
**CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR**

**ECONOMIC DEVELOPMENT DEPARTMENT
AUDIT OF COVID-19/CONSTRUCTION
RECOVERY GRANTS PROGRAM
PROJECT NO. AU24-008
APRIL 3, 2024**

**KEVIN W. BARTHOLD, CPA, CIA, CISA
CITY AUDITOR**



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Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Economic Development Department (EDD), specifically the COVID-19/Construction Recovery Grants (CRG) Program. The audit objectives, conclusions, and recommendations follow:

Determine if the COVID-19/Construction Recovery Grants program was administered in compliance with Council direction and adopted policies and procedures.

The CRG Program was administered in compliance with Council direction and adopted policies and procedures. EDD had established monitoring procedures for the program's key contract terms and deliverables for the contract. In addition, the contractor, LiftFund, had established an effective application review process to review and issue funds in accordance with the established criteria. LiftFund also had an effective process to notify applicants of approval and receipt of funds according to the CRG Program timeline.

EDD and LiftFund had adequate procedures to verify small businesses in the approved areas were notified about the CRG Program and received the necessary program information and assistance. Finally, EDD had periodic updates with LiftFund to discuss program progress that aligned with the program guidelines.

We make no recommendations to EDD management; consequently, no management responses are required. Management's acknowledgement of these results is in Appendix B on page 8.

Background

The Economic Development Department (EDD) COVID-19/Construction Recovery Grants (CRG) Program offered targeted relief to small businesses impacted by both COVID-19 and prolonged construction-related loss of revenues tied to specific City-initiated projects. Funding for this grant program was part of the American Rescue Plan Act. Qualifying businesses could have received grant funding from \$10,000 to \$35,000 to help offset demonstrated losses in 2022 compared to 2021.

The budget for this grant program was nearly \$3.75M which included the administrative fees to the contractor, LiftFund, a non-profit Community Development Financial Institution to undertake and complete the project. EDD awarded a total of \$2.45M of grant funds to 91 small businesses in FY 2023.

The required eligibility criteria to receive funding included:

- Be a retail or service business with a store front location that requires customer foot traffic for operations or can demonstrate that customers physically visit the business location.
- Demonstrate net profit/loss in 2021 that is at least \$10,000 greater than net profit/loss in 2022.
- Be in operation and be established at current location prior to January 1, 2021.
- Be currently in operation and not have filed for bankruptcy at time of application.
- Be located within an eligible construction zone and remain for one year from date of grant award.

The eligible businesses must utilize the grant funds for business-related expenses such as:

- Payroll/healthcare benefits
- Contract labor
- Working capital
- Business rent or mortgage payments for business property
- Supplier payments
- Machinery and equipment
- Critical operating expenses, and
- Utility payments for business locations (not including personal residence)

Per the contract, LiftFund created a public website that included the program information and resources needed to assess criteria for eligibility as well as the required documentation for applying. The website also provided resources if any applicant needed assistance in completing their application or had questions about the process. Additionally, the website provided the program timeline, so applicants were aware of the deadlines and other important dates.

Applications needed to be submitted February 13 through 28, 2023. The applications were then reviewed, and funds were awarded March 1 through July 3, 2023.

Audit of Economic Development Department
COVID-19/Construction Recovery Grants Program

EDD monitored key contractual terms using a Contract Administrative Plan (CAP). The department also held weekly meetings with LiftFund throughout the program period to provide updates and discuss progress.

Audit Scope and Methodology

The audit scope included the contract monitoring and application process for the CRG Program which was from January through June 2023.

To gain an understanding of the CRG Program and how it was administered, we interviewed EDD personnel as well as LiftFund staff and conducted walkthroughs over contract monitoring, grant funding allocation, and the application process.

Our primary criteria for this audit included the CRG Program Contract with LiftFund and the application checklists from LiftFund.

We assessed internal controls relevant to the audit objective. This included a review of the criteria listed above, applications, invoices, meeting reports, and program awareness. In addition, as part of our testing procedures we reviewed and tested the CAP to determine proper contract management and monitoring. Additionally, we confirmed program awareness notifications had been sent to small businesses through marketing and advertisements. We also reviewed Lift Fund's application review and approval process by testing a sample to determine the established criteria was met and approved businesses received notification of funding timely. Lastly, we confirmed that LiftFund kept EDD informed of the program's progress and provided status updates.

We relied on computer-processed data in the LiftFund CRM system to validate applicants' eligibility criteria and required documentation. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

Audit Results

EDD is administering the CRG Program properly in compliance with Council direction and the contract agreement with LiftFund.

EDD is properly monitoring the contract agreement with LiftFund. We obtained the CAP and confirmed that key elements of the contract are documented and monitored by EDD staff.

Lift Fund's application review and approval process are appropriate, and they verified eligibility requirements were met. We selected a sample of 20 applications that were approved and confirmed the eligibility requirements were met. We also confirmed that the applicants submitted the required documentation which included tax returns, and the business registration with Bexar County or Texas Secretary of State. We also took a sample of 20 ineligible applicants and confirmed they did not meet the required criteria or documentation.

Additionally, LiftFund effectively sent approval notifications and program funding to the approved applicants within the expected program timeline. Using the sample of 20 approved applications mentioned above, we confirmed an email notification was sent out to the applicants and we verified confirmation by the business that it was received.

LiftFund and EDD adequately provided small businesses within the approved construction zones with program information and assistance. We confirmed that LiftFund created a public website in addition to having marketing and advertisements throughout social media and local publications. EDD also had a press release to inform the public of the program launch. We also reviewed the small businesses in 3 of the 15 approved construction zones and verified they were on Ed's and Lift Fund's outreach small business list.

Finally, LiftFund properly informed EDD of program status and progress. We determined that LiftFund abided by the program guidelines and provided periodic updates to EDD by meeting with EDD weekly from January through June 2023 for updates. LiftFund also provided EDD with a Grant Award Analysis Report at the conclusion of the program that identified requested business metrics and final outcome.

Appendix A – Staff Acknowledgement

Buddy Vargas, CPA, CIA, CFE, Audit Manager
Yadira Valenzuela, Auditor in Charge
Jeffrey Barrs, Auditor

Appendix B – Management Acknowledgement



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

March 22, 2024

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Acknowledgement of its Review of Economic Development Department
Construction Recovery Grants Program Audit

Economic Development Department has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required.

Economic Development Department:

☒ Fully Agrees

☐ Does Not Agree (provide detailed comments)

Sincerely,

A handwritten signature in black ink, appearing to read "Brenda Hicks-Sorensen".

Brenda Hicks-Sorensen
Director
Economic Development Department

March 19, 2024

Date

A handwritten signature in blue ink, appearing to read "Alex Lopez".

Alex Lopez
Assistant City Manager
City Manager's Office

3/22/2024

Date