



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

September 8, 2021

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

We have completed the enclosed audit of the Emergency Rental Assistance Program – Part 1. 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.

The audit includes the emergency rental payments processed on behalf of citizens for the period from March 1, 2021 to June 3, 2021.

Respectfully submitted,

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

William 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

**Audit of**  
**Emergency Rental Assistance Program – Part 1**

**Report No. 073121**

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Audit of  
Emergency Rental Assistance Program – Part 1  
Report No. 073121

**HONORABLE GRANT MALOY**  
**CLERK OF THE CIRCUIT COURT AND COMPTROLLER**

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

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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 December 21, 2020, Congress signed into law the Consolidated Appropriations Act of 2021. This provided \$14,133,485 to Seminole County for emergency rental assistance. The County is required to adhere to federal, state, and county guidelines. The Office of the Clerk of the Circuit Court and Comptroller, through this audit, supports these initiatives.

### **What are the objectives for the audit?**

The objectives of the audit were to determine if the system of internal administrative controls is adequate, and effective. Also, the objective of this audit was to verify that the County was following federal, state, and county laws, regulations, policies, and procedures.

### **What were the results of the audit?**

Seminole County is following federal, state, and county laws, regulations, and guidelines. The County is successfully implementing the rental assistance program. As of June 3, 2021, it has processed over \$6.5 million dollars in assistance.

The audit included statistically testing applications for proper supporting documentation. We found that 97% of the sampled documentation to support the payments was received and complete. We did note that, on occasion, the review team recommended overrides to some of the controls. We suggest that future management overrides include a note in the file explaining the circumstances for the override.

## Background

On December 21, 2020, Congress approved and signed into law the Consolidated Appropriations Act of 2021 ("The Act"). The Act provided \$25 billion in assistance for state and local governments throughout the United States through the Emergency Rental Assistance Program ("ERAP") (Division N, Section 501(a) of The Act). This funding is to assist eligible households that have difficulty making payments of rent and utilities due to the COVID-19 pandemic. Seminole County was allocated \$14,133,485.

At least 90 percent of the \$14,133,455 in federal funds must be used for rent, rental arrears, utilities and home energy costs, utilities and home energy arrears, and other expenses related to housing incurred directly or indirectly due to the pandemic.

The remaining 10 percent of the funds (or \$1,413,345) may be used for housing stability services, including case management or other services related to the coronavirus pandemic. This audit included the payments from March 1, 2021 through June 3, 2021.

<u>Purpose</u>	<u>Fund Allocation (%)</u>	<u>Fund Allocation (\$)</u>	<u>Disbursed as of 6/3/2021</u>
Individual Assistance	At least 90%	>= \$12.7 million	≈\$6.50 million
Administrative Services	Up to 10%	<= \$1.4 million	≈\$0.45 million
<b>Total</b>	<b>100%</b>	<b>\$14.1 million</b>	<b>\$6.95 million</b>

The County contracted with Ernst & Young LLP (EY) to review applications for funding requests and to provide completed review packages to County officials for funding decisions.

During the period of March 1, 2021 to June 3, 2021, approximately \$6.5 million was paid to individuals for rental assistance. During this period, three thousand sixty (3,060) individuals applied through the Portal; the application status breakdown is noted below.

<u>Status</u>	<u>No. of Individuals</u>	<u>Percentage</u>
Paid/Approved	1010	33%
Denied	555	18%
Incomplete Application Process	1357	44%
Application Review In-Process	138	5%
<b>Total</b>	<b>3,060</b>	<b>100%</b>

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

## *Audit Objective*

The objectives of the audit were to determine if the system of internal administrative controls is adequate and effective and to verify that the County was following federal, state, and county laws, regulations, policies, and procedures.

## *Methodology and Scope*

All Emergency Rental Assistance payments for the period from March 1, 2021 through June 3, 2021 were subject to audit.

The audit included reviewing:

- The terms and conditions of the Consolidated Appropriations Act;
- The Federal, State, and County laws, regulations, and guidelines;
- Applications and supporting documentation (statistically sampled) for compliance with approved guidelines;
- Responsibilities of EY and County personnel; and,
- Other procedures considered necessary under the circumstances.

## Overall Evaluation

The administrative controls over the Emergency Rental Assistance Program are adequate and effective. We also found that Seminole County is following Federal, State, and County laws, regulations, policies, and procedures.

For the period March 1, 2021 through June 3<sup>rd</sup>, 2021, the County has processed payments for over \$6.5 million dollars in emergency rental assistance.

In the report that follows, we have provided some recommendations for consideration as the program goes forward into the next year. The recommendations for consideration are included on page 7-8.

- Management review process is effective - Page 6; and,
- Some lease agreements might have expired - Page 8.



## *Recommendations for Consideration*

### *1. Management review process is effective.*

Ernst & Young LLP (EY) has a contract with the County to review applications for funding requests and to provide completed and fully supported applications to County officials for approval.

With this agreement, EY accepts and reviews the applications for requirements such as: (1) is the application a duplicate? (2) are all of the household member documentation included? (3) are the proper signed 2020 tax returns included for all members of the household? (4) is there an official lease rental agreement; (5) are all utility bills included; and, (5) is there a proper proof of loss?

Individuals applying for financial assistance are provided a unique opportunity to easily upload all of their financial records onto a portal that was established by EY. This allows EY complete access to all of the information needed to evaluate the application.

We found the program effective; supporting documents were successfully uploaded and evaluated by the management team for more than 3,000 individuals. With this, applicants are also required to upload copies of their signed or electronically submitted tax return.

The program limits eligibility to households with an aggregate income of not more than 80% of the area median income. To satisfy this, the County requires the applicant to submit a signed tax return or a transcript, if the return was filed electronically, as a basis for income confirmation. This requirement is to ensure that the applicant's financial information submitted is reliable and verifiable.

EY conducts the initial application review against the County's agreed upon checklist and decision matrix. EY is limited to assisting applicants with required documentation; applicants are allowed to update the portal and resubmit missing or incomplete documentation. We found that about 97% of the uploaded documentation was current and complete. We found examples, however, that some applicants (18) had submitted unsigned tax returns.

In these particular cases, EY sent the files to the County for follow-up and final action. The County management team has a process that all of the applications get reviewed and approved by two managers for a check and balance on the process. The procedures have some compensating controls to ensure the applications are accurate and complete.

From an audit perspective, it would improve the system of controls for managers to add comments to the portal as to how the observed issues (usually missing documentation) were resolved or the discretion used by County to approve the application with incomplete or alternative documentation.

By updating the portal with notes regarding actions taken ensures a complete auditable trail of all the actions and management review consideration.

## **Recommendation**

Update applicant files with notes by management on approval decisions for files that might be either missing some financial information or if alternative documentation was considered.

## **Management Response to #1**

With regards to the 18 unsigned tax returns, EY did note those as observations but in the ERAP policy and procedures, a signed tax return is not a required document. The policy requires "2020 Tax Return 1040 Form for all adults in the household or income for the last 60 days prior to application submission." The Procedure Manual for staff allows for tax returns to have a wet signature, have been electronically signed, or a tax confirmation from the preparer/software.

## **Inspector General Comment**

Please note that the 18 unsigned tax returns noted above did not have either 1) a wet signature, 2) evidence of electronic submission, or 3) a confirmation from the tax preparer/software.

The Income Tax Return is one of the tools that can be used to confirm: annual income; children or dependents; and, number of persons in the household. This is also used to determine whether an applicant is qualified and is included in the category of being under the 80% Area Median Income.

We fully understand that management made the decision to approve these applications, and we support that decision.

From an audit perspective, we are recommending that the file be annotated with the reasons for the override. The file should be noted with what other alternative measures or considerations were used to replace the value of a signed income tax return.

We very much appreciate the hard work and diligence by your staff to ensure that residents are provided the opportunity to participate in the program.

## *2. Some lease agreements might have expired.*

County policy allows up to 12 months of financial assistance in arrears for applicants with official lease agreements and verification from the lessor as to the amount owed to pay any deficiency.

To maintain housing stability, the applicant could also qualify for an additional three (3) months as long as the lease is current and has not expired. Some leases may or may not have an automatic renewal clause or has unique language that allows for a month-to-month extension.

We found five (5) examples of applicants who received the additional 3 months of rental assistance that exceeded the term of the lease. The aggregated cost of the additional assistance was for approximately \$9,400.

We acknowledge that the decision to award additional money might not be that unusual based on the conditions of the lease. Management may have determined that the applicants noted above were still residing in the apartment and that financial assistance was still needed to relieve their financial hardships.

From an audit perspective, there would be added value to document the portal and the applicant's file with a simple note as to how the elections were made to award the additional funding despite an expiring lease. The County management team is committed to helping the community with the necessary assistance and we support the initiatives by the management team.

By completely documenting the decisions being made on the portal and in the applicant's file ensures a complete, accurate, and auditable trail.

### **Recommendation**

Update portal and applicant's file with applicable notes regarding the management decision process.

## Management Response to #2

In response to the five applications cited as having expired lease agreements, we pulled and reviewed the files and have found that 4 of the 5 files have either a month-to-month clause or an automatic renewal clause included in the lease. One lease agreement had expired.

- Applicant 1: **lease has an automatic month to month clause**
- Applicant 2: **lease has an automatic month to month clause**
- Applicant 3: **lease was through 6/8/2021 but we paid through July 2021**
- Applicant 4: **lease has an automatic month to month clause**
- Applicant 5: **lease has an automatic renewal clause**

We thank you for your technical assistance and support. We are pleased to be able to integrate the auditor's recommendations and will input notes in client files for any client approved with alternative documentation. We are proud to partner with you to improve the lives of Seminole County residents.

## Inspector General Comment

We agree totally that the automatic renewal or month-to-month clause in the lease agreement (see 2<sup>nd</sup> paragraph of page 8), as well as the landlord payment ledger, provides a good basis for management approval.

Adding notes to the file provides for complete documentation of the approval process.