



**GUAM ECONOMIC DEVELOPMENT
AUTHORITY
CORONAVIRUS RELIEF FUND
EXPENDITURES PART II**

PERFORMANCE AUDIT
May 2020 – March 2021

OPA Report No. 22-06
November 2022





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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.

Benjamin J.F. Cruz
Public Auditor

Introduction

This report presents the results of our performance audit of the Government of Guam's (GovGuam) Coronavirus Relief Fund Expenditures Part II. This review covers the Guam small business relief programs – the Small Business Pandemic Assistance Grant (PAG) and Small Business Pandemic Rent Assistance Grant (RAG) – and the awarding of these grants.

The expenditures of the PAG and RAG were paid from federal funds provided by the United States Department of Treasury, relative to the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This audit was initiated in response to Public Law (PL) 35-86, which mandated the Office of Public Accountability to conduct semiannual audits of all expenditures associated with the CARES Act.

The objectives of this audit are to determine whether:

- a. Grant recipients were eligible; and
- b. Grant amounts were in accordance with Executive Orders and program guidelines.

Background

On January 30, 2020, the World Health Organization declared a Global Health Emergency due to the COVID-19 outbreak. The United States Health and Human Services Secretary declared a public health emergency on January 31, 2020. In response to the national and international declarations, the Governor of Guam declared a state of emergency through Executive Order 2020-03 on March 14, 2020. President Donald Trump signed the CARES Act into law on March 27, 2020 to deliver an urgently needed economic relief package to the American people.

Under Title VI, Section 601 of the CARES Act, a \$3 billion Coronavirus Relief Fund (CRF) package allocated funding to the District of Columbia, Puerto Rico, United States Virgin Islands, Guam, the Commonwealth of Northern Mariana Islands, and American Samoa. Guam received \$118 million (M) in CRF monies and expended the entire amount as of March 2021.

The CARES Act restricted the use of CRF to cover the following costs (Title VI, Section 601 (d)):

- Necessary expenditures incurred due to the public health emergency with respect to COVID-19;
- Expenditures not accounted for in the budget most recently approved as of the date of enactment of this section for the State or government; and
- Costs incurred during the period that begins on March 1, 2020 and ends on December 31, 2021.

Expenditures may include medical and public health needs, economic support of those suffering from employment or business interruption (BI) due to COVID-19 related business closures.

Small Business Pandemic Assistance Grants (PAG)

In an effort to provide financial relief to the people of Guam, the Governor issued several executive orders (E.O.) establishing pandemic assistance grants funded by the CRF. The Governor issued EO 2020-18 in June 2020, establishing the Guam Small Business Pandemic Assistance Grant

(PAG). A total of \$20M was allocated to provide direct relief to Guam’s small businesses suffering great financial hardship due to business closures. The Guam Economic Development Authority (GEDA) was designated as the entity responsible for the program’s administration.

Small Business Rent Assistance Grant Program (RAG)

EO 2020-40 established the Small Business Rent Assistance Grant Program (RAG) to provide direct financial assistance to local small businesses for the payment of rent obligations to commercial landlords. A total of \$3M was allocated from the CARES Act funding for this program.

As an administrator of the PAG and RAG, GEDA was tasked to create the programs – including its applications, standard operating procedures (SOP), and other relevant documentations. GEDA was also tasked to institute a system of reporting to include auditable certification to ensure accountability.

Memorandum M-20-21 – United States Office of the Management and Budget - April 10, 2020 - Implementation Guidance for Supplemental Funding Provided in Response to COVID-19

M-20-21 directed agencies to leverage and continue to employ existing financial transparency and accountability mechanisms wherever possible. Agencies must report information on awards to the public with information in a clear, accurate, and timely manner. Agencies must continue to use standard best practices that include internal controls necessary for planning and managing contracts, loans, grants, and other forms of assistance.

Applicable Laws

Laws pertaining to CRF include the following:

- United States PL 116-136, widely known as the CARES Act
 - Allocation of federal funds to States, Territories, and Tribal Governments to respond to the COVID-19 outbreak.
- Guam PL 35-86, Rapid and Transparent Implementation of Federal and Local Assistance Programs Related to the COVID-19 Pandemic
 - Mandates related to accountability of funds used in response to COVID-19.

See Appendix 2 for the details of Applicable Laws.

Results of Audit

Our audit of the Guam small business pandemic relief programs, the PAG and RAG, funded by the CRF, found that GEDA generally followed and complied with the criteria of eligibility, and grant amounts were in accordance with the EOs 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's small business owners with financial assistance quickly and effectively. Although we commend GEDA in 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.

Specifically, we found:

Small Business Pandemic Assistance Grant (PAG)

1. Awards calculated with errors resulting in overpayments totaling \$9.5K
2. Applicant's awards were based on one gross receipt for the entire coverage period.
3. One application paid twice but duplicate payment was returned.
4. Potential error on grant calculation based on unconfirmed gross receipts.
5. PAG awards granted with reconsiderations.
6. PAG award based on amended gross receipts.
7. PAG award applications were without complete documents required by program guidelines.

Small Business Pandemic Rent Assistance Grant (RAG)

1. Awards were calculated based on landlord verifications, which differed from lease agreements, resulting in potential overpayments.
 - a. Base rent amounts on landlord verifications differed from those on lease agreements.
 - b. Awards were inclusive of common area fee not specified in the lease agreements.
2. Ineligible applicant received an award.
3. Awards granted without current lease agreements.
4. RAG awarded applications were without documents required by program guidelines.
5. Inconsistent basis of grant calculations but maximum awards remain.

Weaknesses in Internal Control

Despite the various challenges encountered, GEDA personnel generally exerted their best efforts to institute checks and balances. However, we found some lapses in GEDA's internal control.

Small Business Pandemic Assistance Grant (PAG)

We examined 86 (or 3%) out of 2,796 PAG applications. Of the 86 sampled applications, issues were identified in 14 (or 16%) applications.

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 program files. In overstating the gross receipts of the applicants, the awards were granted in excess. See Table 1 below.

Table 1: PAG Overpayments Due to Miscalculations

Application No.	Award Amount		Overpayment	Cause
	Per GEDA	Per Audit		
PAG-0195	\$ 12,229	\$ 3,939	\$ 8,290	Overstatement in encoding gross receipts
PAG-0366	\$ 39	\$ -	\$ 39	No business interruption
PAG-1126-003	\$ 6,424	\$ 5,549	\$ 875	Overstatement in encoding gross receipts
PAG-26041	\$ 3,622	\$ 3,357	\$ 265	Discrepancy in gross receipts amount
Total			\$ 9,469	

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, so the award was adjusted.

The basis of the BI calculation, which was the December 2019 gross receipts amount alone, appeared doubtful. Based on the documents submitted, the applicant earned income only in December 2019 and none from January to April 2020, and thus experienced BI. The applicant received two payments totaling \$953. See Table 2 below.

Table 2: Award based on December 2019 GRT

Application No.	Date Awarded	Award Amount	Gross Receipts Dec. 2019	Business Interruption	Remarks
PAG-0923-002	10/6/2020	\$ 166	\$ 7,980	\$ 665	There were \$0 gross receipts reported for 11 months (March-November 2019 & January-February 2020). Gross receipts

					were only reported with a dollar amount for December 2019.
PAG-0923-002	10/20/2020	\$ 787	\$ 37,787	\$ 3,149	Second GRT submitted (with DRT stamp)
Total		\$ 953			

In similar cases, it would be appropriate for GEDA to conduct interviews with the applicant. Therefore, we recommend that moving forward, GEDA conduct interviews or discuss matters needing clarification with the applicant.

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. See Table 3 below. Although GEDA discovered the duplicate payment dated July 23, 2020 and credited it back to the Department of Administration (DOA) fund account on September 30, 2020, there were ineffective internal controls. GEDA sent the applicant’s approved award information to DOA twice for payment under the same application number. DOA assigned a second invoice number for the same application and both invoices were paid. This discovery by GEDA shows that their post-review process was effective.

Table 3: Award Paid Twice

Application No.	Payment Date	Payment Amount	Check No./Transaction No.	Invoice No. per AS400
PAG-1138	7/8/2020	\$ 11,666.67	0713240	PAG 1138
PAG-1138	7/23/2020	\$ 11,666.67	0716934	PG 603004

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%). However, dividing the tax due amount by 5% does not necessarily equate to gross receipts, as the gross receipts may be subject to exemptions. 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 the applicant.

Although there could be a possible understatement of gross receipts, we recommend that moving forward, confirmation of uncertain information be made to ensure accuracy of the award amount.

5. PAG Awards Granted with Reconsiderations

According to the PAG Program SOP, 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%, although not many went through.

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. The PAG guidelines define BI as the reduction in gross receipts of 25% or more using the average monthly gross receipts from March 2019 through February 2020, less gross receipts for April 2020.

- a. Application No. PAG-3-0701-002 was deemed ineligible by GEDA, having experienced a BI of \$59K or 21.14%. Despite the ineligibility, the application was approved for a grant of \$50K and was paid on January 15, 2021. According to GEDA, the applicant submitted a reconsideration request citing a 30% gross margin decrease. The GEDA Review Committee considered 21% BI significant enough to approve the award.
- b. Application No. PAG-0056 was deemed ineligible by GEDA based on their BI of -118%, meaning their April income was more than double their average monthly income. The applicant submitted a request to consider their "\$0" May gross receipts (instead of April 2020 per grant guidance). GEDA reconsidered the application, and the applicant received a minimal grant of \$63.

The GEDA Review Committee also reconsidered the months of May 2020, June 2020, and July 2020 instead of only April 2020 to determine BI. This was because the pandemic was still ongoing, and GEDA considered that income recorded in April could have been for earnings billed in prior months. 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 Award 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 reported for February 2020 and March 2020 were exactly the same amount of \$21,190, which appeared to be doubtful.

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. Moving forward, we recommend that, in case of doubtful information, an interview with the applicant may be needed.

7. PAG Award Applications Were Without Complete Documents Required by the Program Guidelines

Four PAG applications were without the complete documents required by the program. These applications were without the Employer Quarterly State Wage Report (Form SW-2) for those businesses whose 2019 gross receipts exceed \$1.5M, as well as complete GRT filings for retail license no. 201702049. Awarded amounts for incomplete PAG applications identified totaled \$138.2K. See Table 4 below.

Table 4: Incomplete Applications

Application No.	Award Amount	Deficiency
PAG-0624-010	\$ 1,616	Different GRT numbers (ending 2049 & 0206)
PAG3-0713-001	\$ 50,000	Form SW-2
PAG3-0817-001	\$ 36,543	Form SW-2
PAG3-0821-001	\$ 50,000	Form SW-2
Total	\$ 138,159	

GEDA stated that the North American Industry Classification Business Code was used for each applicant to determine if an applicant’s business meets the United States Small Business Administration’s small business size standards. Business size is determined by revenues or the number of employees, depending on the industry. GEDA further stated that they did not enforce the Form SW-2 submission for businesses whose size standard is based on revenue. This Form SW-2 requirement was not included in GEDA’s subsequent grants, as they believed it unnecessary. Since the PAG applications reviewed were governed by the existing program guidelines, compliance with those program guidelines could have been required.

Application No. PAG-0624-010 provided retail business license no. 201702049, which corresponds with the applicant’s GRT account number. We noted that gross receipt filings for May 2020 through August 2020, and January 2020 indicated GRT number 201800206, which does not match with the business license provided and other GRT forms filed. According to GEDA, the account numbers were verified with DRT as belonging to two sole-proprietorships owned by the same person. The GRTs for both account numbers were accepted by GEDA and used as the basis for the award of \$1.6K.

We recommend that, moving forward, program requirements be strictly complied with or an amendment to the SOP be made.

Small Business Pandemic Rent Assistance Grant (RAG)

We examined 104 (or 15%) out of 705 applications received under the CRF. Of the 104 sampled applications, issues were identified in 37 (or 36%) applications.

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

Per program guidelines, grant awards shall be calculated based on the applicant’s lease agreement **and** the landlord verification form that indicates past due or common area fees

(CAF) exist. Grant awards **shall equal two months' rent** (base rent plus CAF only), or \$15K, whichever is less.

If the rent is due, approval shall be determined by a verification of monthly rent indicated in the **lease agreement and landlord certification form**. If the rent is current, approval shall be determined based on the BI amount, which shall be equal to or greater than one month's base rent plus CAF.

a. Award Calculated Based on Landlord Verification

For seven awards, grants were calculated using the base rent amounts per landlord verification (plus CAF, if applicable). These differed from the base rent on the lease agreements, resulting in overpayments totaling \$12.4K. See Table 5.

i. Based on Landlord Verification -\$780

For four awards totaling \$39.1K, grants were calculated using rent amounts on the landlord verifications (plus CAF, if applicable), which differed from the amounts on the lease agreements. For these four awards, GEDA used landlord verifications because the lease agreements contained a provision on CAF with unspecified amounts and "percentage of sales" rent. According to the RAG Guidelines, **rent shall not include any percentages charged by a landlord on the gross receipts of a tenant**. See Table 5.

According to GEDA, they did not expect to encounter lease agreements containing variables that would require a long process to verify. To simplify the process, the landlord verification amount was used.

ii. Based on Landlord Verification & Prior Lease Agreement-\$10K

For Application RAG-1125-216, the award was calculated based on the landlord verification and a prior lease agreement instead of the current lease agreement. The current lease agreement included a waiver of past fees and a discounted rate going forward. Award was granted with an overpayment of \$10K. See Table 5.

iii. Landlord Verification Included Additional Rent Without Lease Agreement-\$1.6K

For Application RAG-1201-017, the award was calculated to include \$800 rent for an additional unit that was not supported by a lease agreement. Although the additional unit's lease agreement was not on file, GEDA included it in the award calculation because the applicant provided receipts for rent payments. Award was granted with an overpayment of \$1.6K. See Table 5.

Table 5: Landlord Verification Amounts Differ from Lease Agreement

Application No.	Landlord Verification/Self Certification (GEDA)			Lease Agreement (OPA)			Overpayment
	Base Rent	CAF	Total	Base Rent	CAF	Total	
RAG-1125-025	\$ 6,464	\$ -	\$ 6,464	\$ 6,461	\$ -	\$ 6,461	\$ 6
RAG-1125-216	\$ 9,450	\$ -	\$ 9,450	\$ 2,500	\$ -	\$ 2,500	\$ 10,000

RAG-1201-017	\$ 2,000	\$ -	\$ 2,000	\$ 1,200	\$ -	\$ 1,200	\$ 1,600
RAG-1125-180*	\$ 4,740	\$ -	\$ 4,740	\$ 4,503	\$ -	\$ 4,503	\$ 473
RAG-1127-029*	\$ 5,158	\$ 1,920	\$ 7,078	\$ 5,104	\$ 1,900	\$ 7,004	\$ 147
RAG-1127-072*	\$ 2,063	\$ 827	\$ 2,890	\$ 2,041	\$ 818	\$ 2,860	\$ 60
RAG-1127-081*	\$ 3,442	\$ 1,380	\$ 4,821	\$ 3,406	\$ 1,365	\$ 4,771	\$ 100
Total							\$ 12,386

*considered by GEDA on the provision of a percentage of sales rent

b. Landlord Verification Included CAF Unsupported by Lease Agreement

For eight awards, grants were calculated using only the landlord verification amounts, which included common area fees. 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. The guidelines required both the landlord verification **and** lease agreements. However, both documents have inconsistent provisions relative to the CAF. The grant awards were paid inclusive of CAFs included in the landlord verification. See Table 6 below.

We acknowledge GEDA’s judgment to consider and use the landlord verification to facilitate the processes. However, the landlord verification amounts are, at times, significantly higher than the lease agreements. 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.

Table 6: Landlord Verification CAF Amounts Unsupported by Lease Agreement

Application No.	Landlord Verification/Self Certification (GEDA)			Lease Agreement (OPA)			Potential Overpayment
	Base Rent	CAF	Total	Base Rent	CAF	Total	
RAG-1125-073	\$ 3,778	\$ 1,070	\$ 4,848	\$ 3,778	\$ -	\$ 3,778	\$ 2,140
RAG-1125-097	\$ 2,571	\$ 1,183	\$ 3,754	\$ 2,571	\$ -	\$ 2,571	\$ 2,365
RAG-1125-193	\$ 5,625	\$ 4,650	\$ 10,275	\$ 5,625	\$ -	\$ 5,625	\$ 3,750
RAG-1127-023	\$ 2,760	\$ 1,450	\$ 4,210	\$ 2,760	\$ -	\$ 2,760	\$ 2,900
RAG-1127-027	\$ 5,500	\$ 2,170	\$ 7,670	\$ 5,500	\$ 1,000	\$ 6,500	\$ 2,000
RAG-1127-101	\$ 1,470	\$ 476	\$ 1,946	\$ 1,470	\$ -	\$ 1,470	\$ 952
RAG-1128-011	\$ 6,839	\$ 3,820	\$ 10,659	\$ 6,839	\$ -	\$ 6,839	\$ 1,322
RAG-1128-044	\$ 6,500	\$ 230	\$ 6,730	\$ 6,500	\$ -	\$ 6,500	\$ 460
Total							\$ 15,889

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

According to grant guidelines, a related business shall not be eligible to receive rental assistance under this program. A related business is defined as “a Guam business that owns, or is owned by, another company or are both owned by a third company or that share more than a 30% common ownership”.

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 self, 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. The check for the award was issued to the business name indicated as applicant in the application form.

We recommend appropriate action if the award is recoverable. We recommend that moving forward, GEDA implement strict review processes to ensure propriety of awards granted.

3. Awards Granted Without Current Lease Agreements

Two applicants were awarded grants, but failed to provide their required current lease agreements. GEDA accepted letters from the landlords indicating a month-to-month lease as a current lease agreement, but both letters did not include any terms.

a. RAG-1125-169 - Award \$8.1K

The lease agreement, indicating a base rent of \$4.1K, expired in 2018 and no current lease agreement was submitted. Award of \$8.1K was based on expired lease agreement.

b. RAG-1127-086 - Award \$7.4K

The lease agreement, indicating a base rent of \$6.8K, expired in 2015 and no current lease agreement was submitted. It was noted on the application file that there was discussion with the applicant whereby they were given a discounted rate due to the pandemic as justification for the landlord verification amount being lower than the self-certification form and expired lease agreement. Award of \$7.4K was based on the landlord verification form.

We recommend that moving forward, program guidelines and requirements be strictly complied with.

4. RAG Awarded Applications Were Without Documents Required by Program Guidelines

According to the RAG Program overview, each applicant is required to submit the following: grant application, current business license, current rent/lease agreement, Page 1 of the 2019 filed income tax return (stamped received), applicant self-certification form, Form SW-2 (if 2019 gross income is above \$1.5M), month-ending April 2020 filed GRT stamped received by DRT (if rent obligation is current), and landlord verification (if rent obligation is in arrears).

a. One RAG applicant, whose 2019 annual gross income exceeded \$1.5M, failed to submit the required Form SW-2. The applicant received a \$12.9K award.

b. Eighteen RAG applicants were awarded grants, but failed to provide the required DRT stamped 2019 income tax forms. Five of those applications were with 2019 income tax forms that did not show gross receipts. The required DRT stamped 2019 income tax form with details of gross receipts is used to determine the BI (if rent is current) and if the applicant qualifies as a small business. According to GEDA, if an applicant's 2019 income

tax form does not indicate a gross receipt amount, they looked at GRT documents from their PAG application, or requested the applicant submit their Schedule C or GRT forms. There was no documentation of these on file for these five applications.

We recommend that moving forward, documentation requirements be strictly complied with or an amendment to the SOP be made to ensure propriety of awards granted. See Table 7 below.

Table 7: Incomplete Applications

Application No.	Award Amount	Rent Status	Missing Documents
RAG-1125-148	\$ 5,984	Current	DRT stamped 2019 income tax form; No details of gross receipts (only shows net income on unstamped 2019 tax form)
RAG-1127-101	\$ 3,892	Due	DRT stamped 2019 income tax form; No details of gross receipts (only shows net income)
RAG-1128-030	\$ 6,974	Current	DRT stamped 2019 income tax form; No details of gross receipts (only shows net income)
RAG-1128-031	\$ 8,360	Current	DRT stamped 2019 income tax form; No details of gross receipts (only shows net income)
RAG-1128-033	\$ 8,240	Current	DRT stamped 2019 income tax form; No details of gross receipts (only shows net income)
RAG-1125-114	\$ 8,500	Current	DRT stamped 2019 income tax form
RAG-1127-086	\$ 7,374	Due	DRT stamped 2019 income tax form
RAG-1125-215	\$ 15,000	Due	DRT stamped 2019 income tax form
RAG-1127-102	\$ 2,500	Due	DRT stamped 2019 income tax form
RAG-1201-027	\$ 15,000	Due	DRT stamped 2019 income tax form
RAG-1125-169	\$ 8,110	Current	DRT stamped 2019 income tax form
RAG-1125-203	\$ 10,000	Due	DRT stamped 2019 income tax form
RAG-1127-081	\$ 9,643	Due	DRT stamped 2019 income tax form
RAG-1127-086	\$ 7,374	Current	DRT stamped 2019 income tax form
RAG-1127-127	\$ 1,666	Due	DRT stamped 2019 income tax form
RAG-1128-011	\$ 15,000	Due	DRT stamped 2019 income tax form
RAG-1130-066	\$ 3,500	Current	DRT stamped 2019 income tax form
RAG-1130-068	\$ 4,044	Due	DRT stamped 2019 income tax form

5. Inconsistent Basis of Grant Calculations but Maximum Awards Remain

Seven grant awards were calculated based on landlord verifications, which were higher than the lease agreement amounts. GEDA used the landlord verification as the basis of the grant calculation because the lease agreements contained a provision on CAF and a “percentage of sales” rent, which are undeterminable without additional documents. However, according to the RAG Guidelines, rent shall not include any percentages charged by a landlord on the gross receipts of a tenant.

Although these seven awards would remain the maximum \$15K using the lease agreement, there was evidence of an inconsistency in the basis of calculating the award amount, as other

fees included were not specified in the lease agreement. The inconsistency of the basis of grant calculation is a flaw in internal controls. We recommend that moving forward, award calculation be consistently based and guided by the SOP. See Table 8.

Table 8: Landlord Verification Amounts Included CAF and Other Charges

Application No.	Maximum Grant	Per Landlord Verification/Self Certification	Per Lease Agreement	Difference	Remarks
RAG-1125-107	\$ 15,000	\$ 29,911	\$ 28,661	\$ 1,250	Landlord verification included electrical amount noted on the Lease Agreement
RAG-1125-108	\$ 15,000	\$ 9,170	\$ 8,670	\$ 500	Landlord verification included electrical amount noted on the Lease Agreement
RAG-1125-115	\$ 15,000	\$ 10,221	\$ 8,208	\$ 2,013	CAF not specified on Lease Agreement, but included on Landlord Verification
RAG-1125-144	\$ 15,000	\$ 11,282	\$ 10,745	\$ 537	CAF not specified on Lease Agreement, but included on Landlord Verification
RAG-1125-185	\$ 15,000	\$ 12,842	\$ 9,583	\$ 3,259	CAF not specified on Lease Agreement, but included on Landlord Verification
RAG-1125-231	\$ 15,000	\$ 10,636	\$ 8,450	\$ 2,186	CAF not specified on Lease Agreement, but included on Self Certification
RAG-1127-028	\$ 15,000	\$ 9,458	\$ 9,217	\$ 241	CAF not specified on Lease Agreement, but included on Landlord Verification

Weaknesses in Internal Control

In our review of internal control measures that GEDA applied during the processes, we observed that GEDA generally exerted their best efforts to institute checks and balances despite the various challenges encountered. However, we noted some lapses in the following:

1. There was no clear documentation on each level of responsibility for preparers, reviewers, and approvers and how the process would be conducted. To maintain proper accountability, the program should have clear documentation of staff and their responsibilities, and documentation of the review process.
2. We could not identify the sign-offs of the data encoded, although there are indications and signatures in the hard copies (notes attached to the individual applicant folders) on who performed the reviews with findings/comments and the disposition of any deficiencies.

To easily pinpoint responsibility, all persons involved in the process must perform a sign-off.

3. In the RAG program requirements, an applicant has to have resumed business operations or plan to resume business operations in the same location. Per our discussion with GEDA, only one visitation was made, and businesses were monitored via social media accounts. These activities were not documented.

As the underlying cause of our findings is in the internal controls, we recommend that GEDA strengthen its internal control system by establishing a written outline of staff responsibilities and clear documentation of review and sign-off processes.

Conclusion and Recommendations

Our audit of the Guam small business pandemic relief programs, the PAG and RAG, funded by the CRF, found that GEDA generally followed and complied with the criteria of eligibility, and grant amounts were in accordance with the EOs and policies and procedures outlined in the program guidelines.

GEDA 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, documentary deficiencies, and lapses in internal controls, GEDA acknowledged these weaknesses and initiated improvements. During the exit conference, GEDA made representations that it has since made improvements to its SOPs and internal controls and applied those changes to their subsequent grant programs.

We commend GEDA management in instituting amendments and improvements on some provisions in its SOP for implementation in their ongoing or future award administration.

We made the following recommendations to the GEDA Administrator:

1. Perform an expansive post review on awarded grants, if feasible, or an extensive post review in future award administration.
2. When appropriate, confirm uncertain and doubtful information or conduct interviews with applicants, moving forward, to ensure accuracy of award amount.
3. Moving forward, incorporate criteria, factors, thresholds, and processes for reconsiderations on the SOP for transparency and fairness.
4. Program guidelines be strictly implemented and documentation requirements be complied with, as well as for necessary amendments to be made to the SOPs, moving forward.
5. For the RAG ineligible award, appropriate action be undertaken if the award is recoverable. We recommend that moving forward, strict review processes be implemented to ensure propriety of awards granted.
6. Moving forward, award calculation be consistently based and guided by the SOP.
7. Strengthen internal control system by establishing a written description of staff's responsibilities and clear documentation of review and sign-off processes.

Classification of Monetary Amounts

No.	Finding Description	Questioned Cost	Potential Savings	Unrealized Revenues	Other Financial Impact	Total Financial Impact
Small Business Pandemic Assistance Grant (PAG)						
1.	Awards were calculated with errors resulting in overpayments	\$ 9,469	\$ -	\$ -	\$ -	\$ 9,469
2.	Applicant's awards were based on one gross receipt for the entire coverage period	\$ -	\$ -	\$ -	\$ 953	\$ 953
3.	Application was paid twice but duplicate payment was returned	\$ -	\$ -	\$ -	\$ -	\$ -
4.	Potential error on grant calculation based on unconfirmed gross receipts	\$ -	\$ -	\$ -	\$ 10,825	\$ 10,825
5.	PAG awards granted with reconsiderations	\$ -	\$ -	\$ -	\$ 50,063	\$ 50,063
6.	PAG award based on amended gross receipts	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
7.	PAG award applications were without complete documents required by the program guidelines	\$ -	\$ -	\$ -	\$ 138,159	\$ 138,159
	Total PAG	\$ 14,469	\$ -	\$ -	\$ 200,000	\$ 214,469
Small Business Pandemic Rent Assistance Grant (RAG)						
1.	Award calculations were based on landlord verification forms, which differed from the lease agreements, resulting in potential overpayments.					
	a. Award calculated based on landlord verification	\$ 12,386	\$ -	\$ -	\$ -	\$ 12,386
	b. Landlord verification included Common Area Fee not specified in the Lease Agreements	\$ -	\$ -	\$ -	\$ 15,889	\$ 15,889
2.	Ineligible applicant received an award	\$ 14,400	\$ -	\$ -	\$ -	\$ 14,400
3.	Awards granted without current lease agreements	\$ 15,483	\$ -	\$ -	\$ -	\$ 15,483
4.	RAG award applications were without documents required by program guidelines	\$ -	\$ -	\$ -	\$ 154,088	\$ 154,088
5.	Inconsistent basis of grant calculations but maximum awards remain	\$ -	\$ -	\$ -	\$ -	\$ -
	Total RAG	\$ 42,269	\$ -	\$ -	\$ 169,977	\$ 212,247
	Total Financial Impact	\$ 56,738	\$ -	\$ -	\$ 369,977	\$ 426,716

Management Response and OPA Reply

A draft report was transmitted to GEDA's Chief Executive Officer/Administrator on September 21, 2022. An exit conference was held on October 3, 2022, to discuss the audit findings and recommendations.

In GEDA management's response dated October 18, 2022, GEDA generally concurred with the audit findings and recommendations and expressed appreciation for the constructive feedback from the audit. A number of recommendations identified in the audit were implemented in subsequent programs.

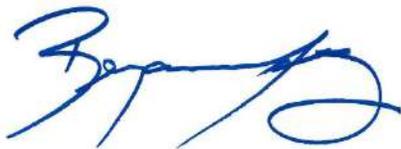
GEDA management also stated that they will assess materiality of the overpayments and will seek reimbursement from the grantees. GEDA introduced amendments to their SOP and plans to revise this to accommodate a process for handling complex leases. GEDA has been making process improvements as they build and execute new programs.

See Appendix 4 for GEDA's official management response.

The legislation creating OPA requires agencies to prepare a corrective action plan to implement audit recommendations, document the progress in implementing the recommendations, and endeavor to have implementation completed no later than the beginning of the next fiscal year. Accordingly, we will be contacting the Legislature to provide target dates and title of the official(s) responsible for implementing the recommendations.

We appreciate the cooperation and assistance given to us from the staff and management of GEDA during this audit.

OFFICE OF PUBLIC ACCOUNTABILITY



Benjamin J.F. Cruz
Public Auditor

Appendix 1: Objective, Scope & Methodology

Objective

The objectives of this audit are to determine whether:

1. Grant recipients were eligible; and
2. Grant amounts were in accordance with Executive Orders and program guidelines

Scope

We looked into GEDA's processes of awarding PAG and RAG grants. Our audit scope was from the start of each program, until the time the CRF funds allocated for those programs were used in its entirety.

- PAG: May 19, 2020 through February 12, 2021
- RAG: November 25, 2020 through March 23, 2021

Methodology

To accomplish our objectives, we performed the following:

- Identified and reviewed applicable laws, and rules and regulations, program guidelines, and SOPs
- Identified and reviewed prior audits and relevant official publications.
- Met with DOA and GEDA officials to gain an understanding of the program processes.
- Judgmentally selected samples and tested them against relevant criteria.
- Analyzed PAG and RAG selected transactions funded by the Coronavirus Relief Funds.
- Reviewed and analyzed sampled application files for the PAG and RAG programs.
- Verified and reviewed calculations and supporting and all related documentation.
- Discussed preliminary findings with program processors and coordinators.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix 2: Applicable Laws

Coronavirus Aid, Relief, and Economic Stability Act (United States PL 116-136)

“(d) USE OF FUNDS-A State, Tribal government, and unit of local government shall use the funds provided under a payment made under this section to cover only those costs of the State, Tribal government, or unit of local government that –

“(1) are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);

“(2) were not accounted for in the budget most recently approved as of the date of enactment of this section for the State or government; and

“(3) were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

Rapid and Transparent Implementation of Federal and Local Assistance Program Related to COVID-19 Pandemic-(PL 35-86)

On May 5, 2020, the 35th Guam Legislature overrode the Governor of Guam’s veto on Bill-333-35, which became P.L 35-86. The law generally called for the government’s swift response to the pandemic with full accounting and transparency of the COVID-19 expenses.

- **Section 6-** Any funds that may be subject to legislative authorization or appropriation for expenditures pursuant to US PL 116-136 shall not be expended, earmarked, or set aside without legislative appropriation and not be subject to transfer by the Governor.
- **Section 7 –*I Maga’Hågan Guåhan*** shall keep a full account of all COVID-19 expenses funded by either local or federal funds and shall submit a report to the Speaker of the Guam Legislature within twenty (20) days at the close of each calendar month.
- **Section 8- *The Public Auditor*** shall conduct semi-annual audits of all expenditures on Guam associated with US PL 116-136, for compliance with all the applicable local and federal laws, and may require information from GovGuam agencies or *I Maga’håga* necessary to complete the audits.



**ISLAND OF GUAM
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U.S.A.**

EXECUTIVE ORDER NO. 2020-18

**RELATIVE TO LAUNCHING THE GUAM SMALL BUSINESS
PANDEMIC ASSISTANCE GRANT PROGRAM**

WHEREAS, on March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") into law providing Guam with emergency federal funding; and

WHEREAS, through the coordinated efforts of all of this administration's advisory groups in the island's response to COVID-19, Guam is able to dedicate a significant portion of the CARES Act funding towards economic recovery; and

WHEREAS, on May 5, 2020, I issued Executive Order No. 2020-12 and administered nearly Twenty Million Dollars (\$20,000,000.00) to the island's people through *Prugrãman Salãppe' Ayudon I Taotao*, a disaster relief aid program; and

WHEREAS, I have also budgeted an additional Twenty Million Dollars (\$20,000,000.00) to provide direct relief to Guam's small businesses; and

WHEREAS, small businesses have suffered great financial hardship as a result of COVID-19 due to business closure, reduced consumer spending, and a decline in visitor arrivals; and

WHEREAS, according to a publication by the U.S. Small Business Administration Office of Advocacy, in 2018 in the territory of Guam, there were approximately 3,466 small businesses in existence employing 57,902 people. Additionally, establishments with fewer than 100 employees maintained the largest share of overall employment; and

WHEREAS, the Guam Economic Development Authority ("GEDA"), designee under Section 1B, was created as a public corporation by Public Law 8-80 (now codified at Title 12 Guam Code Annotated ("G.C.A.") Chapter 50) on August 21, 1965, to assist in the implementation of an integrated program for the economic development of Guam. GEDA's enabling legislation sets forth its purposes and authorized activities, one of which includes aiding private enterprises; and

WHEREAS, to carry out its authorized activities, GEDA is granted the specific power "to enter into and perform such contracts, leases, cooperative agreements, or other transactions with any agency or instrumentality of the United States, or with any state, territory or possession or any political subdivision thereof, or with any person, firm, association or corporation, as may be deemed necessary or appropriate to the conduct of the activities authorized by this Division, and on such terms as may be prescribed by the Corporation." 12 G.C.A. Section 50104(g).

NOW THEREFORE, I, LOURDES A. LEON GUERRERO, I Maga'hãgan Guãhan, Governor of Guam, by virtue of the authority vested in me by the Organic Act of Guam, as amended, and the laws of Guam, do order as follows:

1. GEDA is designated as the entity responsible for the administration of the **Guam Small Business Pandemic Assistance Grant** ("GSBPA Grant") in the Territory of Guam.



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2. The Administrator of GEDA is designated as the official responsible for overseeing the program which includes the following items:
- a. Consulting industry stakeholders in the creation of a relevant program of aid for small businesses.
 - b. Creating the program inclusive of application, promotional materials, standard operating procedures, and other relevant documentation.
 - c. Receiving and reviewing applications in a timely manner and periodically reporting a payment schedule to the Department of Administration for check issuance to small businesses.
 - d. Providing a system of reporting to include auditable certification to ensure accountability.
 - e. Allow for applications until such time the \$20 million authorized is exhausted, but no later than December 31, 2020 as set forth in the federal guidance.
 - f. Maintain a schedule of reimbursements for costs outside of regularly budgeted items associated with the program. This should *not* be included in the Twenty Million Dollars (\$20,000,000.00) designated for small businesses.

SIGNED AND PROMULGATED at Hagåtña, Guam, this **1st** day of **June 2020**.



LOURDES A. LEON GUERRERO
Maga'hågan Guåhan
Governor of Guam

Attested by:

JOSHUA F. TENORIO
Sigundo Maga'låhen Guåhan
Lieutenant Governor of Guam



ISLAND OF GUAM
OFFICE OF THE GOVERNOR
HAGÁTRIA, GUAM 96932
U.S.A.

EXECUTIVE ORDER NO. 2020-40

RELATIVE TO ESTABLISHING THE SMALL BUSINESS RENT ASSISTANCE GRANT PROGRAM

WHEREAS, on March 27, 2020, President Trump signed the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") into law providing Guam with emergency federal funding; and

WHEREAS, funding received from the CARES Act may be used to provide much needed financial assistance to local small businesses and for economic recovery, which led to the establishment of the Guam Small Business Pandemic Assistance Program in Executive Order 2020-18 and the Healthcare System Stabilization Grant Program in Executive Order 2020-35; and

WHEREAS, these programs have been instrumental in providing essential financial assistance to a broad spectrum of local businesses; and

WHEREAS, Guam remains in Pandemic Condition of Readiness One ("PCOR 1") which has had an impact on businesses throughout the island; and

WHEREAS, the restrictions imposed by PCOR 1, while necessary, has caused many local small businesses to lack the necessary financial resources to pay their obligations; and

WHEREAS, in acknowledgement of the continued need for small business assistance programs, I consulted with the Guam Economic Development Authority ("GEDA") and requested that they deliver to me options to provide additional financial assistance to local small businesses, and

WHEREAS, as a result, the GEDA Board of Directors and management team provided to me proposed Standard Operating Procedures for a rent assistance grant program on November 12, 2020; and

WHEREAS, the proposed rent assistance grant program will provide crucial direct financial assistance to small businesses that possess a commercial lease.

NOW THEREFORE, I, LOURDES A. LEON GUERRERO, I Maga'hågan Guåhan, Governor of Guam, by virtue of the authority vested in me by the Organic Act of Guam, as amended, and the laws of Guam, do order as follows:

1. There is hereby established the **SMALL BUSINESS RENT ASSISTANCE GRANT PROGRAM** ("Program") to provide direct financial assistance to local small businesses for the payment of rent obligations to commercial landlords.
2. A total of Three Million Dollars (\$3,000,000) has been allocated from CARES Act funding for this program.



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U.S.A.

3. GEDA is designated as the entity responsible for the administration of the Program in the Territory of Guam. The Administrator of GEDA is designated as the official responsible for overseeing the program, which includes the following items:
- a. Creating the Program, inclusive of application, standard operating procedures, and other relevant documentation.
 - b. Receiving and reviewing applications and reporting a payment schedule to the Department of Administration for check issuance to eligible small businesses.
 - c. Instituting a system of reporting, to include auditable certification to ensure accountability.
 - d. Allow for application until such time that the budget allocated for the Program is exhausted, but no later than December 30, 2020.
 - e. Maintain a schedule of reimbursements for costs excluded from regularly budgeted items associated with the Program. This should *not* be included in the designated budget allocation for the Program.

SIGNED AND PROMULGATED at Hagåtña, Guam, this 23rd day of November, 2020.

LOURDES A. LEON GUERRERO
Maga'hågan Guåhan
Governor of Guam

Attested by:

JOSHUA F. TENORIO
Sigundo Maga'låhen Guåhan
Lt. Governor of Guam



LOURDES A. LEON GUERRERO
Governor of Guam
I Maga'Haga Guahan

JOSHUA F. TENORIO
Lt. Governor of Guam
I Segundo Na Maga'Lahen Guahan



MELANIE MENDIOLA
Chief Executive Officer/Administrator
Athädi Eksektibu Ofisial/Atmenestradora

CARLOS P. BORDALLO
Deputy Administrator
Sigundon Atmenestrador

October 18, 2022

Benjamin J.F. Cruz, Public Auditor
Office of Public Accountability
Suite 401 DNA Building
238 Archbishop Flores Street
Hagatna, Guam 96910

Hafa adai Public Auditor Cruz:

On behalf of the Guam Economic Development Authority (GEDA), we provide these responses to the Office of the Public Auditor (OPA) concerning our administration of Small Business Pandemic Assistance Program (PAG) and the Commercial Rent Relief Program (RAG) funded under the Coronavirus Relief Fund to aid in the island's economic recovery as directed by Governor Leon Guerrero in Executive Order 2020-40.

We offer these responses to your valuable feedback concerning the administration of the programs. We thank you for the time invested in understanding the scale of processing that was done in a relatively short amount of time, and we plan to utilize your points of feedback as process improvement measures in future program implementation.

To address specific concerns, we respectfully submit our responses.

The OPA identified five awards which were potential overpayments. Of these five awards, GEDA verified that there was input error on the part of GEDA staff in three of the five awards. GEDA has discussed starting the process to address this calculation error by: 1) assessing the materiality of the overpayment and 2) seeking reimbursement from the grantee of any material overpayment.

Of two of the samples GEDA contends were not input errors, we observed this to be the practice of the GEDA case manager exercising discretion in the treatment of replacement or amendment of BPT documentation. While GEDA personnel believed that seeking guidance from the Department of Revenue and Taxation and a subsequent judgement call was an acceptable course of action, in retrospect, this process should have been articulated in the SOP thereby identifying an accountable source of verification. This is a process improvement we are able and willing to implement.

The OPA identified one applicant who was awarded a grant based on one eligible BPT filing and a subsequent same month amended filing. The OPA noted that it appeared unusual, but GEDA did verify the business type as a real estate sales business with rental for income as well which was excluded from the calculation as rentals were ineligible. The OPA recommended that an interview take place to verify any anomalous behaviors among applicants, which GEDA is happy to implement. This was difficult for



this program, due to the sheer volume of applicants coming in to the inbox. However, this point of feedback is welcome and noted accordingly.

The OPA identified one applicant paid twice but reimbursed and noted a possible lapse in control that was effectively identified. The SOP which governs the flow of documents from role to role should articulate one task under final review that involves checking for duplications, input errors, and other erroneous items. We are happy to expand our SOP to accommodate for this very effective process improvement.

The OPA noted that one PAG applicant noted BPT paid but not amounts filed. The GEDA employee although commendable in their creativity to come up with the revenue by dividing the amount paid by 5%, was in fact, in error in making assumptions on behalf of the applicant without verification. Due to the sheer volume of applicants, one on one contact was difficult, but GEDA employees should be reminded that when there are situations outside of the normal course of events, defer to the SOP, or reach out for guidance from management, executive, and legal to document, verify, and only then, proceed.

The OPA noted the lack of articulation in the reconsideration process which led to two samples being approved despite having a lower interruption than the standard threshold. GEDA received 77 total reconsiderations out of 304 applications deemed ineligible. Of those, 76 were subsequently deemed eligible by the reconsideration committee. Reconsiderations were approved on the basis of the applicant providing further support of business interruption including the following circumstances: accounts receivable timing differences (50 reconsiderations) and using other auditable documents to verify interruption in gross revenue, an increase in expenses, or interruption in net income (26 reconsiderations). Of the 77 reconsiderations, only one was denied due to not being open for at least six months. The subject applicant's opening date was March 2020.

The OPA noted that some applications were without complete documentation. Incomplete documentation noted was the SWICA form, which was only necessary to assess employee count for qualification as a small business concern. Thus, not all businesses, many of which had gross receipts which clearly indicated having less than 10 or 15 employees were enforced in having a SWICA form before proceeding. We should have reflected in our SOP that it was not a "need to have" but a "may be requested". This change was identified in subsequent programs and amended accordingly.

With regard to the Small Business Pandemic Rent Assistance Grant, the OPA noted that landlord verifications and lease agreements differed and there was no consistency in the handling of the two. The complexity and uniqueness of the lease contract became apparent in this program. Landlord verifications were utilized in the absence of basic leases. In the future, we would revise our SOP's to accommodate a process for handling complex leases. Discretion at the case manager or project team manager level should have been escalated for further discussion and amendment of the SOP.

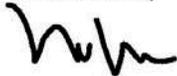
In conclusion, the OPA identified a number of weaknesses in internal control. Of note, we implemented the Pandemic Assistance Grant 2020 at a time when the government and many private offices were shut down, with no additional agency support or supplemental manpower. Local businesses were in a panic and needing aid without delay.

Interestingly enough, a number of the weaknesses identified in the audit of these grant programs were subsequently implemented in the subsequent programs. In addition, the GEDA compliance department holds an internal audit of programs with a sampling of 10% of recipients to check compliance measures and check applicants' attestations of the use of funds with actual documentation of expenditures.

We cannot control human error, but have been making process improvements as we build and execute new programs. We are grateful for any further constructive feedback by the OPA or any concerned member of the community as we continue to work towards stabilizing and rebuilding our economy.

We are honored to have been tasked with the responsibility of rolling out a program of this magnitude by the Office of the Governor. Should you have any further questions or comments, please feel free to contact us.

Si Yu'us Maase,



Melanie Mendiola

CEO/Administrator

Guam Economic Development Authority



Appendix 5:**Status of Audit Recommendations**

No.	Addressee	Audit Recommendation	Status
1.	GEDA Administrator	Perform an expansive post review on awards granted, if feasible, or an extensive post review in future award administration.	In process
2.	GEDA Administrator	When appropriate, confirm uncertain and doubtful information or conduct interviews with the applicant for clarification, moving forward.	In process
3.	GEDA Administrator	Moving forward, incorporate criteria, factors, threshold, and processes for reconsiderations on the SOP.	In process
4.	GEDA Administrator	Program guidelines be strictly implemented and documentation requirements be complied with. Necessary amendments be made to the SOP, moving forward.	Complied
5.	GEDA Administrator	For the RAG ineligible award, appropriate action be undertaken if the award is recoverable. Moving forward, implement strict review processes to ensure propriety of awards granted.	In process
6.	GEDA Administrator	Moving forward, ensure that award calculations be consistently based and guided by the SOP.	Complied
7.	GEDA Administrator	Strengthen internal control systems by establishing a written description of staff's responsibilities and clear documentation of review and sign-off processes.	Complied

GUAM ECONOMIC DEVELOPMENT AGENCY CORONAVIRUS RELIEF FUND EXPENDITURES PART II Report No. 22-06, November 2022

ACKNOWLEDGEMENTS

Key contributions to this report were made by:

Johanna Pangelinan, Auditor-in-Charge Trainee
Christian Rivera, Auditor-in-Charge
Maria Thyrza Bagana, Audit Supervisor
Benjamin J.F. Cruz, Public Auditor

MISSION STATEMENT

To ensure public trust and good governance in the Government of Guam, we conduct audits and administer procurement appeals with objectivity, professionalism and accountability.

VISION

The Government of Guam is a model for good governance with OPA leading by example as a model robust audit office.

CORE VALUES

Objectivity

To have an independent and impartial mind.

Professionalism

To adhere to ethical and professional standards.

Accountability

To be responsible and transparent in our actions.

REPORTING FRAUD, WASTE, AND ABUSE

- Call our HOTLINE at 47AUDIT(472.8348)
- Visit our website at www.opaguam.org
- Call our office at 475.0390
- Fax our office at 472.7951
- Or visit us at Suite 401 DNA Building in Hagåtña

All information will be held in strict confidence.



Office of Public Accountability
Email: admin@guamopa.com
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