Department
Sheila McLean, Chief Financial Officer
Neil Unruh, Chief Deputy of Finance, Clerk of the Circuit Court & Comptroller
Kim Wilder, Finance Director, Clerk of the Circuit Court & Comptroller