



EXECUTIVE SUMMARY
Coronavirus Relief Fund Expenditures Part II
OPA Report No. 22-06, November 2022

Our audit of the Guam small business pandemic relief programs, the Pandemic Assistance Grant (PAG) and Rent Assistance Grant (RAG), funded by the Coronavirus Relief Fund (CRF), found that the Guam Economic Development Authority (GEDA) generally followed and complied with the criteria of eligibility and grant amounts were in accordance with the Executive Orders and policies and procedures outlined in the program guidelines. GEDA, the agency responsible for the administration of the CRF small business grants, worked to provide Guam small business owners with financial assistance quickly and effectively. Although we commend GEDA for working swiftly to provide financial relief, we found some deficiencies in the processes and some internal control lapses resulting in overpayments, potential overpayments, and documentary deficiencies. We found questioned costs totaling \$56.7 thousand (K) and total financial impact of \$426.7K.

Small Business Pandemic Assistance Grant (PAG)

We identified issues in 14 applications. Specifically:

1. Awards Calculated with Errors Resulting in Overpayments of \$9.5K

We found overpayments of approximately \$9.5K on four awards granted due to GEDA's encoding errors of gross receipts, calculation errors, or discrepancies with gross receipts provided by the applicants and that of the program files. We recommend an expansive post review on awarded grants, if feasible, or an extensive post review in future award administration.

2. Applicant's Awards Were Based on One Gross Receipt for the Entire Coverage Period

The applicant for Application No. PAG-0923-002 received an award calculated based on income from one gross receipt tax (GRT) form for December 2019 – the only income reported in the 12-month period. The December 2019 gross receipts, initially reported as \$7,980, were averaged for 12 months and used in the business interruption (BI) calculation, resulting in an award of \$166. The applicant submitted a second December 2019 GRT form for \$37,787, which increased his BI, and received an additional award of \$787. GEDA stated that the additional GRT filing was filed with the Department of Revenue and Taxation (DRT) on the same day and the award was adjusted.

3. One Application was Paid Twice but Duplicate Payment was Returned

An applicant received two awards for Application No. PAG-1138, resulting in an overpayment of \$11.7K. Although GEDA discovered the duplicate payment on July 23, 2020 and credited it back to the Department of Administration fund account on September 30, 2020, there were ineffective internal controls. Since our audit sample for testing was minimal, other potential double payments could have occurred with this lapse in internal control. Therefore, we

recommend an expansive post-review on awarded grants, if feasible, or an extensive post review in future award administration.

4. Potential Error on Grant Calculation based on Unconfirmed Gross Receipts

An applicant for Application No. PAG-1067 submitted a December 2019 GRT Form without a gross receipts amount, but only a tax due amount indicated. GEDA calculated gross receipts of \$49,079.80 using the tax due amount of \$2,453.99 (divided by 5%). Using the calculated gross receipts, the applicant had a BI of 70% with a maximum grant amount of \$10,825. There was no documentation on file to show confirmation of gross receipts amount was made with applicant.

5. PAG Awards Granted with Reconsiderations

According to the Standard Operating Procedures (SOP) of the PAG Program, an applicant can request a formal reconsideration of their denied application detailing the reasons for reconsideration. GEDA's SOP did not specify any criteria or factors to reconsider, documents to be submitted, nor a specific threshold for reconsideration. GEDA's position was to approve requests for reconsiderations for those applicants experiencing a BI of over 20%. We identified two applications that requested reconsiderations after being notified of grant ineligibility. Original applications were ineligible for not experiencing BI as defined by the program guidelines. Total grants reconsidered amounted to \$50,063. Although we respect the Review Committee's judgement, we recommend that moving forward, the criteria, factors, threshold, and processes for reconsideration be incorporated into the SOP for transparency and fairness.

6. PAG awards Based on Amended Gross Receipts

Application No. 0083 received a \$5K grant based on an April 2020 gross receipts amended from \$21,190 to "zero", and was therefore qualified for experiencing a BI. We also observed that gross receipts for February 2020 and March 2020 were exactly the same amount of \$21,190. GEDA did not verify the correctness of the amended gross receipt amounts because, based on their understanding from DRT, amended gross receipts stamped "received" by DRT superseded the original filing. We recommend that moving forward, in case of doubtful information, an interview with the applicant may be needed.

Small Business Pandemic Rent Assistance Grant (RAG)

Issues were identified in 36 applications. Specifically:

1. Awards were Calculated Based on Landlord Verifications, which Differed from Lease Agreements, Resulting in Overpayments

- a. For seven awards, grants were calculated using the base rent amounts per landlord verification plus common area charges/fees (CAF), if applicable. These differed from the base rent on the lease agreements, resulting in overpayments totaling \$12.4K.

There were four awards based on landlord verification that differed from lease agreements. One application used landlord verification and a prior lease agreement instead of a current lease agreement. Additionally, for one applicant, the landlord verification included additional rent not supported with lease agreement.

- b. For eight awards, grants were calculated using only the landlord verification amounts, which included CAF. This resulted in potential overpayments totaling \$15.9K. Although the base rents on landlord certifications were the same as on the lease agreement, CAF amounts were not supported by the lease agreement. We acknowledge the Review Committee's judgment to consider and use the landlord verification to facilitate the processes. However, if GEDA believes that the guidelines are not practicable, we recommend that moving forward, necessary amendments be made on the SOP so that decisions/awards are in accordance with the guidance.

2. Ineligible Applicant Received an Award-\$14.4K

One individual in Application No. RAG-1202-017 signed as the business owner (applicant) on the grant application, the authorized official on the self-certification form, the landlord on the landlord verification form, and the lessor on the lease agreement. This leads us to conclude that the applicant is paying rent to themselves, or the lessor and lessee are one or have related business interests. The applicant was deemed eligible, despite the questionable documentation, and awarded \$14.4K. GEDA granted the award erroneously due to the manner the form was filled out and signed by the applicant. We recommend appropriate action be undertaken, if the award is recoverable.

3. Awards Granted Without Current Lease Agreements

Two applicants were awarded grants totaling \$15.5K, but failed to provide their required current lease agreements. GEDA accepted a letter from a landlord indicating a month-to-month lease as a current lease agreement. We recommend that moving forward, program requirements be strictly complied with.

Weaknesses in Internal Controls

Despite the various challenges encountered, GEDA generally exerted their best efforts to institute checks and balances in their processes. However, we noted lapses in the documentation of responsibilities of personnel involved in the encoding, review and approval processes. We recommend that GEDA strengthen its internal control system by establishing written description of staff's responsibilities, and clear documentation of review and sign-off processes.

Conclusion and Recommendations

GEDA generally followed and complied with the criteria of eligibility and grant amounts were in accordance with the Executive Orders and policies and procedures outlined in the program guidelines. The agency exerted their best efforts to institute checks and balances in their processes despite the various challenges encountered.

Although this audit found some discrepancies in grant amounts, deficiencies in processes, and lapses in internal controls, GEDA acknowledged these weaknesses and initiated improvements. We commend GEDA management's plan to institute measures to amend and improve provisions in its SOP for implementation in their ongoing or future award administration. We made seven recommendations, some of which were complied with based on management's response.

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