

**SAN BERNARDINO COUNTY  
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR  
INTERNAL AUDITS DIVISION**

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**ECONOMIC DEVELOPMENT DEPARTMENT:  
COVID-COMPLIANT BUSINESS PARTNERSHIP PROGRAM  
AUDIT**

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AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR  
268 WEST HOSPITALITY LANE  
SAN BERNARDINO, CA 92415-0018  
(909) 382-3183  
WEBSITE: [WWW.SBCOUNTY.GOV/ATC](http://WWW.SBCOUNTY.GOV/ATC)  
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**Menaka Burkitt, CFE**  
Internal Audits Manager

**Rachel Ayala**  
Supervising Internal Auditor III

**Daniel Seaton**  
Internal Auditor III

# **Economic Development Department: COVID–Compliant Business Partnership Program Audit**

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# San Bernardino County



## Auditor–Controller/Treasurer/Tax Collector

**Ensen Mason CPA, CFA**

*Auditor–Controller/Treasurer/Tax Collector*

**John Johnson**

*Assistant Auditor–Controller/Treasurer/Tax Collector*

**Diana Atkeson**

*Assistant Auditor–Controller/Treasurer/Tax Collector*

September 8, 2023

Derek Armstrong, Director  
Economic Development Department  
290 North D Street, 6<sup>th</sup> Floor  
San Bernardino, CA 92415-0043

RE: COVID–Compliant Business Partnership Program Audit

We have completed an audit of the Economic Development Department’s COVID–19 Compliant Business Partnership Program for the period of July 1, 2020, through June 30, 2021. The primary objective of the audit was to determine whether the COVID-Compliant Business Partnership Program was conducted in accordance with the guidelines set forth in the San Bernardino County Readiness and Recovery Plan. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

We identified procedures and practices that could be improved. We have listed these areas for improvement in the Audit Findings and Recommendations section of this report.

We sent a draft report to the Department on August 9, 2023, and discussed our observations with management on August 17, 2023. The Department’s responses to our recommendations are included in this report.

We would like to express our appreciation to the personnel at the Department who assisted and cooperated with us during this engagement.

Respectfully submitted,

Ensen Mason CPA  
Auditor-Controller/Treasurer/Tax Collector  
San Bernardino County

By: \_\_\_\_\_



Denise Mejico, CFE  
Chief Deputy Auditor

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Date Report Distributed: 09/08/2023

EM:DLM:DLS:jm



## Summary of Audit Results

Our findings and recommendations are provided to assist management in improving internal controls and procedures relating to conducting the COVID-Compliant Business Partnership Program in accordance with the San Bernardino County Readiness and Recovery Plan.

The table below summarizes the audit findings and recommendations for this audit engagement. For further discussion, refer to the *Audit Finding and Recommendations* section of this report.

Finding No.	Findings and Recommendations	Page No.
1	<p><b>The controls over the application review process could be improved.</b></p> <p>We recommend that applications for grant funding have all requirements documented before being approved to disburse funding. We further recommend that application reviewers document their verification and approval of each requirement during the review process.</p>	6

## COVID-COMPLIANT BUSINESS PARTNERSHIP PROGRAM AUDIT

### The Department

The Economic Development Department (Department) is responsible for establishing strategic partnerships in all sectors and executes a marketing plan to highlight the County's innovative enviable business climate, strategic infrastructure, and quality lifestyle to foster job creation, increase investments, and enhance revenues via strategic efforts. The Department's primary focus is to maximize the standard of living, provide economic opportunities, promote a business-friendly environment, and position the County as a highly viable region for business opportunities.

The Department's major services are to 1) foster job creation; 2) increase private investment; and 3) enhance County revenues through strategically executed countywide economic development efforts. The primary focus of the department is to maximize the standard of living for the County's residents; provide economic opportunities for the County's businesses; promote a competitive business-friendly environment and position the County as a highly competitive region for business opportunities. The Department executes a comprehensive media/marketing strategy to raise awareness of the enviable business climate, strategic infrastructure, quality lifestyle, and innovative spirit of the County. The Department continues to maintain focus on high-growth industry sectors, which can offer high-skilled and high-paying jobs for local residents.

### The Program

In order to directly support local small businesses and help ensure ongoing compliance with State and County Health orders and direction, San Bernardino County implemented the COVID-Compliant Business Partnership Program. This program was intended to support local small businesses by reimbursing and/or offsetting costs and impacts directly related to complying with COVID protocols for business and supporting all County businesses by allowing all businesses to participate as a partner and demonstrate their commitment to compliance with County safety guidelines as well as gain exclusive access to obtain Personal Protective Equipment (PPE) directly from the County at the same cost the County pays.

The Program had available funding of \$30,000,000, using Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funds allocated to the County of San Bernardino. In total, the program received 8,028 applications from businesses, with an additional 986 applications for outdoor operations funding.

### **Scope and Objective**

The audit examined the Department's COVID-Compliant Business Partnership Program for the period of July 1, 2020, through June 30, 2021.

The objective of our audit was to determine whether the COVID-Compliant Business Partnership Program was conducted in accordance with the guidelines set forth in the San Bernardino County Readiness and Recovery Plan.

### **Methodology**

In achieving the audit objectives, the following audit procedures were performed, including but not limited to:

- Interviews of Department staff
- Review of COVID-Compliant Business Partnership Program guidelines and updates
- Sample test of payments made to businesses
- Examination of program applications from businesses



**Finding 1: The controls over the application review process could be improved.**

The Internal Cash and Controls Manual (ICCM) Chapter 2 – Internal Controls, pages 2-3, states that all transactions and pertinent events should be accurately and properly recorded on documents and records. The ICCM also states that all transactions should be properly authorized and approved, which establishes responsibility.

The San Bernardino County Readiness and Reopening Plan (SBCRRP) required that documentation clearly substantiating the number of employees, such as 2019 Payroll Statements be submitted. The SBCRRP also required that to be eligible for payment through the COVID-Compliant Business Partnership Program, businesses must be current on any property tax payments.

We identified the following conditions when we tested 33 applications that were selected from program transactions to businesses:

- There were 16 out of 33 applications that did not have a proper record of review documented.
- There were 9 out of 33 applications that did not include any payroll forms to confirm the number of employees.
- All 33 applications did not have the property tax payment status reviewed by the Department during the application review process. Upon our review of the property tax payment status on the Tax Collector's website, we found the following:
  - 1 out of 33 applicants did not have property tax payments up to date.
  - 24 out of 33 applicants were not able to be verified as current on property tax payments.

The COVID-Compliant Business Partnership Program had an objective to issue funds to applicants as soon as possible due to the uncertain nature of the COVID-19 pandemic. When applications are not properly approved, businesses that do not meet the eligibility criteria may receive funding. Strong accountability for grant funds will ensure the County will be eligible for future grant programs.

**Recommendation:**

We recommend that applications for grant funding have all requirements documented before being approved to disburse funding. We further recommend that application reviewers document their verification and approval of each requirement during the review process.

### **Management's Response:**

Economic Development concurs with the Recommendation, however, the COVID-Compliant Business Partnership Program ended on June 30, 2021. For any future grant funding program, there will be two levels of reviewers implemented into the review process to make sure all required documents are submitted and reviewed before the applications are approved. Each reviewer will document their verification and approval of each requirement during the review process before the applications are approved to disburse funding.

### **Auditor's Response:**

The Department's planned actions will correct the deficiencies identified in the finding.