
State of Illinois
Office of the Auditor General



Program Audit of the

Business Interruption Grant Program

May 24, 2023

Frank J. Mautino
Auditor General

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

*To the Legislative Audit Commission, the Speaker
and Minority Leader of the House of Representatives,
the President and Minority Leader of the Senate, the
members of the General Assembly, and the
Governor:*

This is our report of the performance audit of the Business Interruption Grant program.

The audit was conducted pursuant to Legislative Audit Commission Resolution Number 159. This audit was conducted in accordance with generally accepted government auditing standards and the audit standards promulgated by the Office of the Auditor General at 74 Ill. Adm. Code 420.310.

The audit report is transmitted in conformance with Sections 3-14 and 3-15 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

Springfield, Illinois
May 2023



Program Audit of the Business Interruption Grant Program

Background:

Legislative Audit Commission Resolution 159, adopted September 1, 2021, directed the Auditor General to conduct a performance audit of the Business Interruption Grant (BIG) program. The BIG program was developed to provide \$585 million in economic relief for small businesses hit hardest by COVID-19.

The Department of Commerce and Economic Opportunity (DCEO) had responsibility for the development and implementation of the BIG program. DCEO entered into agreements with the Departments of Human Services (DHS) and Agriculture (DOA) to assist with other components of BIG.

Key Findings:

- DCEO could not provide documentation to show how or why it selected organizations to administer Round 1 of the BIG program. One of the grant administrators, as well as a DCEO official, appears to have not complied with conflict of interest policies at DCEO. **The BIG grant administrators were to distribute \$580 million** in funds. An additional \$5 million was to be administered by DOA.
- DCEO **initiated the small business component of the BIG program without having emergency administrative rules in place** for the administration of the program. Rules had not been implemented before the completion of Round 1 of the small business component of BIG. Additionally, even after the lack of timeliness for Round 1, DCEO was unable to amend the rules for Round 2 of the small business component of BIG timely. DCEO filed amended rules **12 days after the Round 2 application process had started**, a process that utilized a preference for certain types of businesses to receive preferential treatment in the selection process.
- DCEO allowed, without verification, BIG small business grant applicants to self-certify that they complied with all laws as well as reporting other pandemic funding. We found that not all applicants' certifications were

accurate. Nonetheless, DCEO and its grant administrators awarded funding to these applicants.

- The BIG program was designated by the General Assembly to provide assistance for businesses that had **losses due to COVID-19**. DCEO utilized an eligibility category for the small business component of BIG that **was not specified in the Public Act passed** by the General Assembly. DCEO paid **over \$11 million to 630 applicants** that applied under this eligibility designation.
- DCEO awarded small business applicants in Round 1 of the BIG program funding **when the businesses were not eligible** based on information submitted in the application. Our analysis found **196 ineligible applicants received \$3.42 million**. Additionally, the application system developed by a DCEO grant administrator that was supposed to not allow ineligible applicants to submit finalized applications **failed to work as advertised**.
- DCEO oversight of the award selection process for the small business component of BIG was insufficient. Our testing of the selection process found significant deficiencies in both rounds.
 - In Round 1, we were **only able to concur with 8 percent** of the BIG awards from our sample. We determined that **16 percent** of the BIG awards, totaling \$430,000, in our sample **were ineligible** for reasons such as revenues outside the criteria or restaurants providing outdoor dining. We also **questioned 76 percent** of the BIG awards, totaling \$1,980,000, in our sample due to **lack of required documentation** being submitted by the applicant.
 - In Round 2, we were **only able to concur with 41 percent** of the BIG awards from our sample. We determined that **29 percent** of the BIG awards in our sample had one or more questioned elements. Additionally, we determined that **30 percent of the awards made by DCEO in our Round 2 sampling were ineligible**. Finally,

questionable expenses from our selection-testing sample totaled **\$1,335,708 – 28 percent of all funds awarded from the Round 2 sample.**

- DCEO utilized an award determination process which **failed to follow the directive of State statute** relative to funding for COVID-19 losses. By rounding loss amounts up to the next \$5,000, DCEO **reduced the funding levels** while some applicants went without funding. In our selection testing work, we found 47 percent of the awards overpaid the documented losses by a total of \$171,000. Our sample of 150 award winner cases was just over 2 percent of the total awards in Round 2 of the small business component of BIG.
- DCEO and its grant administrators for the small business component of BIG **awarded funding in excess of program policy.** Eleven business owners received funding for businesses in excess of the three for which each owner was eligible. **Total overpayment of funds totaled \$220,000.** DCEO is responsible for overseeing grant programs, including ones in which program administrators are utilized.
- DCEO **failed to execute grant agreements** with grant administrators for the small business component of the BIG program **prior to** the grant administrators working on the BIG program. Further, DCEO **required funding applicants to submit multiple pieces of confidential information** to these grant administrators that were operating without an executed grant with the State of Illinois. Finally, DCEO was **unaware of the actual individuals** that would view this confidential information, even though some of these individuals were temporary staff hired by the grant administrators.
- DCEO **failed to maintain notifications to applicants** of the BIG program. Additionally, DCEO paid an outside vendor for a mass mailing system that did not maintain a retrieval function instead of utilizing a State system at the Department of Innovation and Technology, which could have been less costly and had the ability to retrieve the notifications.
- DCEO failed to monitor that the payment of small business component funding was provided within program guidelines. During our testing we found that in **49 percent (67 of 136) of the cases, the grant administrator failed to provide funding within 14 days of DCEO approval.**
- DCEO had **monitoring weaknesses** relative to the uses of funding provided as part of the small business component of the BIG program. DCEO **failed to conduct** routine monitoring of the funds provided under BIG and at times did not have documentation to conduct monitoring. The lack of documentation **made it impossible for DCEO to know if the same claimed losses were utilized by an applicant to obtain funding under different programs.**
- DCEO and its grant administrators failed to follow BIG program requirements relative to deducting previous awards from future BIG funding for the small business component of the program. This inaction resulted in the **overpayment of \$4.29 million in BIG funds.**
- DCEO failed to monitor all terms of the grant agreements with grant administrators. The lack of monitoring resulted in one grant administrator **not providing tax information on \$4.4 million in BIG funds to 305 sub-recipients.**
- DCEO **did not claw back funds** for noncompliance. DCEO became aware of instances of violations but did not initially have a system in place to manage businesses found to be in violation of law, regulations, and executive orders. DCEO **relied on the attestations of the recipient** that they would comply or were already complying with the mitigation efforts.
- Testing for the child care component and the livestock management component did not find any significant or pervasive issues. We concurred with all of the grant awards and grant denials in our sample.

Key Recommendations:

The audit report contains 15 recommendations directed to DCEO:

- DCEO should develop and maintain documentation on why and how it has selected grant administrators when DCEO delegates the responsibility for that administration to outside parties.
- DCEO should develop administrative rules for new grant programs prior to the initiation of the program.
- When DCEO allows grant applicants to self-certify information on the grant application, DCEO should develop controls to check those certifications for accuracy.
- DCEO should design grant application selection criteria that are aligned with directives in State statute.

- DCEO should make sure that eligibility criteria are followed when conducting a grant program and not allow ineligible applicants to receive funding.
- DCEO should, when utilizing grant administrators to make funding selections, conduct more extensive oversight by ensuring administrators understand the evaluation criteria and by reviewing a significant amount of application documentation to determine if awards were correctly made.
- DCEO should comply with requirements in State statute relative to award of funding for specific purposes.
- DCEO should take the steps necessary to ensure that grant awardees do not receive funds in excess of program policy.
- DCEO should, when utilizing outside grant administrators, ensure that grant agreements are executed prior to allowing the entities to work on the grant program. Additionally, when the grant administrators are able to view confidential information as part of the program, DCEO should develop procedures to monitor that the confidential documents are securely maintained.
- DCEO should maintain a history of notifications to applicants of grant programs it is responsible for when it decides to utilize a third party for those notifications.
- DCEO should, when allowing grant administrators to pay out grant funds, develop controls to ensure that payments are timely made by those grant administrators.
- DCEO should: conduct the monitoring that it develops for grant program criteria; follow contractual criteria it develops and obtain the documentation to support grant awards when a third party administrator is utilized to select grant recipients; comply with administrative rules and obtain documentation to demonstrate how grant funds are utilized; and conduct monitoring efforts to ensure that multiple sources of funding are not utilized for the same expenses.
- DCEO should take steps to ensure that grant administrators appropriately apply program requirements to applications including, when applicable, the deduction of previous awards. Additionally, DCEO should not approve awards until adequate review has been conducted.
- DCEO should take the steps necessary to ensure that the terms of grant agreements, including sending 1099 forms when applicable, are complied with by grant administrators.
- DCEO should have a system in place to manage notices of grant program violators and should enforce the program requirements it creates.

This performance audit was conducted by the staff of the Office of the Auditor General.

Report Digest

On September 1, 2021, the Legislative Audit Commission (LAC) adopted Resolution 159 directing the Auditor General to conduct a program audit of the Business Interruption Grant (BIG) program. The Resolution contained several issues to examine. Our assessment of these issues is shown in Digest Exhibit 1. (page 1)

Digest Exhibit 1

ASSESSMENT OF AUDIT DETERMINATIONS

Audit Determinations	Auditor Assessment
<i>An examination of the application process, the documentation submitted, and the selection of grants by the Department of Commerce and Economic Opportunity (DCEO), the Department of Human Services (DHS), and the Department of Agriculture (DOA) for the BIG program.</i>	<ul style="list-style-type: none"> Auditors found the DCEO oversight of the award selection process for the small business component of BIG was insufficient. (pages 14-38)
<i>An examination of the monitoring oversight by DCEO, DHS, and DOA for grant recipients including whether all eligibility requirements were satisfied and expenses submitted were allowable.</i>	<ul style="list-style-type: none"> Auditors found DCEO had significant deficiencies in the monitoring of the small business component of the BIG program. (pages 39-55)
<i>An examination of how DCEO allocated funding in the BIG program to disproportionately impacted areas and whether the allocation was at least 30 percent of total funding.</i>	<ul style="list-style-type: none"> Auditors found that DCEO allocated funding based on the requirements in State statute for the BIG program. (pages 56-57)
<i>An examination of DCEO compliance with prioritizing severely impacted businesses and industries.</i>	<ul style="list-style-type: none"> Auditors found that DCEO developed a listing of Disproportionately Impacted Areas (DIAs) for the BIG program. The listing, as stated in statute, was based on the COVID-19 levels and areas that had certain poverty levels. (pages 58-59)
<i>An examination of the role of the Community Navigators, if any, in the selection of grant recipients in the BIG program.</i>	<ul style="list-style-type: none"> Auditors found DCEO only minimally utilized a few firms to provide technical outreach and assistance. Community Navigators were not utilized until the BIG successor program, Back to Business, was initiated. (pages 60-63)
<i>An examination of the actions taken by DCEO, DHS, and DOA when a BIG participant was not in compliance with any step in the application process or made a material misrepresentation in reporting on the use of funds provided as part of the BIG program.</i>	<ul style="list-style-type: none"> Auditors found DCEO did not have a formal process to claw back funds that were paid to BIG recipients that were in violation of the terms of the BIG program. (pages 64-68)

Source: OAG assessment of the audit determinations contained in LAC Resolution 159.

Background

Public Act 101-636, effective June 10, 2020, amended the DCEO Law of the Civil Administrative Code by adding section 605-1050. This addition **created the BIG program to be administered by DCEO**. According to statute, the

purpose of the BIG program was **to provide financial support to businesses that have experienced interruption of business or other adverse conditions attributable to the COVID-19 public health emergency** [20 ILCS 605/605-1050].

The BIG program was **designed** to fund three types of grants: small business, child care, and livestock management. See the adjacent text box for **the initial grant funding levels** for each type of grant. (page 2)

BIG Program Grant Funding Levels	
Small Business	- \$290 million
Child Care	- \$290 million
Livestock Management	- \$5 million

Outsourcing the Small Business Component of the BIG Program

DCEO **outsourced the BIG program** to a number of grant administrators and community partners. These administrators were to **receive** applications for funding, **evaluate** the applications, **recommend** awards, and **make payments** to the sub-recipients. DCEO documentation indicated that it partnered with six grant administrators for the small business component and another (Illinois Network of Child Care Resource and Referral Agencies) for the child care component of the BIG program. The small business grant administrators were:

- Accion,
- Women’s Business Development Center (WBDC),
- Chicago Urban League (CUL),
- SomerCor,
- Chicago Community Loan Fund (CCLF), and
- Chicago Neighborhood Initiatives (CNI). (page 2)

Lack of Documentation to Support Selection of Grant Administrators

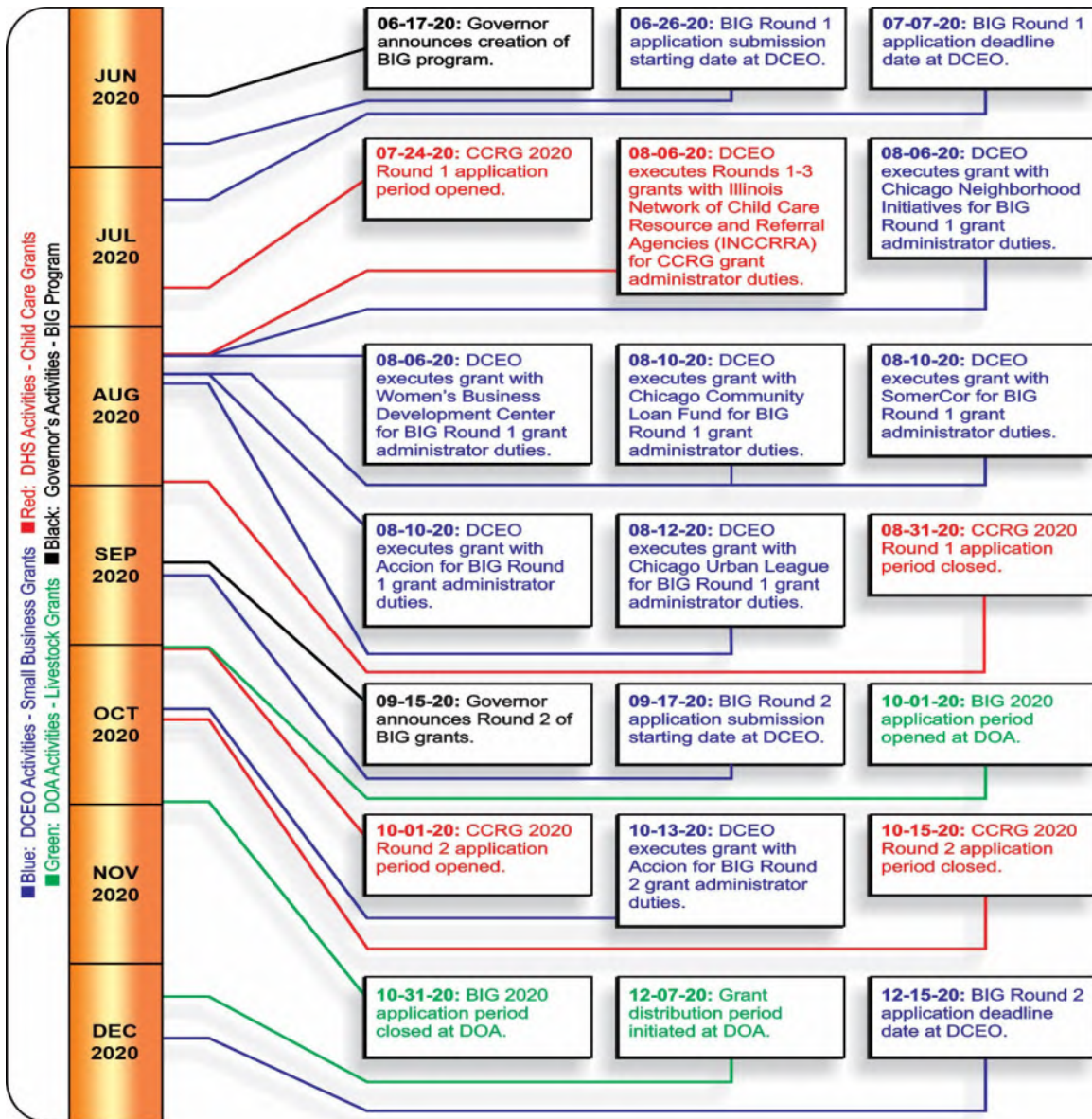
DCEO could not provide documentation to show how or why it selected organizations to administer the BIG program in Round 1. One of the grant administrators, as well as a DCEO official, appears to have not complied with conflict of interest policies at DCEO. **The BIG grant administrators were to distribute \$580 million** in funds. An additional \$5 million was to be administered by DOA.

During the entrance conference for the audit, DCEO officials reported that the use of grant administrators by DCEO for a grant program was an **entirely new process** due to the pandemic.

The decision to utilize grant administrators, as reported by DCEO, was made by a former Assistant Director and a former Chief of Staff. These individuals **also selected the administrators**. During our initial research for the audit, we found that the former Assistant Director developed a political campaign to run for 47th ward alderman in the City of Chicago. The lead for the main grant administrator from Accion made a \$5,000 campaign contribution to the former Assistant Director on September 30, 2018. We questioned DCEO as to whether this was any sort of violation of conflict of interest policies for DCEO in the DCEO

Employee Policy Manual. **DCEO agreed with us** that the issue should have been reported to the DCEO Director as well as the DCEO Ethics Officer. However, the DCEO Ethics Officer **could find no documentation on any such disclosure** and the Director at the time is no longer with DCEO. DCEO also agreed with us that the Accion official should have reported this conflict of interest in the grant application, but did not. Digest Exhibit 2 provides a timeline for the contracting with grant administrators and the different selection periods for BIG. (pages 3-5, 76-77)

Digest Exhibit 2
TIMELINE OF EVENTS FOR THE BIG PROGRAM



Source: OAG developed from BIG program information.

Funding for the BIG Program

The federal government provided direct aid to the State of Illinois for COVID-19 responses. One piece of legislation that guided funding for BIG was the Coronavirus Aid, Relief and Economic Security (CARES) Act (enacted March 27, 2020).

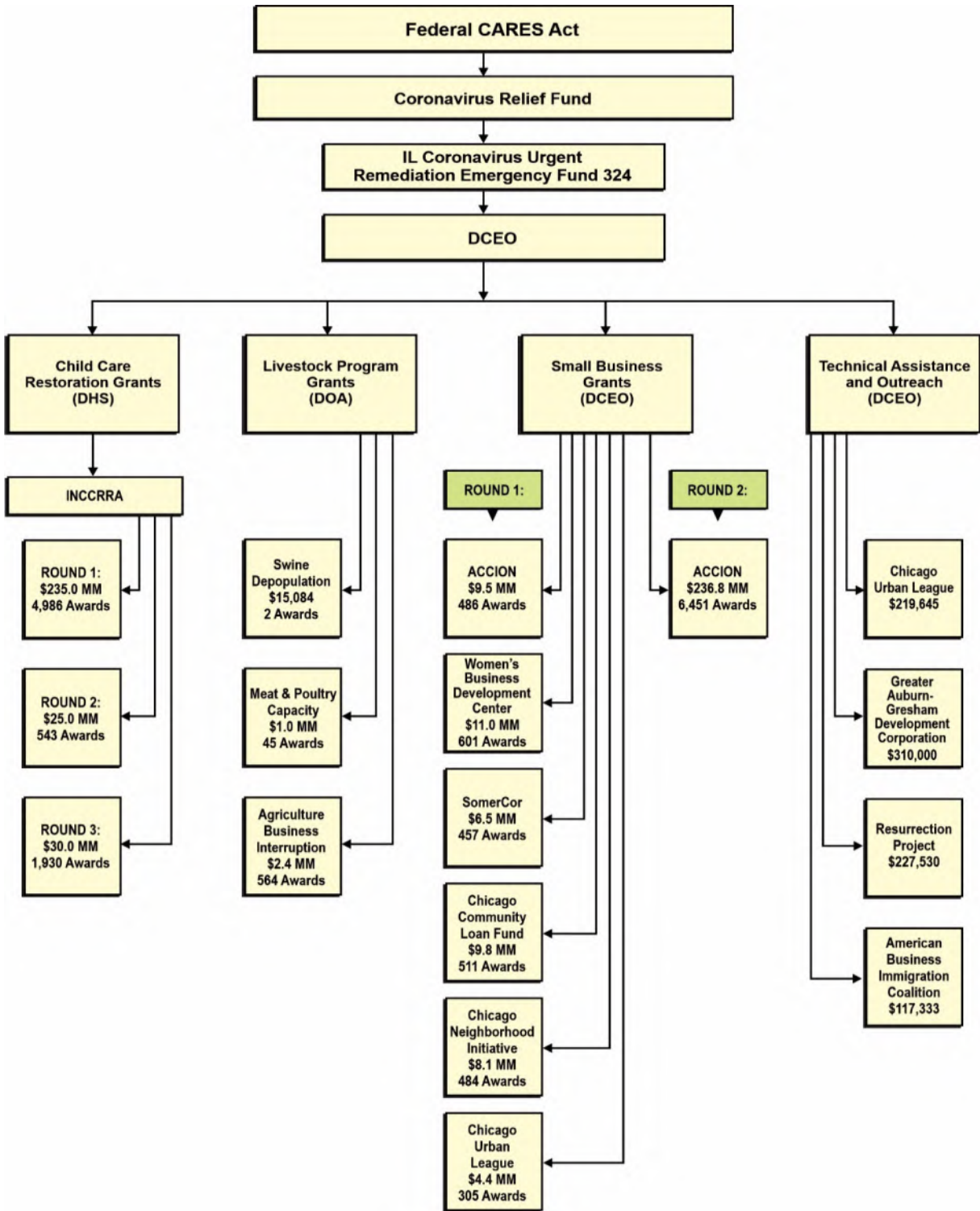
Federal funds were deposited in the Coronavirus Relief Fund (CRF), a fund created by the CARES Act. Public Act 101-637 included appropriations to support State government's costs of response, provide assistance to households and small businesses impacted by COVID-19, and provide pandemic related stability payments to healthcare providers. Digest Exhibit 3 provides a flow of the funding from the federal government through the BIG program. (pages 5-8)

Department of Commerce and Economic Opportunity

DCEO entered into an intergovernmental agreement (IGA) with DHS on July 8, 2020, relative to the child care portion of the BIG program. The IGA stipulated that DHS would **provide subject matter expertise** to assist DCEO in development and implementation of the Child Care Restoration Grant (CCRG) program. DCEO was to provide funding to qualified businesses through a third-party qualified partner. That third party ended up being the Illinois Network of Child Care Resource and Referral Agencies (INCCRRA).

For the livestock part of the BIG program, DCEO developed the relationship **differently** than it did with DHS. DCEO entered into a **grant agreement** with DOA, on October 15, 2020, **to provide sub-awards to eligible recipients**. DOA, unlike DHS in the child care portion of BIG, was to evaluate the applications and make award recommendations to DCEO for payment. The total amount to be awarded under this grant to DOA was \$5,008,816, even though DOA did not utilize all the funds. DCEO took the approximately \$1.6 million in unused livestock funds and added to the small business component of BIG and awarded grants in 2021. This was after DCEO reported all funds had been awarded in December 2020. (pages 8-9)

Digest Exhibit 3
FLOW OF CARES ACT FUNDING FOR THE BIG PROGRAM



Source: OAG developed from BIG program information.

Failure to Develop Timely Administrative Rules for the BIG Program

DCEO initiated the small business component of the BIG program without having emergency administrative rules in place for the administration of the program. Rules had not been implemented before the completion of Round 1 of the small business component of BIG. Additionally, even after the lack of timeliness for Round 1, DCEO was unable to amend the rules for Round 2 of the small business component of BIG timely. DCEO filed amended rules **12 days after the Round 2 application process had started**, a process that utilized a preference for certain types of businesses to receive preferential treatment in the selection process.

DCEO documentation touted the BIG program as a **\$580 million** economic relief program for small businesses hit hardest by COVID-19.

Round 2 of the small business component made changes in the types of businesses that would receive BIG awards. This round focused on acutely distressed industries. DCEO proposed rules defining these new industries such as bus operating companies, amusement parks, event venues, indoor recreation, music venues, movie theaters, and performing arts venues. While DCEO did define the new industries, it did so **nearly two weeks after the initiation of Round 2**. (pages 9-13)

BIG Application Process

Our examination of the application process for the BIG program found a number of significant deficiencies.

Self-Certifications

DCEO allowed, **without verification**, BIG small business grant applicants to self-certify that they complied with all laws as well as reporting other pandemic funding. We found that not all applicants' certifications were accurate. Nonetheless, DCEO and its grant administrators awarded funding to these applicants.

Verifying the self-certifications may have avoided the following:

- During our Round 1 application award selection testing we found 2 percent (2 of 126) of the applicants **failed to accurately report Paycheck Protection Program (PPP) awards** on the application.
- During our Round 2 application award selection testing we found 29 percent (36 of 125) of the applicants **failed to accurately report PPP or other CARES Act funding** on the application. (pages 14-17)

Use of Non-Approved Selection Criteria

The BIG program was designated by the General Assembly to provide assistance for businesses that had **losses due to COVID-19**. DCEO utilized an eligibility category for the small business component of BIG that **was not specified in the Public Act passed** by the General Assembly. DCEO paid **over \$11 million to 630 applicants** that applied under this eligibility designation. (pages 17-20)

Applications Outside Eligibility Criteria

DCEO awarded small business applicants in Round 1 of the BIG program funding **when the businesses were not eligible** based on information submitted in the application. Our analysis found **196 ineligible applicants received \$3.42 million**. Additionally, the application system developed by a DCEO grant administrator that was supposed to not allow ineligible applicants to submit finalized applications **failed to work as advertised**.

During our review of the universe of Round 1 awards we found a number of applicants that were not eligible for BIG funds yet not only did the application system allow the applicant to complete the application process, DCEO and its grant administrators approved and funded the ineligible applicants. Digest Exhibit 4 presents the results of our review for the ineligible awards. Specifically:

- 41 applicants reported having revenues during 2019 that were **outside the range** for eligibility, yet were awarded \$570,000;
- 154 applicants reported having on-site outdoor food or beverage services in violation of program guidelines, yet were awarded \$2.83 million.
- 1 applicant applied in the “Other” category yet **did not list a zip code that was in a designated severely disproportionately impacted area**, but was awarded \$20,000. (pages 20-23)

Digest Exhibit 4
BIG PROGRAM – INELIGIBLE APPLICANTS PROCESSED AND AWARDED
 Small Business Component Round 1

Criteria Violated	Number of Ineligible Awards	BIG Funds Paid to Ineligible Applicants
Revenue Threshold in 2019		
Barbershops or Salon	25	\$250,000
Other Category	16	\$320,000
Provided On-Site Outdoor Dining	154	\$2,830,000
Type of Business – Other category needs to be in a designated zip code	1	\$20,000
Totals	196	\$3,420,000

Source: OAG developed from DCEO BIG award information.

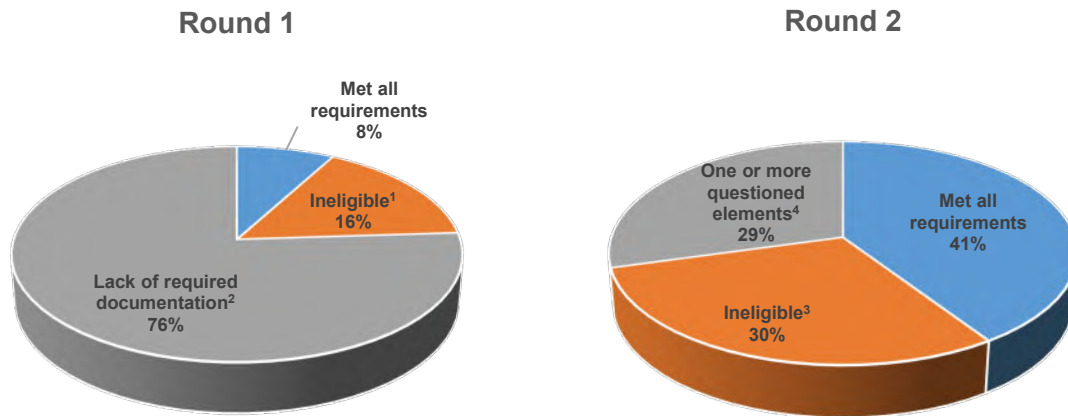
Award Selection Testing Results for Small Business Component

DCEO oversight of the award selection process for the small business component of BIG was insufficient. Our testing of the selection process found significant deficiencies in both rounds. In Round 1, we were **only able to concur with 8 percent** of the BIG awards from our sample. We determined that **16 percent** of the BIG awards, totaling \$430,000, in our sample **were ineligible** for reasons such as revenues outside the criteria or restaurants providing outdoor dining. We also **questioned 76 percent** of the BIG awards, totaling \$1,980,000, in our sample due

to **lack of required documentation** being submitted by the applicant. In 9 of 150 applications, we found that the applicant was actually eligible for the BIG award yet the grant administrator denied the application. In Round 2, we were **only able to concur with 41 percent** of the BIG awards from our sample. We determined **that 29 percent** of the BIG awards in our sample had one or more questioned elements. Additionally, we determined that **30 percent of the awards made by DCEO in our Round 2 sampling were ineligible**. Finally, questionable expenses from our selection testing sample totaled **\$1,335,708 – 28 percent of all funds awarded from the Round 2 sample**.

Digest Exhibit 5 summarizes testing results for Rounds 1 and 2 for the small business component of BIG. (pages 24-31)

Digest Exhibit 5
AWARD SELECTION TESTING RESULTS FOR SMALL BUSINESS COMPONENT
 Round 1 and Round 2 Awards



Notes:

- ¹ Ineligible for reasons such as revenues outside the criteria or restaurants providing outdoor dining.
- ² Lack of required documentation such as failure to submit tax returns, submitting the incorrect business license or tax form, or submitting unsigned/undated tax returns.
- ³ Ineligible for reasons such as an unallowable business, businesses that had revenue gains year over year, and businesses that did not submit all required documentation.
- ⁴ One or more questioned elements such as failure to report other CARES Act funding and the award amount was incorrect based on supporting documentation.

Source: OAG analysis of sample of 150 Round 1 awards and 150 Round 2 awards.

Overpayment of COVID Losses by BIG Program

DCEO utilized an award determination process that **failed to follow the directive of State statute** relative to funding for COVID-19 losses. By rounding loss amounts up to the next \$5,000, DCEO **reduced the funding levels** while some applicants went without funding. In our selection testing work, we found **47 percent of the awards overpaid the documented losses by a total of \$171,000**.

Our sample of 150 award winner cases was **just over 2 percent of the total awards** in Round 2 of the small business component of BIG.

We randomly sampled 150 award winners from Round 2 of the small business component and found that 47 percent (71 of 150) received BIG award from DCEO and its grant administrators **in excess of the losses provided from documentation submitted by applicants** as part of the application process. These overpayments were due to the process of rounding losses up to the next \$5,000 instituted by DCEO and its grant administrator. The overpayment amounted to \$170,798 for the 71 awards, an average of \$2,406.

See Digest Exhibit 6 for some examples of BIG payments that were over the documented losses of the applicant. (pages 31-34)

Digest Exhibit 6
BIG PROGRAM – PAYMENT EXAMPLES OVER COVID LOSSES
 Small Business Component Round 2

Case Number	COVID Losses Based on Documentation Submitted	BIG Payment Amount	Excess Amount Paid Over COVID Losses
OAG Case 65	\$647.71	\$5,000.00	\$4,352.29
OAG Case 83	\$97.44	\$5,000.00	\$4,902.56
OAG Case 96	\$20,726.26	\$25,000.00	\$4,273.74
OAG Case 113	\$10,771.52	\$15,000.00	\$4,228.48
OAG Case 121	\$572.14	\$5,000.00	\$4,427.86

Source: OAG developed from DCEO BIG program information.

Exception to Policy on the Number of Awards

DCEO and its grant administrators for the small business component of BIG **awarded funding in excess of program policy**. Eleven business owners received funding for businesses in excess of the three for which each owner was eligible. **Total overpayment of funds totaled \$220,000**. DCEO is responsible for overseeing grant programs, including ones in which program administrators are utilized.

If DCEO and its grant administrators had conducted the selection process according to BIG program policy, there **would have been more funds available** for other applicants that went without funding. Instead, 11 business owners received more than the maximum number of BIG awards.

Business owners that applied for BIG **did nothing incorrect** when applying for funding for more than three of their businesses. The owners could not have known whether any of the businesses would have been awarded BIG funding. (pages 34-36)

Child Care Component and Livestock Management Component Testing

Testing for the child care component and the livestock management component did not find any significant or pervasive issues. We concurred with all of the grant awards and grant denials in our sample. (pages 36-38)

Monitoring the BIG Program

DCEO had significant deficiencies in the monitoring of the small business component of the BIG program.

Grant Administrators Working Without Executed Agreements

DCEO **failed to execute grant agreements** with grant administrators for the small business component of the BIG program **prior to** the grant administrators working on the BIG program. Further, DCEO **required funding applicants to submit multiple pieces of confidential information** to these grant administrators that were operating without an executed grant with the State of Illinois. Finally, DCEO was **unaware of the actual individuals** that would view this confidential information, even though some of these individuals were temporary staff hired by the grant administrators.

Digest Exhibit 7 provides the execution dates for the grant administrator agreements for the small business component with the initial payment dates and initial payment amounts to the grant administrators. During Round 1, the six administrators, on average, **worked on the BIG selection program for 44 days since the beginning of the application process prior to DCEO executing a contractual agreement** with the administrator.

Digest Exhibit 7
GRANT ADMINISTRATOR GRANT EXECUTION DATES
 Small Business Component Rounds 1 and 2

Administrator	Application Start Date	Grant Execution Date	# Days from Application Start Date	Date of 1 st Grant Payment	Amount of 1 st Grant Payment
Accion	06/26/20	08/10/20	45	08/18/20	\$12,125,000
Women’s Business Development Center	06/26/20	08/06/20	41	08/18/20	\$11,125,000
Chicago Urban League	06/26/20	08/12/20	47	08/18/20	\$8,375,000
SomerCor	06/26/20	08/10/20	45	08/17/20	\$8,125,000
Chicago Community Loan Fund	06/26/20	08/10/20	45	08/18/20	\$11,625,000
Chicago Neighborhood Initiatives	06/26/20	08/06/20	41	08/17/20	\$10,125,000
Accion – Round 2	09/17/20	10/13/20	26	10/16/20	\$50,238,633

Source: OAG developed from grant documentation.

During Round 1 for the small business component of BIG, grant administrators were able to inspect information submitted by the applicants. Many of these pieces of information were **either sensitive** (such as veteran’s status, race, ethnicity, gender, and home and email address) **or confidential by law** (such as FEIN, SSN, tax returns, and bank account information).

However, DCEO was unaware of who had access to this confidential information. On June 9, 2022, we were told, “DCEO did not request the identities of the individuals evaluating applications under the BIG program. The grant administrator(s) was responsible for their staff and contractors as indicated by their grant agreement.” Two grant administrators told us they hired temporary contractors to complete work on BIG. (pages 39-42)

Lack of Documentation to Support Applicant Notifications

DCEO failed to maintain notifications to applicants of the BIG program. Additionally, DCEO paid an outside vendor for a mass mailing system that did not maintain a retrieval function instead of utilizing a State system at the Department of Innovation and Technology, which could have been less costly and had the ability to retrieve the notifications.

DCEO did not conduct timely monitoring of the process to utilize an outside vendor for notifications for the small business component of BIG. In February 2021, DCEO had to inform:

- Five applicants that, “Due to a data error, you were previously sent a notification intended for a different award recipient that was mistakenly attached to your business and e-mail address. Note that the award amount below is different than in the previous notification you received.”
- Seven applicants that, “It has come to our attention that you received a Business Interruption Grant but never received an official notification documenting the details of that grant.” (pages 42-46)

Timely Payment of BIG Awards

DCEO failed to monitor that the payment of small business component funding was provided within program guidelines. During our testing we found that in **49 percent (67 of 136) of the cases, the grant administrator failed to provide funding within 14 days of DCEO approval.** (pages 46-48)

Failure to Enforce Funding Monitoring

DCEO had **monitoring weaknesses** relative to the uses of funding provided as part of the small business component of the BIG program. DCEO failed to **conduct** routine monitoring of the funds provided under BIG and at times did not have documentation to conduct monitoring. The lack of documentation **made it impossible for DCEO to know if the same claimed losses were utilized by an applicant to obtain funding under different programs.**

Based on documentation obtained from DCEO during the audit, over two rounds, DCEO made **9,295 awards totaling \$286,087,758** from the small business component of the BIG program. The six grant administrators that evaluated and paid small business award winners reported **conducting no monitoring of the funds disbursed.** During the audit, we found that DCEO **did not have any idea** what the funds were expended on by the award winners and relied on the award winners to expend the funds in compliance with the program.

We saw a number of correspondence related to how funds could be expended:

- In responding to an official from a member of the Illinois House on January 7, 2021, a DCEO official stated, *“You can spend it on a wide range of typical business expenses, and don’t need to worry about tying those expenses to COVID response. It can be applied to expenses March through December 2020.”*
- On January 29, 2021, a Round 2 award winner inquired to DCEO whether BIG funds were taxable and whether it needed to provide any proof of expenditures comparable to PPP (Paycheck Protection Program). A DCEO official reported, *“Yes it is taxable...No they don’t need to have specific documented expenses like PPP.”* (pages 48-52)

Failure to Deduct Previous Awards

DCEO and its grant administrators failed to follow BIG program requirements relative to deducting previous awards from future BIG funding for the small business component of the program. The result of the inaction resulted in the **overpayment of \$4.29 million in BIG funds.**

During the audit, we received a universe of awards for the small business component of BIG for both Rounds 1 and 2 of the program. We compared the Round 1 and Round 2 winners against each other to determine which applicants had **received awards in both** rounds of the BIG program.

Our analysis found:

- **96 instances** where the applicant in Round 2 should not have received an award due to the amount of BIG funding received during Round 1 – the 96 applicants **should not have received \$1,079,933;**
- **169 instances** where the applicant in Round 2 should have had awards adjusted based on the amount of funding received during Round 1 – the 169 applicants were **overpaid \$3,210,000.** (pages 52-53)

Tax Reporting Issue

DCEO failed to monitor all terms of the grant agreements with grant administrators. The lack of monitoring resulted in one grant administrator **not providing tax information on \$4.4 million in BIG funds to 305 sub-recipients.**

DCEO confirmed that funds provided from the BIG program were taxable and that grant administrators were to send 1099 forms to sub-recipients of BIG funds for tax purposes. (pages 54-55)

Compliance with Funding Allocations

DCEO allocated funding based on the requirements in State statute for the BIG program. Our analysis of BIG payment documentation showed 39 percent of the funding went to businesses located in DIAs of the State of Illinois. (pages 56-57)

Priority for Severely Impacted Industries

LAC Resolution 159 asked us to examine DCEO’s compliance with prioritizing severely impacted businesses and industries. DIA’s were generally not used during the selection process for BIG program. DCEO used the **economic impact**

language found in the Public Act related to BIG Program and implemented it through inclusion of a severe DIA eligibility criteria in Round 1, which focused on property damage in areas with civil unrest. However, the use of these severe DIA eligibility criteria was different than how DIA was defined and excluded a number of zip codes that would have been otherwise eligible. (pages 58-59)

Community Navigators

LAC Resolution 159 asked us to conduct an examination of the role of the Community Navigators, if any, in the selection of grant recipients in the BIG program. According to DCEO’s website, the Small Business Community Navigators program is a support program for small businesses in the State of Illinois, which is a hub and spoke model that brings together community organizations from across the State of Illinois. The Community Navigator awardees, or hubs, will provide support and training services to the spokes in their program, and the spokes will offer grassroots engagement with small businesses to assist with access to grants, marketing outreach, and technical assistance.

For the BIG program, which ended on June 30, 2021, we found that **Community Navigators were generally not utilized**. DCEO did conduct a competitive Notice of Funding Opportunity to contract with Community Navigators for the successor to BIG, the Back to Business program in FY22.

DCEO utilized four organizations to provide technical assistance and outreach (TA&O) for the BIG program. According to DCEO, *“The scope and breadth of the hub-and-spoke model used for community navigators in 2021 is much greater than that used for the TA&O partners [in 2020], but the concept was similar.”* As shown in Digest Exhibit 8, the four partners, which signed grant agreements with DCEO, **received \$874,508** for TA&O services. We also note that \$191,646 or 22 percent of the funds received for technical assistance and outreach **were unused and returned**. (pages 60-63)

Digest Exhibit 8
BIG PROGRAM – TA&O FUNDING
 Small Business Component Round 2

Entity	Total Amount Paid	Total Amount Used	Amount Returned	% of Total Returned
Greater Auburn Gresham Development Corporation	\$310,000	\$259,365	\$50,635	16.3%
The Resurrection Project	\$227,530	\$206,186	\$21,344	9.4%
Chicago Urban League	\$219,645	\$99,978	\$119,667	54.5%
American Business Immigration Coalition	\$117,333	\$117,333	\$0	0%
Total	\$874,508	\$682,862	\$191,646	21.9%

Source: OAG developed from DCEO BIG program information.

Return of Funds

LAC Resolution 159 asked us to conduct an examination of the actions taken by DCEO, DHS, and DOA when a BIG participant was not in compliance with any step in the application process or made a material misrepresentation in reporting on the use of funds provided as part of the BIG program.

DCEO did not initially have a formal process to claw back funds that were paid to BIG recipients that were in violation of the terms of the BIG program. DCEO reported, *“It was developed after awards began to be distributed.”*

DCEO **did not claw back funds** for noncompliance with the Executive Order. DCEO became aware of instances of violations but did not initially have a system in place to manage businesses found to be in violation of law, regulations, and executive orders. DCEO **relied on the attestations of the recipient** that they would comply or were already complying with the mitigation efforts.

During the audit, we found that DCEO was aware of businesses having signed the requirements and certifications document yet were not in compliance with all laws, regulations, and executive orders. DCEO became aware of notices of BIG Program violations from news stories, forwarded complaints, and internal agency reviews. Businesses most often having documented violations were restaurants failing to follow local mitigations and executive orders. We found that DCEO was not prepared to handle such notices of violation, did not have complete information on all violators, and did not always enforce a return of funds when such violations were confirmed. (pages 64-68)

Audit Recommendations

The audit report contains 15 recommendations directed to DCEO. DCEO generally agreed with the recommendations. The complete response from DCEO is included in this report as Appendix F.

This performance audit was conducted by the staff of the Office of the Auditor General.

SIGNED ORIGINAL ON FILE

JOE BUTCHER
Division Director

This report is transmitted in accordance with Sections 3-14 and 3-15 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:MAZE

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Glossary and Acronyms

Agriculture Business Interruption Program	Program that covers monetary losses of livestock producers due to the disruption of the livestock market caused by the COVID-19 emergency.
Applicant	A qualifying business that applies for funding under the Business Interruption Grant (BIG) program.
Business	A for-profit enterprise or non-profit organization lawfully conducting business in Illinois. This term does not include any business that is prohibited from receiving funds under section 5001(b) of the CARES Act.
CARES Act	The federal Coronavirus Aid, Relief, and Economic Security Act (Public Law 116-136).
Community Navigators	A hub and spoke model used to support businesses trying to access relief program dollars. The hubs provide support and training services to the spokes in their program and the spokes offer grassroots engagement with small businesses to assist with access to grants, marketing outreach and technical assistance.
COVID-19	The novel coronavirus disease deemed COVID-19 by the World Health Organization on February 11, 2020.
CRF	The Coronavirus Relief Fund established by the CARES Act.
DCEO	The Illinois Department of Commerce and Economic Opportunity.
DHS	The Illinois Department of Human Services.
Disproportionately Impacted Area	<p>Those ZIP Codes most severely affected by the COVID-19 emergency, to be determined based on positive COVID-19 case per capita rates, and high rates in at least one of the following poverty-related categories relative to other ZIP Codes within their region:</p> <ul style="list-style-type: none">• Share of population consisting of children age 6 to 17 in households with income less than 125 percent of the federal poverty level;• Share of population consisting of adults over age 64 in households with income less than 200 percent of the federal poverty level;• Share of population in household with income less than 150 percent of the federal poverty level; and

Glossary and Acronyms

- Share of population consisting of children ages 5 and under in households with income less than 185 percent of the federal poverty level.

DCEO, using these criteria, may determine different eligibility thresholds when allocating funds for the Allotment Tiers.

DOA	The Illinois Department of Agriculture.
Financial Assistance	Financial support to an Illinois business in the form of a grant, expense reimbursement, or subsidy.
Livestock Management Facility	An operation where livestock (swine, beef cattle, dairy cattle, poultry, sheep and meat goats) are primarily used in the production of food, fiber, or other products; and have been, are, or will be fed, confined, maintained, or stabled for a total of 45 days or more in any 12-month period.
Meat and Poultry Capacity Program	A program that covers the costs for operations and costs associated with facility improvements necessary to decrease or eliminate COVID-19 related slowdowns and mitigate capacity reductions.
Necessary Expenditure	An expenditure of funds that is eligible for reimbursement from the CRF and necessary to respond to the COVID-19 emergency or reimburse the cost of business interruption.
Qualified Partner	A financial institution or nonprofit with which DCEO, or another State agency pursuant to an intergovernmental agreement with DCEO, has entered into an agreement or contract to provide or incentivize assistance to qualifying businesses.
Severely Disproportionately Impacted Area	A disproportionately impacted area that has experienced heightened adverse economic conditions since March 13, 2020, which may include high rates of business closures or losses, unemployment, poverty rates, or other economic factors.
Swine Depopulation Program	Program that covers the costs and expenses of swine producers associated with the depopulation and disposal of livestock due to the disruption of the livestock market caused by the COVID-19 emergency.

Introduction

On September 1, 2021, the Legislative Audit Commission (LAC) adopted Resolution 159 directing the Auditor General to conduct a program audit of the Business Interruption Grant (BIG) program. The Resolution asked the Auditor General to conduct:

- an examination of the application process, the documentation submitted, and the selection of grants by the Department of Commerce and Economic Opportunity (DCEO), the Department of Human Services (DHS), and the Department of Agriculture (DOA) for the BIG program;
- an examination of the monitoring oversight by DCEO, DHS, and DOA for grant recipients including whether all eligibility requirements were satisfied and expenses submitted were allowable;
- an examination of how DCEO allocated funding in the BIG program to disproportionately impacted areas and whether the allocation was at least 30 percent of total funding;
- an examination of DCEO compliance with prioritizing severely impacted businesses and industries;
- an examination of the role of the Community Navigators, if any, in the selection of grant recipients in the BIG program; and
- an examination of the actions taken by DCEO, DHS, and DOA when a BIG participant was not in compliance with any step in the application process or made a material misrepresentation in reporting on the use of funds provided as part of the BIG program.

Background

Public Act 101-636, effective June 10, 2020, amended the DCEO Law of the Civil Administrative Code by adding section 605-1050. This addition **created the BIG program to be administered by DCEO.**

According to DCEO documentation, the BIG program was developed by Governor J.B. Pritzker and the Illinois General Assembly to provide \$585 million in economic relief for small businesses hit hardest by COVID-19. BIG was advertised by DCEO as the *“largest program of its kind in the nation.”*

According to statute, the purpose of the BIG program was **to provide financial support to businesses that have experienced interruption of business or other adverse conditions attributable to the COVID-19 public health emergency** [20 ILCS 605/605-1050]. The provision of support to for-profit and not-for-profit businesses that have experienced adversity attributable to the COVID-19 epidemic is a necessary response to the public health emergency. Financial assistance shall be prioritized for communities most in need of assistance, as determined by numbers or **rates of COVID-19 infection and economic measures** identified. BIG was to be implemented in multiple phases of funding.

The BIG program was **designed** to fund three types of grants: small business, child care, and livestock management. See the adjacent text box for **the initial grant funding levels** for each type of grant.

BIG Program Grant Funding Levels	
Small Business	- \$290 million
Child Care	- \$290 million
Livestock Management	- \$5 million

Outsourcing the Small Business and Child Care Components of the BIG Program

DCEO **outsourced the BIG program** to a number of grant administrators and community partners. These administrators were to **receive** applications for funding, **evaluate** the applications, **recommend** awards, and **make payments** to the sub-recipients. DCEO documentation indicated that it partnered with six grant administrators for the small business component and another (Illinois Network of Child Care Resource and Referral Agencies) for the child care component of the BIG program. The small business grant administrators were:

- Accion,
- Women’s Business Development Center (WBDC),
- Chicago Urban League (CUL),
- SomerCor,
- Chicago Community Loan Fund (CCLF), and
- Chicago Neighborhood Initiatives (CNI).

This outsourcing was provided for in statute. Public Act 101-636, the FY21 Budget Implementation Act, added a new section [20 ILCS 605/605-1050] to the DCEO Law. While the language in the new section **does not prohibit** DCEO from administering the BIG program it does provide DCEO the ability to partner with a Qualified Partner. A Qualified Partner can mean a financial institution or a nonprofit. See adjacent text box for the statutory language. DCEO officials told auditors during the entrance conference that the **administrators would maintain all documentation on applications and grant award selections.**

20 ILCS 605/605-1050

“Support may be provided directly by the Department to business and organizations or in cooperation with a Qualified Partner.”

Lack of Documentation to Support Selection of Grant Administrators

DCEO could not provide documentation to show how or why it selected organizations to administer Round 1 of the BIG program. One of the grant administrators, as well as a DCEO official, appears to have not complied with conflict of interest policies at DCEO. **The BIG grant administrators were to distribute \$580 million** in funds. An additional \$5 million was to be administered by DOA.

During the entrance conference for the audit, DCEO officials reported that the use of grant administrators by DCEO for a grant program was an **entirely new process** due to the pandemic.

DCEO reported that, *“there was a consensus among DCEO leadership and operational staff that the only way to carry out this program was through a grant administrator or administrators.”* However, DCEO **did not maintain documentation to show how the grant administrators were selected** for Round 1 of the BIG program nor did DCEO conduct any sort of cost benefit analysis to determine whether the cost of grant administrators was more or less expensive than using DCEO staff.

The decision to utilize grant administrators, as reported by DCEO, was made by a former Assistant Director and a former Chief of Staff. These individuals **also selected the administrators. DCEO also reported** that while the Governor’s Office advised DCEO that the Chicago Urban League ran a similar type of program, **no one from the Governor’s Office was involved in the ultimate selection** of the administrators.

During background research, we contacted all grant administrators and asked if awarding grants was part of their normal operating activities. Only two (Accion and Chicago Urban League) reported it had conducted grant activities previously. The other four small business administrators and the child care grant administrator **indicated they had not conducted grant activities.** These **administrators which did not administer grants as part of normal activities were provided over \$325 million by DCEO** to conduct grant activities.

During our initial research for the audit, we found that the former Assistant Director developed a political campaign to run for 47th ward alderman in the City of Chicago. The lead for the main grant administrator from Accion made a \$5,000 campaign contribution to the former Assistant Director on September 30, 2018.

We questioned DCEO as to whether this was any sort of violation of conflict of interest policies for DCEO in the DCEO Employee Policy Manual. **DCEO agreed with us** that the issue should have been reported to the DCEO Director as well as the DCEO Ethics Officer. However, the DCEO Ethics Officer **could find no documentation on any such disclosure** and the Director at the time is no longer with DCEO. DCEO also agreed with us that the Accion official should have reported this conflict of interest in the grant application, but did not. DCEO reported that, *“Now that DCEO has been made aware of this relationship, the Agency has initiated an investigation into this matter and will take appropriate actions to address this situation.”*

To the DCEO response above, we would point out that the application Accion submitted to be a grant administrator for BIG was not signed until July 20, 2020 – **after it had begun working on the BIG program.**

The State Records Act details that the head of each agency shall preserve records containing adequate and proper documentation of the organization, functions, policies, **decisions**, procedures and essential transactions of the agency [5 ILCS 160/8].

DCEO was unable to provide a reason that there was no documentation to support why the grant administrators were selected for Round 1 of the BIG program.

Utilizing outside grant administrators, administrators that largely do not conduct grant activities, for Round 1 of the BIG program should necessitate an explanation of why the individual administrators were selected.

Lack of Documentation to Support Selection of Grant Administrators

RECOMMENDATION NUMBER

1

DCEO should develop and maintain documentation on why and how it has selected grant administrators when DCEO delegates the responsibility for that administration to outside parties.

DCEO Response:

The Department agrees that it would have been preferable to have additional documentation in place as it pertains to selecting the administrator for BIG Round 1.

During this time period in 2020, emergency flexibilities permitted the Department to select grant administrators without a competitive Notice of Funding Opportunity (NOFO) process, as noted in OMB Memo 20-17.

The Department would also like to note that a competitive NOFO process was utilized for selecting the administrator in BIG Round 2, which resulted in Accion being selected after scoring the highest on merit-based criteria, consistent with the documentation provided to OAG pertaining to this process.

Regarding the status of the investigation mentioned on page 4, the Department concluded that the campaign contribution that took place prior to the former Assistant Director's employment with the Department did not create a conflict of interest. Nevertheless, the Department forwarded this issue to the Office of the Executive Inspector General to determine whether to conduct any additional investigation.

Auditor Comment #1:

DCEO notified auditors on January 5, 2022, that it was investigating the situation with the former Assistant Director. Sixteen months later, in the formal responses to the audit, DCEO informs us of the investigation results. We have seen no documentation relative to the investigation.

Funding for the BIG Program

The federal government provided direct aid to the State of Illinois for COVID-19 responses. In March and April 2020, four pieces of federal legislation passed to address the impact of COVID-19:

- Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (enacted March 6, 2020);
- Families First Coronavirus Response Act (enacted March 18, 2020);
- Coronavirus Aid, Relief and Economic Security (CARES) Act (enacted March 27, 2020); and
- Paycheck Protection Program and Health Care Enhancement Act (enacted April 24, 2020).

Federal funds were deposited in the Coronavirus Relief Fund (CRF), a fund created by the CARES Act. Public Act 101-637 included appropriations to support State government's costs of response, provide assistance to households and small businesses impacted by COVID-19, and provide pandemic related stability payments to healthcare providers.

DCEO, among a number of State agencies, received FY21 appropriations for COVID-19 from the CARES Act. A Governor's Office of Management and Budget report from June 2020 detailed the DCEO appropriations. These appropriations are shown in Exhibit 1.

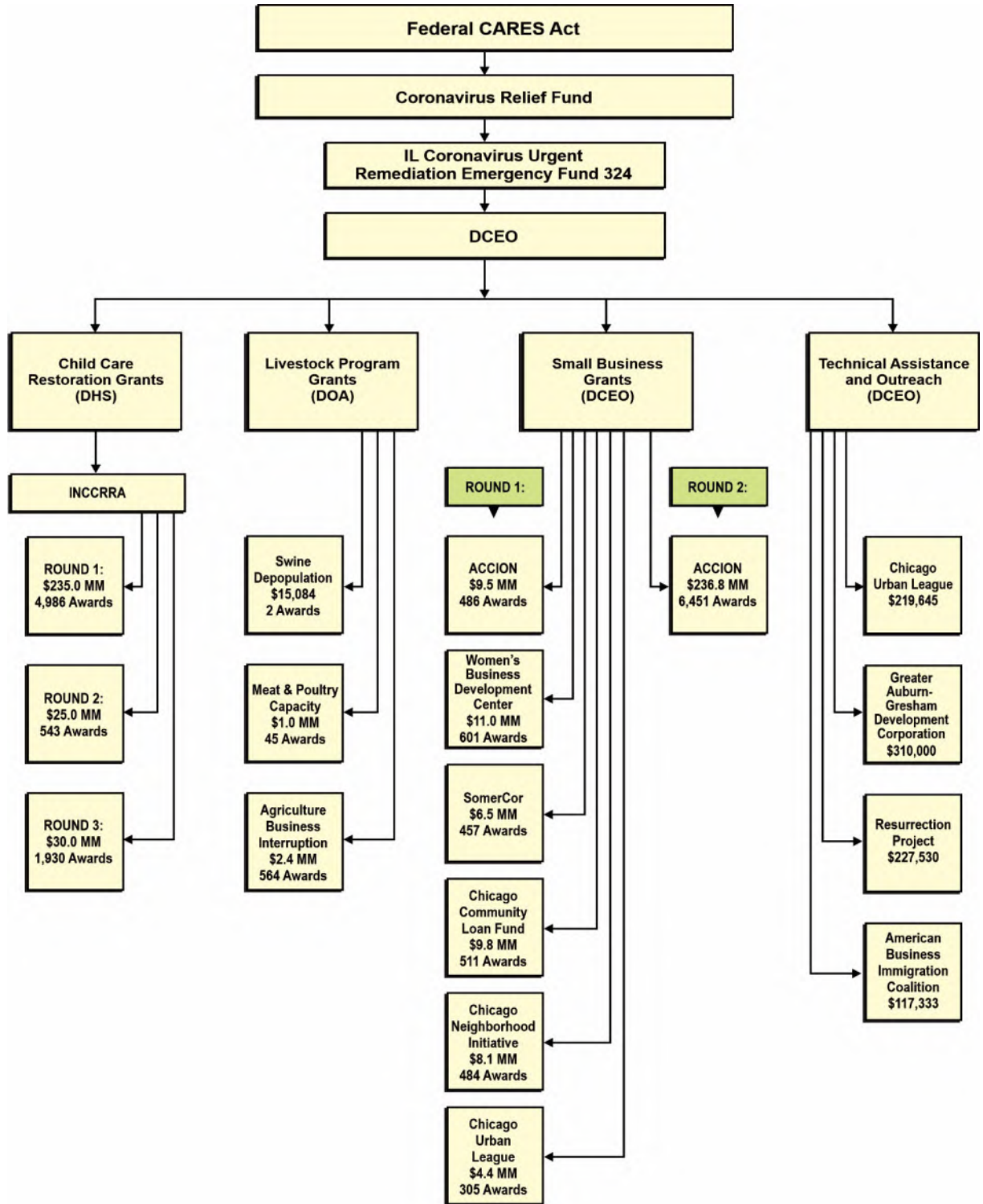
Exhibit 1
DCEO CARES ACT APPROPRIATIONS
 FY21

Program	Appropriation Amount	Purpose
Coronavirus Business Interruption Grant Program	\$376,000,000	For costs incurred to qualifying businesses due to business interruption or other such purposes eligible for payment from the federal Coronavirus Relief Fund. Of this amount, \$60 million is designated for qualifying businesses that serve disproportionately impacted areas, based on positive COVID-19 cases.
Coronavirus Business Interruption Grant Program for Child Care Providers	\$260,000,000	For costs incurred to child care and daycare providers due to business interruption or other such purposes eligible for payment from the Coronavirus Relief Fund. Of this amount, \$25 million is designated for qualifying child care and daycare providers that serve disproportionately impacted areas, based on positive COVID-19 cases.
Reimbursement Program for 97 Counties with no Direct Allocation from the Coronavirus Relief Fund	\$250,000,000	Administration and payment of COVID-19 related grants and expense reimbursement to units of local government, including but not limited to, local certified public health departments.
Technical Support to Community-Based, Non-Profit Organizations	\$10,000,000	Provides support to community-based, non-profit organizations located in modest and low-income census tracts to provide technical assistance to diverse, underserved and minority-owned small businesses. Must be within the locations described above and have a strong record of serving diverse, underserved and minority-owned businesses.

Source: OAG developed from Governor’s Office of Management and Budget information.

A flowchart showing how the State utilized the CARES Act for BIG is presented in Exhibit 2. Additionally, a **timeline** for the BIG program is presented in Appendix C, which shows when each component was developed, and funds awarded to receiving providers.

Exhibit 2
FLOW OF CARES ACT FUNDING FOR THE BIG PROGRAM



Source: OAG developed from BIG program information.

Direct CARES Disbursements to Local Governments

Illinois received a total of \$4,913,633,437 in CRF dollars. **Direct disbursements were made by the federal government to cities or counties with populations of 500,000 or more.** See the adjacent text box for Illinois cities or counties with direct distributions. The balance after direct disbursements, \$3,518,945,365, was left for statewide allocation. The six entities in the adjacent text box also had grant programs for small businesses similar to BIG.

Direct CARES Funding Levels

Chicago	- \$470,078,038
Cook County	- \$428,597,905
DuPage County	- \$161,042,598
Kane County	- \$92,900,218
Lake County	- \$121,539,986
Will County	- \$120,529,327

We contacted the governments that received direct disbursement of CARES funds to ascertain whether they utilized any of these funds for grants to small business that had losses due to COVID-19. All six governments verified that they did provide **grants to small businesses**. All six governments provided us with spreadsheets to show which small businesses were awarded grants. We compared those spreadsheets with the listing of BIG funding recipients on the DCEO website and found:

- the City of Chicago, which awarded \$17.87 million to 2,164 grantees, had 406 city-funded grantees that matched the BIG recipient listing;
- Cook County, which awarded \$17.08 million to 1,708 grantees, had 178 county-funded grantees that matched the BIG recipient listing;
- DuPage County, which awarded \$20.59 million to 1,629 grantees, had 134 county-funded grantees that matched the BIG recipient listing;
- Kane County, which awarded \$13.02 million to 628 grantees, had 73 county-funded grantees that matched the BIG recipient listing;
- Lake County, which awarded \$16.61 million to 1,198 grantees, had 134 county-funded grantees that matched the BIG recipient listing; and
- Will County, which awarded \$20.95 million to 1,447 grantees, had 130 county-funded grantees that matched the BIG recipient listing.

The purpose of the previous information was to show how some businesses were receiving multiple sources of funding in addition to BIG funding. Some of the funding above was provided to recipients **prior to** receiving BIG funds while other local government funds were provided **after** the BIG funding was received.

Department of Commerce and Economic Opportunity

One of the major responsibilities of DCEO is to work with businesses, economic development organizations, local governments, and community organizations to improve the quality of life for Illinoisans, advance economic development through economic opportunities for businesses, entrepreneurs and residents, and improve the State's competitiveness in the global economy.

DCEO entered into an intergovernmental agreement (IGA) with DHS on July 8, 2020, relative to the child care portion of the BIG program. The IGA stipulated that DHS would **provide subject matter expertise** to assist DCEO in development and implementation of the Child Care Restoration Grant (CCRG) program. DCEO was to provide funding to qualified businesses through a third-party qualified partner. That third party ended up being the Illinois Network of Child Care Resource and Referral Agencies (INCCRRA).

For the livestock part of the BIG program, DCEO developed the relationship **differently** than it did with DHS. DCEO entered into a **grant agreement** with DOA, on October 15, 2020, **to provide sub-awards to eligible recipients**. DOA, unlike DHS in the child care portion of BIG, was to evaluate the applications and make award recommendations to DCEO for payment. The total amount to be awarded under this grant to DOA was \$5,008,816, even though DOA did not utilize all the funds. DCEO took the approximately \$1.6 million in unused livestock funds and added to the small business component of BIG and awarded grants in 2021. This was after DCEO reported all funds had been awarded in December 2020.

Failure to Develop Timely Administrative Rules for the BIG Program

DCEO **initiated the small business component of the BIG program without having emergency administrative rules in place** for the administration of the program. Rules had not been implemented before the completion of Round 1 of the small business component of BIG. Additionally, even after the lack of timeliness for Round 1, DCEO was unable to amend the rules for Round 2 of the small business component of BIG timely. DCEO filed amended rules **12 days after the Round 2 application process had started**, a process that utilized a preference for certain types of businesses to receive preferential treatment in the selection process.

DCEO documentation touted the BIG program as a **\$580 million** economic relief program for small businesses hit hardest by COVID-19.

When a statute establishes a grant program, such as BIG, and places it under the authority of a State agency such as DCEO, that agency then is to propose administrative rules addressing details such as the application process and eligibility criteria.

On May 27, 2020, DCEO and Governor's Office for Management and Budget officials discussed rulemaking for the Local Coronavirus Urgent Remediation Emergency (CURE) and BIG programs. A DCEO official questioned, *"What if we planned to file emergency rules on Local CURE, but just a program guideline doc (for public distribution) for the BIG program?"*

On June 1, 2020, nine days prior to the effective date of Public Act 101-636 which created the BIG program, the former DCEO Chief of Staff informed other DCEO officials that, *"The Governor's Office has asked us to ramp up a quick round of initial BIG grants focusing on businesses that are still not really in full operations for Phase 3 but will be poised for greater operations in Phase 4."* The

subject line of the email was Quick BIG round-gyms, bars and restaurants. DCEO **had no administrative rules** at this point in time nor contractual relationships with any grant administrators to conduct the activities.

During the audit, we asked DCEO who from the Governor's Office made the request for "*a quick round*" of BIG. DCEO reported on June 29, 2022, that the DCEO staff on the email **could not confirm** who made the request.

DCEO filed emergency rules for the BIG program on July 21, 2020. DCEO confirmed that **no other rules were filed prior to that date**. The rules detailed, for small businesses:

- Qualified Partners,
- Identifying Disproportionately Impacted Areas,
- Form of Financial Assistance,
- Financial Assistance Application Process,
- Selection Process,
- Eligibility Requirements and Allowable Expenditures,
- Reporting, Cooperation and Record Retention,
- Noncompliance,
- Prioritizing Severely Impacted Businesses and Industries, and
- Applicant Affiliation.

The small business component of BIG was conducted in two rounds. The application period for Round 1 was the time period June 26, 2020, through July 7, 2020. DCEO did not file administrative rules **until two weeks after the end of Round 1**. Over \$49 million in awards were made to 2,844 sub-recipients during Round 1. See Exhibit 3 for the genesis of the administrative rules for the BIG program.

An August 5, 2020 email from the former DCEO Assistant Director indicated that the emergency rules for Round 1 were to be discussed at a meeting of the Joint Committee on Administrative Rules (JCAR) on August 11, 2020. The former Acting Deputy Director of Legislative Affairs reported, "*For BIG, we had a briefing with [JCAR members]. They didn't have any flags. With [JCAR members'] strong participation in the DIA [Disproportionately Impacted Area] conversation, there's a low likelihood of any opposition.*"

Round 2 of the small business component made changes in the types of businesses that would receive BIG awards. This round focused on acutely distressed industries. DCEO proposed rules defining these new industries such as bus operating companies, amusement parks, event venues, indoor recreation, music venues, movie theaters, and performing arts venues. While DCEO did define the new industries, it did so **nearly two weeks after the initiation of Round 2**.

During background research, we contacted all grant administrators and asked if awarding grants was part of their normal operating activities. Only two small

business grant administrators [Accion and the Chicago Urban League] reported they had conducted grant activities previously. The other four small business administrators and the child care administrator **indicated they had not conducted grant activities.**

We asked DCEO who made the decision to allow the BIG program to start without administrative rules in place. DCEO responded, *“Although no documentation is available, the understanding is that (former Assistant Director) and (former Chief of Staff) were the key DCEO leadership working to get the program up and running as soon as possible to prevent loss of jobs and business closures.”*

Section 5-45.3 of the Illinois Administrative Procedure Act (IAPA) [5 ILCS 100/5-45.3] allowed DCEO to adopt emergency rules for the BIG program. Section 5-45(b) states, *“Subject to applicable constitutional or statutory provisions, an emergency rule becomes effective immediately upon filing under section 5-65 or at a stated date less than 10 days thereafter.”* As shown in Exhibit 3, DCEO filed the emergency rules after Round 1 was completed and after Round 2 had been initiated.

On January 12, 2022, DCEO reported, *“Due to the crisis at hand, there was an overwhelming urgency to roll out the BIG program as soon as possible. After the signing of the budget on June 10th, DCEO began working to coordinate program expectations regarding the structure of the program, the content of the application, when it would be posted, how applications would be distributed to other administrators for review, and the process for review. Furthermore, the BIG program Round 1 application process occurred in tandem with our edits and final filing of the emergency rules to set up the program as quickly as feasible. The parameters of Round 1 mirrored the requirements established by the emergency rules. Applicants were not selected or informed of an award until after rules were filed.”*

In order for the Joint Committee for Administrative Rules to ensure that agency administrative rules meet the requirements of the IAPA and that the agency is not exceeding the authority granted by the General Assembly, rules need to be developed and make its way through the process prior to implementing a grant program like BIG.

Effective internal controls should include that administrative rules be developed prior to allowing grant administrators, many of which had no experience in grant programs, to conduct program activities. DCEO’s response about the “urgency” of the program does not ensure controls were effective.

Exhibit 3

BIG PROGRAM - GENESIS OF ADMINISTRATIVE RULES DEVELOPMENT

Date	Action	Rules Description
June 26, 2020	Application period initiation date for Round 1 of small business component of BIG program.	Not Applicable
July 7, 2020	Application period closing date for Round 1 of the small business component of the BIG program.	Not Applicable
July 21, 2020	Date of filing with Index Department and effective date of emergency rules for the small business component of the BIG program.	Provides administrative framework required for DCEO to administer the BIG program and provide technical assistance grants to help businesses in underserved areas apply for financial assistance.
September 17, 2020	Application period initiation date for Round 2 of small business component of BIG program.	Not Applicable
September 29, 2020	Date of filing with Index Department and effective date of amendment to emergency rules for the small business component of the BIG program.	The amendments provide an expanded administrative framework for the next round of disbursements under the BIG program.
November 6, 2020	Date of filing with Index Department and effective date of amendment to emergency rules for the small business component of the BIG program.	The amendments provide DCEO the ability to administer additional funding rounds to affected businesses if funding is available and extends the deadline for recipients of financial assistance to submit final expenditure reports.
December 15, 2020	Application period closing date for Round 2 of the small business component of the BIG program.	Not Applicable
December 23, 2020	Effective date for the filing of final version of BIG rules.	Filing of final rules for BIG program.

Source: OAG developed from Secretary of State and BIG program information.

Failure to Develop Timely Administrative Rules for the BIG Program

**RECOMMENDATION
NUMBER**

2

DCEO should develop administrative rules for new grant programs prior to the initiation of the program.

DCEO Response:

The Department agrees with the recommendation that it would have been preferable to have formal Administrative Rules adopted prior to the launch of the program. The Department would also like to note that program administration did follow the policies that were adopted as part of the program's Administrative Rules.

BIG Application Process

In our examination of the BIG selection process, we found that DCEO allowed applicants for funding to self-certify application responses without DCEO or its grant administrators verifying the information. Additionally, DCEO utilized an eligibility category for the small business component of BIG that **was not specified in the Public Act** passed by the General Assembly. DCEO also **awarded 196 small business applicants in Round 1 of the BIG program funding when the businesses were not eligible** based on information submitted in the application.

DCEO oversight of the award selection process for the small business component of BIG was insufficient. Our testing of the selection process found significant deficiencies in both rounds. In Round 1, we were **only able to concur with 8 percent (12 of 150)** of the BIG awards from our sample. We determined that **16 percent** of the BIG awards, totaling \$430,000, in our sample **were ineligible** for reasons such as revenues outside the criteria or restaurants providing outdoor dining. We also **questioned 76 percent** of the BIG awards, totaling \$1,980,000, in our sample due to **lack of required documentation** being submitted by the applicant. **In 9 of 150 applications, we found that the applicant was actually eligible for the BIG award yet the grant administrator denied the application.** In Round 2, we were **only able to concur with 41 percent (61 of 150)** of the BIG awards from our sample. We determined **that 29 percent** of the BIG awards in our sample had one or more questioned elements. Additionally, we determined that **30 percent of the awards made by DCEO in our Round 2 sampling were ineligible.** Finally, questionable expenses from our selection-testing sample totaled **\$1,335,708 – 28 percent of all funds awarded from the Round 2 sample.**

DCEO utilized an award determination process, which **failed to follow the directive of State statute** relative to funding for COVID-19 losses. By rounding loss amounts up to the next \$5,000, DCEO **reduced the funding levels** while some applicants went without funding. Additionally, in 11 instances, DCEO and its grant administrators for the small business component of BIG **awarded funding in excess of program policy**, which limited awards to three per business owner for three separate businesses.

Testing for the child care component and the livestock management component did not find any significant or pervasive issues. We concurred with all of the grant awards and grant denials in our sample.

Self-Certifications

DCEO allowed, without verification, BIG small business grant applicants to self-certify that they complied with all laws as well as reporting other pandemic funding. We found that not all applicants' certifications were accurate. Nonetheless, DCEO and its grant administrators awarded funding to these applicants.

As part of applying for financial assistance for the small business component of BIG, applicants were required to complete an application form and **sign a certification that attests to eligibility** for the BIG program and conditions funding on compliance with programmatic requirements.

Appendix E provides the certifications that are broken down into the following four categories:

- General Covenants, Representations, and Warranties;
- Program-Specific Covenants, Representations and Warranties;
- Requirements Between Grantee and Subrecipients; and
- Final Attestation that all application information is accurate.

Funds for the BIG program were to cover expenses or losses incurred due to the COVID-19 public health emergency. During Round 1 of the small business component of BIG, applicants were to select a “loss” amount from a drop down menu and attest that the amount was true. According to a grant administrator, *“all reviewers were instructed to accept the applicants’ assertion...the loss claim was a self-attestation by the applicant.”* DCEO also reported to auditors, *“In order to receive a grant, applicants were required to agree to the terms...and to confirm that they filled out the application truthfully.”*

DCEO, in a July 17, 2020 email, specifically directed grant administrators not to attempt to determine loss amounts through calculations. A DCEO official stated, *“We’ve determined that **verification of the revenue minimum and attestation of business losses are sufficient evidence that a business has had losses at the level that they attest to in the application.** No need to perform any additional calculations using figures from their bank statements.”*

Other grant administrators reported the same process to us.

- CCLF reported, *“No monitoring was required. The Business Attestation placed the liability on the business.”*
- CNI reported, *“Applicants were required to certify and attest to their proper usage of funds during the application process.”*

On October 7, 2022, DCEO reported, *“Qualifying Businesses within BIG were treated by DCEO as beneficiaries, not contractors performing work or a grantee which produced a program to meet a mandate of the State. A grant going to a Qualifying Business was a financial assistance lifeline to partially compensate for previously incurred losses. **There was no requirement that it be used in a specific way, and therefore no need for the monitoring of its use.**”* [Emphasis added.] Auditors’ issue with the DCEO perspective is that neither DCEO nor its grant administrators verified that losses actually occurred and that the losses were due to the pandemic.

While DCEO relied on these self-certifications, documentation showed that not all businesses awarded BIG funds were compliant with the program terms with respect to mitigation efforts by the Governor, **even though they had certified they were.**

Verifying the self-certifications may have avoided the following:

- During our Round 1 application award selection testing we found 2 percent (2 of 126) of the applicants **failed to accurately report Paycheck Protection Program (PPP) awards** on the application.
- During our Round 2 application award selection testing we found 29 percent (36 of 125) of the applicants **failed to accurately report PPP or other CARES Act funding** on the application.

- The Sangamon County Department of Public Health provided auditors with a listing of businesses it had cited for indoor dining in violation of mitigation orders from the Governor. Our review found 12 percent (3 of 25) of the citations were to BIG award winners.
- An official with the Peoria Area Convention and Visitors Bureau, a BIG awardee, asked DCEO on November 24, 2020, “*Will there be just one, final financial report submitted? When will that be due?*” A DCEO official replied, “*This is not your typical grant and does not have typical reporting requirement... You are a subgrantee who affirmed your agreement to the certification here when you applied for the funds.... As long as you remain in compliance with this going forward, no reporting is required.*”

The Fiscal Control and Internal Auditing Act [30 ILCS 10/3001] requires all State agencies to “*establish and maintain a system, or systems, of internal fiscal and administrative controls.*” **These controls should include developing a mechanism to verify self-certifications, especially when those self-certifications lead to funding of an award.**

DCEO agreements with grant administrators contained references to reporting of PPP funding in the selection and award of BIG funds:

- Round 1: “*Additionally, priority will be given to businesses that have not received additional financing from the [DCEO] or through the federal CARES Act for costs or losses due to COVID-19.*”
- Round 2: “*For all applicants, priority will be given to businesses that...[d]id not receive PPP or other forms of emergency aid from the CARES Act or the State.*”

DCEO reported that if a business did not disclose that they received other forms of CARES funds DCEO had minimal means of being able to verify that claim.

Without verifying the self-certifications of applicants, DCEO and its grant administrators were unable to comply with requirements in grant agreements.

Self-Certifications	
RECOMMENDATION NUMBER	<i>When DCEO allows grant applicants to self-certify information on the grant application, DCEO should develop controls to check those certifications for accuracy.</i>
3	

DCEO Response:

The Department agrees with the recommendation that it is important to implement processes, checks and balances for programs that necessitate the use of self-certification.

It is a standard practice to ask entities to certify that they will follow the law and attest that the information they have provided is correct, especially for information that is not feasibly verifiable for thousands of businesses. For example, the Department did not have access to PPP/CARES data to cross reference while BIG award determinations were being made and therefore, needed to rely on attestations. However, PPP/CARES was not a determinant of eligibility or funding amount and therefore, the Department believes the use of self-certification was appropriate.

To ensure accessibility for the most vulnerable businesses, the Department required information and documentation that was consistently available to all businesses within a short time period. BIG was designed first and foremost to quickly help businesses that have been adversely impacted by the pandemic, all of whom suffered immense hardship.

For future rounds of COVID-19 funding programs through its B2B program, the Department implemented the following processes to improve its ability to verify attested information:

- Basing award size on tax form information for year-over-year losses occurred. Tax information was not available for 2020 during the BIG program and therefore, the Department had to use less preferable proxies to determine need (e.g. bank statements comparing months in different years).
- Implementation of standard, manual review checks against external data sources for verification, such as receipt of other sources of government relief, status with the Secretary of State's office, verification of proper licensing, and additional quality assurance checks.

Auditor Comment #2:

As stated in the audit, in Round 2 of the small business component of BIG, 29 percent (36 of 125) of the sampled applicants failed to accurately report PPP or other CARES Act funding on the application. Despite DCEO asserting, "PPP/CARES was not a determinant of eligibility" for BIG, the reporting, or lack of reporting of PPP/CARES funding did influence the place in line for review of the applications by the grant administrator.

Relative to the Back to Business (B2B) program, we cannot comment on the DCEO assertions, as B2B was not within the scope of this audit.

Use of Non-Approved Selection Criteria

The BIG program was designated by the General Assembly to provide assistance for businesses that had **losses due to COVID-19**. DCEO utilized an eligibility category for the small business component of BIG that **was not specified in the Public Act passed** by the General Assembly. DCEO paid **over \$11 million to 630 applicants** that applied under this eligibility designation.

According to the DCEO website, during Round 1 of the small business component of BIG there were four ways for an applicant **to be eligible** for a BIG award:

- Restaurants and bars that were unable to provide on-site outdoor food or beverage services between May 29, 2020, and June 17, 2020;
- Barbershops and salons;
- Health and fitness centers; and
- Businesses located in specific DIAs that **experienced property damage due to civil unrest**.

DCEO reported that there is **no mention of civil unrest in State or federal statutes, rules, or guidance**. Despite this assertion, DCEO still utilized an application process that contained this designation.

DCEO did, in administrative rules effective July 21, 2020, define severely disproportionately impacted area. See text box for the definition. The definition **does not define civil unrest, nor was it in place during the Round 1 application period for BIG which closed on July 7, 2020.**

Severely Disproportionately Impacted Area

“A disproportionately impacted area that has experienced heightened adverse economic conditions since March 13, 2020, which may include high rates of business closures or losses, unemployment, poverty rates, or other economic factors.”

On June 23, 2020, DCEO published on its website a listing of severely disproportionately impacted areas. DCEO stated, *“For a portion of BIG grants, DCEO will be prioritizing awards to businesses located in ‘Severely Impacted DIAs,’ which are zip codes that qualify as DIAs that have also experienced property damage as a result of civil unrest during protest and demonstrations on or after May 25, 2020.”* May 25, 2020, was the day that George Floyd died in Minneapolis, Minnesota.

DCEO developed a list of zip codes for DIAs in Illinois. The list consisted of 176 zip codes. A subset of the DIA zip codes, representing severely impacted DIAs, consisted of 48 zip codes. Appendix D identifies each DIA and the city for the DIA.

During the audit, we examined a number of email correspondence relative to the BIG program at DCEO. Relative to the funding of “severely impacted” businesses we found:

- On June 14-15, 2020, DCEO officials discussed the property damage issue. The former DCEO Chief of Staff reported, *“...prioritizing the property damage DIAs may come at the expense of businesses in other DIAs.”* In response, the former DCEO Assistant Director stated, *“I generally don’t think we should communicate that businesses with damages will get priority though we should implement on the back end.”*
- On June 29, 2020, a DCEO official confirmed for another DCEO official that in Round 1 only severely impacted DIAs were eligible for BIG.
- On August 10, 2020, the former Assistant Director, responding to a request from an official from the Governor’s Office stated, *“...we are announcing BIG results this week and some portion of that is going to DIAs that had property damage back in the first round of looting. We’ll have dollar amounts and numbers of businesses.”*

According to DCEO documentation, in Round 1 DCEO provided **630 BIG awards totaling \$11,310,000 to applicants that applied as an “other” application**, meaning the applicant was located in a DCEO defined severely impacted DIA.

Funding from this Round 1 eligibility designation could have been utilized in Round 2 of BIG. Documentation from DCEO showed that 1,368 Round 2 applicants were reviewed, found to be eligible, **but not funded because funds**

were exhausted. Additionally, 26,607 applications in Round 2 were never reviewed.

DCEO also allowed applicants in severely impacted areas to **not follow eligibility guidelines** during Round 1. DCEO reported, *“As described in the eligibility guidelines...for BIG Round 1, to be eligible, restaurants or bars [m]ust not have been open to the public for on-site consumption of food or beverages between March 21, 2020, and June 17, 2020.’ That said, an entity that did not qualify based on this criteria may still qualify if they were located in a Severe DIA.”* Based on the above statement if a restaurant had outdoor dining it was not eligible for BIG. However, if a restaurant in a severe DIA was operating under outdoor dining it would still be eligible for funding.

In Round 2 of the small business component of BIG the eligibility criteria does not address the concept of severe DIA. In fact, DCEO reported, *“Severe DIAs were not used in any way in Round 2.”*

Public Act 101-636 (Act) created the BIG program. The Act stated that DCEO *“shall administer a program to provide financial assistance to Qualifying Businesses that have experienced interruption of business or other adverse conditions attributable to the COVID-19 public health emergency.”* [Emphasis added.] The Act goes on, *“Of the funds appropriated, a minimum of 30% shall be allotted for Qualified Businesses with ZIP codes located in the most disproportionately impacted areas of Illinois, based on positive COVID-19 cases.”*

DCEO reported, *“Property damage due to civil unrest relates to additional adverse economic conditions occurring within DIAs. This portion of the grants provided support to businesses in areas that experienced compounding crises. Please note that no funding was used for property damage caused by civil unrest and a business did not need to have experienced damage from civil unrest to be eligible for funding. The Department’s discretion to determine areas of greatest need based on local economic conditions is provided by 20 ILCS 605-1050(h), which is interpreted consistent with the legislative intent behind the program.”*

We note that the Act creating the BIG program was passed by both chambers of the General Assembly on May 24, 2020. The effective date for the legislation was June 10, 2020.

DCEO reported, *“The decision to include businesses located in DIAs where there was property damage as eligible in Round 1 was made collectively by [the Deputy Director of Policy Development, Planning & Research], [the former Chief of Staff], and [the former Assistant Director at DCEO] ... in consultation with [Governor’s Office officials].”*

Use of selection criteria by DCEO for applications due to civil unrest for the BIG program does not align with the purpose of the program in State statute. Additionally, providing funding for civil unrest areas for the BIG program in Round 1 left less funding available for the BIG program in Round 2.

Use of Non-Approved Selection Criteria

RECOMMENDATION
NUMBER

4

DCEO should design grant application selection criteria that are aligned with directives in State statute.

DCEO Response:

DCEO agrees with the recommendation, and the Department did use selection criteria aligned with state statute. Creating a specific eligibility criterion for businesses located in DIAs that experienced property damage due to civil unrest falls within DCEO's authority granted by statute and administrative rule. 20 ILCS 605-105(h) granted DCEO the authority to "establish procedures that prioritize greatly impacted industries and businesses" attributable to the COVID-19 public health emergency. The program Administrative Rules define "Severely Disproportionately Impacted Areas" (DIAs) as those that "...experienced heightened adverse economic conditions since March 13, 2020." The civil unrest that occurred in May 2020 resulted in "heightened adverse economic conditions since March 13, 2020" for businesses in those areas that experienced civil unrest, through direct damage inflicted on some businesses and through extended closures.

Auditor Comment #3:

As stated in the finding, DCEO reported that there is no mention of civil unrest in State or federal statutes, rules, or guidance. The audit also notes that the former DCEO Chief of Staff reported, "...prioritizing the property damage DIAs may come at the expense of businesses in other DIAs." The former DCEO Assistant Director stated, "I generally don't think we should communicate that businesses with damages will get priority though we should implement on the back end." Finally, the audit notes that the administrative rules DCEO references in its response were effective July 21, 2020, which was 14 days after the end of the Round 1 application period for the small business component.

Applications Outside Eligibility Criteria

DCEO awarded small business applicants in Round 1 of the BIG program funding **when the businesses were not eligible** based on information submitted in the application. Our analysis found **196 ineligible applicants received \$3.42 million**. Additionally, the application system developed by a DCEO grant administrator that was supposed to not allow ineligible applicants to submit finalized applications **failed to work as advertised**.

DCEO hurried to get a first round of small business awards for BIG initiated. A correspondence on June 1, 2020, from a DCEO official to other DCEO officials stated, "*The Governor's Office has asked us to ramp up a quick round of initial BIG grants focusing on businesses that are still not really in full operations for Phase 3.*" This request from the Governor's Office was **nine days before** Public Act 101-636 was signed, creating the BIG program.

On the same day that DCEO posted the BIG application online, DCEO posted a document that **laid out the eligibility requirements** for receiving a BIG award in

Round 1. Business categories eligible for Round 1 funding, along with the number of awards in each category, were:

- restaurants and bars that were unable to provide on-site outside food or beverage services (1,452 awards),
- barbershops and salons (392 awards),
- health and fitness centers (370 awards), and
- ‘Other’ defined as businesses located in specific disproportionate impact areas that experienced property damage due to civil unrest (630 awards).

To apply for a BIG award in Round 1, the applicant had to choose which of the four categories above **it was applying under** based on a drop down menu on the online application. The applicant then had to submit supporting documentation applicable to the category.

The DCEO website then listed questions to determine eligibility of the applicants. The questions included: amount of business revenue in 2019; annual minimum and maximum revenues based on business category; whether on-site outdoor food or beverage service was provided; and estimated revenue loss. At the end of these eligibility questions, the document listed two statements:

“Responses to the questions above will be used to screen applicants for eligibility.”

“Applicants that are not eligible for this round of funds will not move forward to complete the application.”

During our review of the universe of Round 1 awards we found a number of applicants that were not eligible for BIG funds yet not only did the application system allow the applicant to complete the application process, DCEO and its grant administrators approved and funded the ineligible applicants. Exhibit 4 presents the results of our review for the ineligible awards. Specifically:

- 41 applicants reported having revenues during 2019 that were **outside the range** for eligibility; yet were awarded \$570,000;
- 154 applicants reported having on-site outdoor food or beverage services in violation of program guidelines; yet were awarded \$2.83 million.
- 1 applicant applied in the “Other” category yet **did not list a zip code that was in a designated severely disproportionately impacted area**; yet was awarded \$20,000.

Exhibit 4
BIG PROGRAM – INELIGIBLE APPLICANTS PROCESSED AND AWARDED
 Small Business Component Round 1

Criteria Violated	Number of Ineligible Awards	BIG Funds Paid to Ineligible Applicants
Revenue Threshold in 2019		
Barbershops or Salon	25	\$250,000
Other Category	16	\$320,000
Provided On-Site Outdoor Dining	154	\$2,830,000
Type of Business – Other category needs to be in a designated zip code	1	\$20,000
Totals	196	\$3,420,000

Source: OAG developed from DCEO BIG award information.

DCEO was aware of the issues we found that are detailed above. Correspondence reviewed during the audit included:

- On the day Round 1 went live for applications, an Accion official reported at 11:29 a.m., “*Applications are coming in fast.*” Approximately five hours later, at 4:42 p.m., DCEO was informed of a system problem. A DCEO official told BIG team members from Accion and DCEO that, “*Got a note from our frontline team on this Submit button issue: ‘Apparently a business can hit submit, even if their [sic] ineligible and it says ‘Thank you for successfully submitting your app’ – and that is causing some confusion.*”
- On July 21, 2020, a BIG grant administrator official needed a review clarification for the applications. The official asked the lead administrator, Accion, “*Can you please clarify the comment about the outdoor seating for the review process? If the restaurant answered ‘Yes’ to the outdoor dining question, then are they automatically disqualified?*” The correspondence eventually moved to a DCEO official that responded, “*The grant is intended for businesses that did not provide on site dining outdoors so correct, they should be DQd.*”

On December 16, 2022, in response to our exception listing relative to eligibility outside of criteria, DCEO stated, “*Grant administrators were responsible for carrying out reviews in line with BIG policy and process. Approved lists were provided to DCEO for review before final approval for funding.*” Auditors note that DCEO, pursuant to Public Act 101-636, is responsible for the BIG program.

Relative to the noncompliance with program criteria where applications were not supposed to proceed if the applicant was not eligible, DCEO stated, “*While we consulted with them on developing the application, Accion managed the online application and the logic underlying the user experience in navigating the application. We defer questions related to those decisions to them [Accion].*”

On December 1, 2022, Accion explained, “...[Accion] and DCEO decided to widen the applicant pool during BIG 1 (by allowing more businesses to apply in full) in order to make it less bureaucratic to later administer a potential BIG 2, which turned out to be a wise decision since we did in fact execute a second round of BIG. Because of that decision, we did not have to ask businesses to fill out another application in order to distribute those BIG funds efficiently.” Auditors note that DCEO made no mention of this “widen the applicant pool” explanation and the **Round 2 application was different in terms of what documentation was required.**

Providing awards to ineligible applicants calls into question monitoring efforts for the BIG program. Additionally, paying out program funds to ineligible applicants **lessens the amount of funding available** for other eligible applicants. Finally, when the application used to determine eligibility does not work correctly it creates skepticism that the grant awards were fairly administered.

Applications Outside Eligibility Criteria

RECOMMENDATION NUMBER

5

DCEO should make sure that eligibility criteria are followed when conducting a grant program and not allow ineligible applicants to receive funding.

DCEO Response:

DCEO agrees with the recommendation.

This error was due to a misunderstanding of the criteria among one of our partners; the Department takes responsibility for not having caught the error during the review and approval of awards.

For BIG Round 2 and in subsequent programs providing small business relief, DCEO worked with its grant administrators to maintain more extensive documentation and consistent processes for review and met directly with the administrators performing review multiple times a week to ensure a common understanding on program policy, how it should be operationalized, and to quickly address any issues or questions that arose.

Additional improvements include a more robust set of internal reviews of awards prior to allowing grant administrator to release funds, including DCEO staff closely reviewing samples of award determinations on an ongoing basis.

Auditor Comment #4:

DCEO states the error was a misunderstanding among one of the partners. While that may be true, the system developed by that partner, which DCEO approved, allowed the ineligible applications to go forward. DCEO also states that additional improvements were made in Round 2 and subsequent programs. While we cannot comment on additional programs, we can comment that we were only able to concur with 41 percent of the BIG awards in Round 2 from our sample.

Award Selection Testing Results for Small Business Component

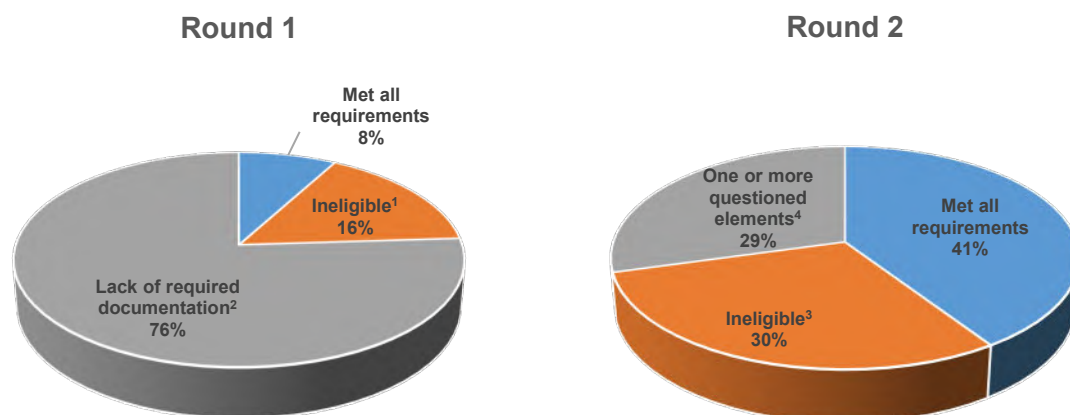
DCEO oversight of the award selection process for the small business component of BIG was insufficient. Our testing of the selection process found significant deficiencies in both rounds. In Round 1, we were **only able to concur with 8 percent** of the BIG awards from our sample. We determined that **16 percent** of the BIG awards, totaling \$430,000, in our sample **were ineligible** for reasons such as revenues outside the criteria or restaurants providing outdoor dining. We also **questioned 76 percent** of the BIG awards, totaling \$1,980,000, in our sample due to **lack of required documentation** being submitted by the applicant. In Round 2, we were **only able to concur with 41 percent** of the BIG awards from our sample. We determined that **29 percent** of the BIG awards in our sample had one or more questioned elements. Additionally, we determined that **30 percent of the awards made by DCEO in our Round 2 sampling were ineligible**. Finally, questionable expenses from our selection testing sample totaled **\$1,335,708 – 28 percent of all funds awarded from the Round 2 sample**.

LAC Resolution 159 directed us to examine the application process, the documentation submitted, and the selection of grants by the DCEO, DHS, and DOA for the BIG program. Our examination of the selection process at DHS and DOA is included at the end of this section.

To conduct the examination at DCEO of the award selection process for the small business component of BIG, we randomly selected 150 cases from the universe of award winners and an additional random sample of 150 cases from the universe of non-winners in Round 1. Our sample included all six of the grant administrators utilized by DCEO in Round 1. In Round 2, we again randomly selected 150 winners and non-winners from the only grant administrator utilized by DCEO for Round 2.

After completing our testing, we sent exceptions to the grant administrators for review. After considering any additional information submitted and explanation, we sent the final exceptions to DCEO for review and comment. We considered any response from DCEO and the final testing results are reported below. Additionally, Exhibit 5 summarizes testing results for Rounds 1 and 2 for the small business component of BIG.

Exhibit 5
AWARD SELECTION TESTING RESULTS FOR SMALL BUSINESS COMPONENT
 Round 1 and Round 2 Awards



Notes:

- ¹ Ineligible for reasons such as revenues outside the criteria or restaurants providing outdoor dining.
- ² Lack of required documentation such as failure to submit tax returns, submitting the incorrect business license or tax form, or submitting unsigned/undated tax returns.
- ³ Ineligible for reasons such as an unallowable business, businesses that had revenue gains year over year, and businesses that did not submit all required documentation.
- ⁴ One or more questioned elements such as failure to report other CARES Act funding and the award amount was incorrect based on supporting documentation.

Source: OAG analysis of sample of 150 Round 1 awards and 150 Round 2 awards.

Round 1 – Award Winners

From documentation received from DCEO and its grant administrators, in Round 1 of BIG DCEO made **2,844 awards totaling \$49.26 million**.

During Round 1, applicants had to submit certain documentation that was used to analyze whether an applicant should receive BIG funding. That documentation included: business bank statements for 2020; business tax returns from 2019; valid identification card such as a driver’s license; and a completed W-9 form. Additionally, for the four types of businesses funded in Round 1 there were revenue ranges the businesses had to fall within as well as business license/eligibility documentation. Exhibit 6 presents these criteria.

Exhibit 6
BIG PROGRAM – GENERAL SELECTION CRITERIA
 Small Business Component Round 1

Type of Business	Revenue Range	Supporting Documentation
Restaurant or Bar	\$80,000 - \$3,000,000	Consumption on Premise License Retail Food License Local Health Department Inspection Certificate
Barbershop or Salon	\$80,000 - \$500,000	IDFPR License
Fitness Center	\$80,000 - \$2,000,000	Current Membership Agreement
Other-Severely Disproportionately Impacted Area	\$80,000 - \$2,000,000	Utility Bill Insurance Statement

Source: OAG developed from DCEO BIG program information.

Our testing found **significant deficiencies** in the selection of award winners in Round 1. These included:

- **Tax Return Issues.** DCEO required returns to be **legible, complete and signed to be accepted.** Our testing identified:
 - 2 of 150 award winners failed to submit required tax returns;
 - 9 of 150 award winners submitted the incorrect tax form; and
 - 91 of 150 award winners provided tax returns that were incomplete as they were not signed and/or dated.
- **Applicable Business License.** As shown in Exhibit 6, DCEO required specific business licenses for award. Our testing identified:
 - 31 of 150 award winners failed to submit the proper business license.
- **Valid Identification.** DCEO required documentation to identify the valid business owner for the application. Our testing identified:
 - 4 of 150 award winners failed to submit the proper identification form.
- **W-9 Form.** DCEO required a completed W-9 form. Our testing identified:
 - 12 of 150 award winners failed to submit the proper W-9 form.

Overall, our sample of 150 award winners received \$2.62 million. **We were only able to concur with 8 percent (12 of 150) of the BIG awards, totaling \$210,000, from our sample. We determined that 16 percent (24 of 150) of the BIG awards, totaling \$430,000, in our sample were ineligible for reasons such as revenues outside the criteria or restaurants providing outdoor dining. We also questioned 76 percent (114 of 150) of the BIG awards, totaling \$1,980,000, in our sample due to lack of required documentation being submitted by the applicant.**

Round 1 – Non-Award Winners

From documentation received from DCEO and its grant administrators, in Round 1 of BIG, there were 5,244 total applications for funding for the small business component. DCEO made 2,844 awards, leaving 2,400 applicants that did not receive an award.

Our examination of the sample of applicants that **did not receive an award** during Round 1 found:

- In 54 of 150 applications, the auditors agree with the denial reason from the grant administrators.
- In 46 of 150 applications, the file contained missing documentation but the grant administrators did not follow up with the applicant for the documentation.
- In 25 of 150 applications, we disagreed with the reason for denial because follow up with the applicant was needed.
- In 12 of 150 applications, the files had issues but the issues did not impact the applicant being ineligible.
- In 4 of 150 applications, we agreed with the decision made by the grant administrator but the application was denied by DCEO later in the process.
- **In 9 of 150 applications, we found that the applicant was actually eligible for the BIG award yet the grant administrator denied the application.**

Round 2 – Award Winners

From documentation received from DCEO and its grant administrator, in Round 2 of BIG DCEO made **6,451 awards totaling \$236.83 million.**

During Round 2, the evaluation process for the small business component changed. Exhibit 7 presents the applicant categories, industries, and documentation requirements.

Exhibit 7
BIG PROGRAM – SELECTION CRITERIA
 Small Business Component Round 2

Applicant Type	Industries	Documentation Requirements
Heavily Impacted	Event Venue Music Venue Performing Arts Venue Indoor Recreation Amusement Park Movie Theater Museum Charter/Shuttle Bus	2019 Tax Return July 2019 Bank Statement August 2019 Bank Statement July 2020 Bank Statement August 2020 Bank Statement Signed W-9 Rent/Mortgage July/August 2020 Utilities July/August 2020 Insurance July/August 2020 Payroll July/August 2020 Business Loan July/August 2020 Business Owner ID
Non-Heavily Impacted	All other industries with the following prioritized: Independent Owned Retail Restaurant/Bar/Tavern Fitness Center Tourism Support Services for the Arts	2019 Tax Return July 2019 Bank Statement August 2019 Bank Statement July 2020 Bank Statement August 2020 Bank Statement Signed W-9 Business Owner ID

Note: If sole proprietors did not have separate business bank statements, they could attest to \$5,000 in losses in lieu of providing bank statements.

Source: OAG developed from DCEO BIG program information.

Selection of award winners was based on revenues, expenses, or self-attested losses. **Heavily impacted industries** were evaluated **based on the expenses the applicants claimed**. Those expenses were totaled, rounded up to the nearest \$5,000, and awarded to the applicants up to a maximum of \$150,000. While DCEO was willing to pay these expenses it **was not concerned with how much revenue the applicant may have made during that same period**.

Non-heavily impacted industries were evaluated a different way. Application reviewers determined the **revenue decrease** from July and August 2019 to the same period in 2020. Again, the amounts were rounded up to the nearest \$5,000 with a maximum award of \$150,000.

Our testing found **significant deficiencies** in the selection of award winners in Round 2. These included:

- 97 of 150 award winners failed to submit required tax returns or submitted tax return that were not complete.
- 20 of 150 award winners had made gains overall from 2019 to 2020 yet DCEO provided BIG funding.
- 69 of 150 award amounts could not be verified by auditors based on exceptions.

Overall, our sample of 150 award winners received \$4.76 million. **We were only able to concur with 41 percent (61 of 150) of the BIG awards from Round 2 from our sample. We determined that 29 percent (44 of 150) of the BIG awards in our sample had one or more questioned elements (for example, an applicant that failed to report other CARES Act funding and the award amount was incorrect based on supporting documentation). Additionally, we determined that 30 percent of the awards (45 of 150) made by DCEO in our Round 2 sampling were ineligible.** Reasons for the ineligibility were:

- 4 – unallowable businesses (gaming parlor, child care business, nightclub and a business with over \$20 million in revenue);
- 13 – businesses that had revenue gains year over year;
- 27 – businesses that did not submit all the required documentation; and
- 1 – business that applied under the wrong industry identification.

Finally, questionable expenses from our testing sample totaled \$1,335,708 – 28 percent of all funds awarded from the sample.

Round 2 – Non-Award Winners

From documentation received from DCEO and its grant administrator, in Round 2 of BIG, there were 42,654 total applications for funding for the small business component. DCEO made 6,451 awards, leaving **36,203 applicants that did not receive an award**.

Only 28 non-award winners from our sample of 150 were actually evaluated by the DCEO grant administrator. The others were not reviewed because the program exhausted funding. For the 28 cases for which there was documentation,

we found that **3 were eligible for BIG and should have received \$280,000 in funding.**

Testing Exceptions

Relative to Round 1 testing exceptions, DCEO, on December 16, 2022, stated, “*Our review acknowledges the identified exceptions, which appear to be caused by:*

- *Human error, oversight, or a failure of quality checks by the administrator – this may be a possible cause in cases where*
 - *An applicant was denied for missing documentation even though all documents appear to have been provided or approved despite missing documentation/ID,*
 - *The award was made to an establishment that had gaming, or*
 - *The zip code didn’t match zip codes in documents or across the application.*
- *Misunderstanding of program requirements and processes by grant administrator or individual reviewer – this appears to be a cause in cases where*
 - *The award was made to an applicant who did not meet revenue requirements or denied an applicant who did,*
 - *awards were provided to a restaurant that had outdoor dining,*
 - *awards were rejected for an applicant based on duplicate applications, but they had not received 3 awards, or were approved for an applicant that had already received 3 awards.*
- *Regarding the issue of signed/dated tax returns, based on how common this exception is across all administrators, we conclude that we made the internal determination with administrators during the review process not to reject an application on the basis of the tax return not being signed. A likely explanation for this process decision is that it was made out of an effort to ensure that the program was accessible to a range of businesses, including many small businesses without sophisticated accountants/legal staff, in an emergency situation, who may have submitted their taxes to the IRS in that form or were technologically incapable of providing the documents to the administrator in that form. Reviewers looked through tax returns to ensure completeness and any clear signs of inaccuracy or ineligibility, but did not verify whether they were signed or dated.”*

DCEO told us, “*Grant administrators were responsible for carrying out reviews in line with BIG policy and process. Approved lists were provided to DCEO for review before final approval for funding.*” DCEO is responsible for overseeing grant programs, including ones in which program administrators are utilized. Administration would include making sure grant administrators understood and enforced program requirements in the selection process.

For Round 2 winner testing exceptions, DCEO did not express disagreement with the exceptions, but did provide some additional context.

For Round 2 non-winner testing exceptions, DCEO reported, “*For the applications with an exception related to the failure to document that a follow-up*

occurred with a particular applicant to request missing or incorrect documents, we speculate that this was either an individual reviewer failed to take that step due to oversight or failed to document it.” DCEO added it disagreed with exceptions by auditors when there was a determination that a “duplicate application” or “duplicate FEIN” is ineligible; these are situations where the *same business* provided multiple applications. Auditors disagree with the DCEO explanation because file documentation showed on multiple occasions that the applicants had difficulty in uploading the application and documentation. Accion apologized for the inconvenience and asked the applicant to resubmit the application and documentation. This could be a reason for the same vendor TIN and application being in the system on more than one occasion.

When the award selection process does not follow the criteria for selection there is an increase in the chances that funds are awarded inappropriately. Additionally, when those funds are inappropriately awarded there are less funds available for those applicants that never had their applications reviewed for the BIG program.

Award Selection Testing Results for Small Business Component

RECOMMENDATION NUMBER

6

DCEO should, when utilizing grant administrators to make funding selections, conduct more extensive oversight by ensuring administrators understand the evaluation criteria and by reviewing a significant amount of application documentation to determine if awards were correctly made.

DCEO Response:

The Department agrees with the recommendation that oversight, due diligence and reviews are critically important when making grant awards, and it takes responsibility for the program’s shortcomings. The amount of time in which the Department established the program and delivered funding to businesses in dire need of support ultimately resulted in an imperfect process.

The Department would like to note that the majority of businesses in the OAG’s case study that are in question are considered minor administrative errors, such as failing to sign/date a tax return:

Round 1: 91 of 150 (failure to sign/date tax return)

Round 2: 85 of 150 (failure to sign/date tax return)

As stated in the Department’s prior response, it did not reject an application on the basis of a tax return not being signed or dated. The vast majority of small businesses are generally not accustomed to applying for state grants. With the added stress of a global pandemic, it was decided that grants should not be withheld for minor administrative concerns.

The Department also confirms receipt regarding additional inconsistencies identified and will evaluate the findings.

For future rounds of COVID-19 funding programs through its B2B program, the Department implemented the following processes to improve overall program administration:

- Basing award size on tax form information for year losses occurred. Tax information was not available for 2020 during the BIG program and therefore, the Department had to use less preferable proxies to determine need (e.g. bank statements comparing year over year)

- Use of a portal maintained by our grant administrator where DCEO has full access to all submitted application data, uploaded documents, and reviewer actions. The application portal provides a full scope of information and documentation for oversight of administrator decisions.
- Implementation of standard, manual review checks against external data sources for verification, such as receipt of other sources of government relief, status with the Secretary of State's office, verification of proper licensing, and additional quality assurance checks.

Auditor Comment #5:

The DCEO response chooses to ignore the cases where applicants were ineligible to receive funding yet the grant administrator and DCEO approved the funding anyway. Instead, DCEO chooses to highlight a "minor" administrative error relative to tax returns. We note that it was DCEO criteria that required tax returns to be legible, complete and signed to be accepted.

Relative to the Back to Business (B2B) program, we cannot comment on the DCEO assertions, as B2B was not within the scope of this audit.

Overpayment of COVID Losses by BIG Program

DCEO utilized an award determination process which **failed to follow the directive of State statute** relative to funding for COVID-19 losses. By rounding loss amounts up to the next \$5,000, DCEO **reduced the funding levels** while some applicants went without funding. In our selection testing work, we found 47 percent of the awards overpaid the documented losses by a total of \$171,000. Our sample of 150 award winner cases was just over 2 percent of the total awards in Round 2 of the small business component of BIG.

During Round 1 of the small business component of BIG, a grant administrator reported, *"the revenue loss column was self-selected by the applicant via a drop down menu. And [the applicant] attested to it in the applicant self-certification form that it was true."* The grant administrator added, *"In BIG 1...all reviewers were instructed to accept the applicants' assertion."*

The same grant administrator reported that for the calculated revenue or expense calculations in Round 2, for the small business component, the reviewer was to **round the calculation up to the next \$5,000.**

We randomly sampled 150 award winners from Round 2 of the small business component and found that 47 percent (71 of 150) received a BIG award from DCEO and its grant administrators **in excess of the losses provided from documentation submitted by applicants** as part of the application process. These overpayments were due to the process of rounding losses up to the next \$5,000 instituted by DCEO and its grant administrator. The overpayments amounted to \$170,798 for the 71 awards, an average of \$2,406.

See Exhibit 8 for some examples of BIG payments that were over the documented losses of the applicant.

Exhibit 8
BIG PROGRAM – PAYMENT EXAMPLES OVER COVID LOSSES
 Small Business Component Round 2

Case Number	COVID Losses Based on Documentation Submitted	BIG Payment Amount	Excess Amount Paid Over COVID Losses
OAG Case 65	\$647.71	\$5,000.00	\$4,352.29
OAG Case 83	\$97.44	\$5,000.00	\$4,902.56
OAG Case 96	\$20,726.26	\$25,000.00	\$4,273.74
OAG Case 113	\$10,771.52	\$15,000.00	\$4,228.48
OAG Case 121	\$572.14	\$5,000.00	\$4,427.86

Source: OAG developed from DCEO BIG program information.

The decision for how to estimate Heavily Impacted Industries and non-Heavily Impacted Industries grant size was made collaboratively by the former DCEO Chief of Staff, the former DCEO Assistant Director and the DCEO Deputy Director of Policy Development, Planning and Research. In addition, the decision was made in consultation with Accion to confirm that the determined process would be feasible to administer and accessible to potential applicants.

While our sample was 150 cases, in Round 2 there were 6,451 total awards that totaled \$236,827,758. The range of the Round 2 payments was \$1,424 to \$150,000. The lower limit of the range was for a loan forgiveness case where the awardee was eligible to receive the outstanding amount of the loan. DCEO grant administrators utilized the rounding process for the entire round of funding, outside of loan forgiveness cases.

During the audit, we reviewed a number of emails relevant to the BIG program. One correspondence, from April 26, 2021, between Accion and DCEO officials discussed how in Round 2 there were a number of applications **that were never funded** because the BIG program ran out of funds. A list was provided where, *"The 'no' on the attached list is businesses which were determined eligible, but for which we would not have the funds to award. The 'not eligible' is businesses which were low in priority and were never reviewed."*

DCEO verified to auditors, on June 1, 2022, that, *"There was a sizable set of applications that had not yet been reviewed when funds had been fully deployed to approved higher-priority applications."*

Documentation obtained during the audit showed that 26,607 applications in Round 2 were never reviewed by the DCEO grant administrator. Additionally, 1,368 applicants were eligible but the BIG program had apparently exhausted funding.

In Round 2, the BIG program received 42,654 total applications for funding. Sixty-two percent (26,607 of 42,654) were never reviewed by the DCEO grant administrator.

Had DCEO not instructed its grant administrators to round up the award payments there would have been additional funds available to fund other eligible applicants, making the best use of the funds.

Public Act 101-636 required DCEO, as part of the BIG program, to provide financial assistance through grants, expense reimbursements, or subsidies to qualified businesses or a qualified partner **to cover expenses or losses incurred due to the COVID-19 public health emergency.** [Emphasis added.]

DCEO reported, “...the year-over-year decline in receipts in July and August was a proxy for the relative level of hardship that any applicant was continuing to experience at the time that the BIG Round 2 application period opened, and therefore reflected a reasonable approach to assigning grant amounts among small businesses in need in Illinois. However, it was significantly lower than the actual financial hardship any business had incurred due to COVID.”

State statute directed that BIG funding be for **losses** incurred by individuals and businesses. When DCEO utilized an award process that paid for more than the documented COVID-19 losses it failed to follow State law. Additionally, these actions decreased the amount of funding that could have assisted other individuals and businesses.

Overpayment of COVID Losses by BIG Program

RECOMMENDATION NUMBER

7

DCEO should comply with requirements in State statute relative to award of funding for specific purposes.

DCEO Response:

The Department agrees with the recommendation that it should comply with requirements in State statute but respectfully disagrees with OAG’s assertion that the practice of rounding up represented non-compliance. Based on the language of the statute (20 ILCS 605-105(h)) it was within the purview of DCEO to design the program in a manner that would efficiently and effectively support businesses most in need.

Further, DCEO respectfully disagrees with OAG’s assertion that rounding up constituted “excess amounts” given the unprecedented hardship faced by small businesses in Illinois.

As noted in our response on page 31, “[documents showing losses were] significantly lower than the actual financial hardship any business had incurred due to COVID].”

The Department had the legal authority to identify a process that provided an award to compensate businesses for losses and costs incurred due to the COVID-19 pandemic. The documents required from businesses in Round 2 reflected a snapshot of losses incurred during a 2-month period that followed multiple prior months of business closures and interruptions. It was within DCEO’s authority to round up that amount to reflect that required documentation did not include losses from revenue declines in other months, nor did it include any increased costs associated with the pandemic.

Auditor Comment #6:

State statute required DCEO, as part of the BIG program, to provide financial assistance to cover expenses or losses incurred due to the COVID-19 public health emergency. When an applicant submitted proper documentation for a certain level of COVID losses, DCEO was justified in providing funding. However, DCEO elected to implement a process to award additional funding for hypothetical losses not supported by documentation. As noted in the audit, one applicant demonstrated \$97 in losses, yet DCEO provided \$5,000 to this applicant. This does not appear to be within the spirit of the statute.

Exception to Policy on the Number of Awards

DCEO and its grant administrators for the small business component of BIG **awarded funding in excess of program policy**. Eleven business owners received funding for businesses in excess of the three for which each owner was eligible. **Total overpayment of funds totaled \$220,000**. DCEO is responsible for overseeing grant programs, including ones in which program administrators are utilized.

If DCEO and its grant administrators had conducted the selection process according to BIG program policy, there **would have been more funds available** for other applicants that went without funding. Instead, 11 business owners received more than the maximum number of BIG awards.

The BIG program policy placed a limit of three awards per business owner for three separate businesses. During the audit, we analyzed the universe of awards to see how many awards were given to each business owner.

During Round 1 of the small business component selection process, five business owners received more than the program policy three awards. Using a conservative approach prioritizing the maximum three awards, the excess funds provided over the maximum number of awards **totaled \$140,000**. In Round 2, six business owners **received \$80,000 in excess funds**. Exhibit 9 provides a listing of the 11 owners that received more than three awards with the city locations of the businesses and the BIG funding amount for each award.

Exhibit 9

BIG PROGRAM – OWNERS RECEIVING OVER MAXIMUM NUMBER OF AWARDS

Small Business Component Rounds 1 and 2

Round # Owner #	Grant Administrator	Case Number	Business City	Award Amount
Round 1 Owner #1	CNI	BIG0175	Waukegan	\$20,000
	Accion	BIG0226	Waukegan	\$10,000
	Accion	BIG0284	Waukegan	\$20,000
	Accion	BIG0283	Zion	\$20,000
Round 1 Owner #2	WBDC	BIG2940	Morton Grove	\$20,000
	CUL	BIG0200	Sycamore	\$20,000
	CUL	BIG2905	Glen Ellyn	\$20,000
	CUL	BIG1239	Westmont	\$20,000
Round 1 Owner #3	CUL	BIG5973	Hoffman Estates	\$20,000
	CUL	BIG5972	Glen Ellyn	\$20,000
	CUL	BIG5018	Chicago	\$20,000
	CUL	BIG5971	Schaumburg	\$20,000
	CUL	BIG5038	Highland Park'	\$20,000
Round 1 Owner #4	Somercor	BIG5028	Chicago	\$20,000
	WBDC	BIG7329	Ottawa	\$20,000
	WBDC	BIG4083	Rolling Meadows	\$20,000
	WBDC	BIG7324	Peru	\$20,000
Round 1 Owner #5	CCLF	BIG7339	Addison	\$20,000
	CUL	BIG0676	Wauconda	\$20,000
	CUL	BIG1479	Crest Hill	\$20,000
	CUL	BIG1488	Buffalo Grove	\$20,000
	CUL	BIG1496	Naperville	\$20,000
Round 2 Owner #1	CUL	BIG0710	Darien	\$10,000
	Accion		Chicago	\$20,000
	Accion	(1)	Chicago	\$20,000
	Accion		Chicago	\$5,000
	Accion		Chicago	\$30,000
Round 2 Owner #2	Accion		Chicago	\$20,000
	Accion	(1)	Ottawa	\$150,000
	Accion		Chicago	\$5,000
	Accion		Chicago	\$20,000
Round 2 Owner #3	Accion		Des Plaines	\$90,000
	Accion	(1)	Jacksonville	\$90,000
	Accion		Staunton	\$70,000
	Accion		Litchfield	\$15,000
Round 2 Owner #4	Accion		Arcola	\$30,000
	Accion	(1)	Galena	\$150,000
	Accion		Lisle	\$20,000
	Accion		Chicago	\$35,000
Round 2 Owner #5	Accion		Chicago	\$20,000
	Accion	(1)	Lombard	\$75,000
	Accion		Champaign	\$5,000
	Accion		Plainfield	\$10,000
Round 2 Owner #6	Accion		Bloomington	\$5,000
	Accion	(1)	Harvard	\$120,000
	Accion		DeKalb	\$15,000
	Accion		Morton	\$10,000
	Accion		Morton	\$50,000

Note: (1) During Round 2, the DCEO grant administrator did not utilized the "BIG" unique identifier for the 42,654 applications.

Source: OAG developed from DCEO BIG program information.

After we asked who was responsible for ensuring that BIG policy was followed, DCEO reported, *“Accion assembled preliminarily approved awardees from each administrative partner and performed checks across the aggregate list to ensure business owners weren’t approved for more than 3 awards. Approved lists were provided to DCEO for review before final approval for funding. In our reviews, we did not identify any systematic issue related to providing more than three awards to the same business owner.”*

Business owners that applied for BIG **did nothing incorrect** when applying for funding for more than three of their businesses. The owners could not have known whether any of the businesses would have been awarded BIG funding.

While \$220,000 does not appear to be significant given the overall funding of the BIG program, we note that in Round 2 **there were 26,607 applications that were not reviewed due to the BIG program funds being exhausted.**

BIG program policy allowed the same business owner to receive up to three awards maximum for three separate businesses. The maximum was in effect for each round of the small business component.

For the Round 1 exceptions, DCEO reported, *“The cause appears to have been a grantee process that was insufficient in identifying all duplicates....leading to funding of additional awards that did not receive Department approval.”* For Round 2 exceptions, DCEO reported, *“We cannot identify a potential cause for the provision of over 3 awards to the owners provided. Since they all have the same last name...we can only speculate that there was some flaw in the Accion process for identifying applications from the same owner that was vulnerable to owners with this last name.”*

DCEO, via Public Act 101-636, was given the authority to develop the BIG program. Allowing some business owners to receive additional BIG awards over program policy left less funding available for other applicants that needed funding.

Exception to Policy on the Number of Awards	
RECOMMENDATION NUMBER	<i>DCEO should take the steps necessary to ensure that grant awardees do not receive funds in excess of program policy.</i>
8	
DCEO Response: The Department agrees with the recommendation.	

Child Care Component Selection Testing

We requested and received the Child Care Restoration Grant (CCRG) universe of awards from DHS and applicants not funded from DCEO. The total number of awards was 7,459 and the total number not funded was 105. We randomly selected a sample of 100 awards and a sample of 20 applicants not funded for

testing. INCCRRA administered all rounds of CCRG and the same requirements applied in all rounds. The results of testing cannot and should not be projected to the entire population.

The BIG administrative rules outline the CCRG eligibility requirements which included being a licensed child care provider holding a valid day care license from the Department of Children and Family Services; providing full day, year round child care services; open and receiving children at the time of CCRG application; receiving at least 25 percent of funding through private pay and/or the DHS Child Care Assistance Program; and certifying reduced operating capacity as a result of COVID-19 restrictions. We tested the awards to determine if applicants met the eligibility requirements and provided the required documentation. **In 100 out of 100 cases, we determined that all applicants met the eligibility requirements and provided the required documentation.** We did not find any significant or pervasive issues as a result of testing the award sample.

For the sample of 20 applicants not funded, we determined whether we agreed with INCCRRA's reason for not funding the applicants. **In 20 out of 20 cases, we agreed with the reasons for not funding** which included missing documentation; withdrawn application; application not submitted by deadline; or eligibility requirements not met such as an applicant appearing on DCFS' list of revoked child care licenses. We did not find any significant or pervasive issues as a result of testing the not funded sample.

Livestock Management Component Selection Testing

We requested and received the Livestock Management Facility Program (LMFP) universe of awards and denials from DOA. The total number of awards was 611 and the total number of denials was 152. We judgmentally selected a sample of 15 awards and a sample of 15 denials for testing. The count of LMFP awards and denials varied greatly across the three programs: Swine Depopulation Program (SDP), Agriculture Business Interruption Program (ABIP), and Meat and Poultry Capacity Program (MPCP). As a result, we determined it best to judgmentally select the samples to ensure adequate review of the programs relative to the number of overall awards and denials. The results of testing cannot and should not be projected to the entire population.

For the sample of 15 awards, we tested 2 awards for MPCP and 13 awards for ABIP. We chose not to test either of the 2 awards for SDP because they represented such a small percentage of the overall awards. The BIG administrative rules outlined the eligibility requirements, loss calculations (ABIP)/expense details for approved projects (MPCP), and the required documentation for each award. Applicants were specifically required to provide: a completed application, W-9, certification of applicable losses due to market disruption or eligible expenses, and complete inventory records documenting total site inventories and sales information (ABIP only). We tested the awards to determine if applicants met the eligibility requirements and provided the required documentation. In 15 out of 15 cases, we determined that all applicants met the

eligibility requirements and provided the required documentation. **We did not find any significant or pervasive issues as a result of testing the award sample.**

For the sample of 15 denials, we tested 14 denials for ABIP and 1 denial for MPCP. There were no denials for SDP. We tested the denials to determine whether we agreed with DOA's reason for denial and if necessary, whether DOA followed up with the applicant. In 15 out of 15 cases, we agreed with the reason for denial which was incomplete or insufficient documentation. In 15 out of 15 cases, DOA had follow-up correspondence with the applicant; however, the issue could not be resolved and we agreed with the final denial reason. **We did not find any significant or pervasive issues as a result of testing the denial sample.**

Monitoring the BIG Program

DCEO had significant deficiencies in the monitoring of the small business component of the BIG program. DCEO **failed to execute grant agreements** with grant administrators for the small business component of the BIG program **prior to** the grant administrators working on the BIG program. Further, DCEO **required funding applicants to submit multiple pieces of confidential information** to these grant administrators that were operating without an executed grant with the State of Illinois.

While it utilized a notification system to notify applicants of the BIG program, DCEO **failed to maintain those notifications**. Additionally, DCEO failed to monitor that the payment of the small business component funding was provided within the 14-day program guidelines.

DCEO **failed to conduct** routine monitoring of the funds provided under BIG and at times did not have documentation to conduct monitoring. The lack of documentation **made it impossible for DCEO to know if the same claimed losses were utilized by an applicant to obtain funding under different programs**.

DCEO and its grant administrators failed to follow BIG program requirements relative to deducting previous awards from future BIG funding for the small business component of the program. The result of the inaction resulted in the **overpayment of \$4.29 million in BIG funds**.

DCEO failed to monitor all terms of the grant agreements with grant administrators. The lack of monitoring resulted in one grant administrator **not providing tax information on \$4.4 million in BIG funds to 305 sub-recipients**.

LAC Resolution 159 asked us to examine the monitoring oversight by DCEO, DHS, and DOA for grant recipients including whether all eligibility requirements were satisfied and expenses submitted were allowable.

Grant Administrators Working Without Executed Agreements

DCEO **failed to execute grant agreements** with grant administrators for the small business component of the BIG program **prior to** the grant administrators working on the BIG program. Further, DCEO **required funding applicants to submit multiple pieces of confidential information** to these grant administrators that were operating without an executed grant with the State of Illinois. Finally, DCEO was **unaware of the actual individuals** that would view this confidential information, even though some of these individuals were temporary staff hired by the grant administrators.

For the six grant administrators for the small business component of BIG, DCEO allowed the organizations to work on the BIG program **without executed grant agreements in place**. Exhibit 10 provides the execution dates for the grant administrator agreements for the small business component with the initial payment dates and initial payment amounts to the grant administrators. During Round 1, the six administrators, on average, **worked on the BIG selection program for 44 days since the beginning of the application process prior to DCEO executing a contractual agreement** with the administrator.

Exhibit 10
GRANT ADMINISTRATOR GRANT EXECUTION DATES
 Small Business Component Rounds 1 and 2

Administrator	Application Start Date	Grant Execution Date	# Days from Application Start Date	Date of 1 st Grant Payment	Amount of 1 st Grant Payment
Accion	06/26/20	08/10/20	45	08/18/20	\$12,125,000
Women’s Business Development Center	06/26/20	08/06/20	41	08/18/20	\$11,125,000
Chicago Urban League	06/26/20	08/12/20	47	08/18/20	\$8,375,000
SomerCor	06/26/20	08/10/20	45	08/17/20	\$8,125,000
Chicago Community Loan Fund	06/26/20	08/10/20	45	08/18/20	\$11,625,000
Chicago Neighborhood Initiatives	06/26/20	08/06/20	41	08/17/20	\$10,125,000
Accion – Round 2	09/17/20	10/13/20	26	10/16/20	\$50,238,633

Source: OAG developed from grant documentation.

DCEO knew it was going to push through grant administrators without executing grant agreements. In a June 1, 2020 email correspondence, a DCEO official reported, *“I wanted to give you a heads up that we will be asked to put through a \$15M (amount subject to change) grant from the BIG program to Accion in the coming days.”* The Accion grant agreement for the BIG Round 1 small business component was **executed 70 days later**, on August 10, 2020.

Likewise, in Round 2, DCEO **still could not get an executed grant agreement** with its grant administrator before the grant application period began on September 17, 2020.

The DCEO position was that the rollout of the BIG program needed to be done quickly, whether grant agreements were in place or not. DCEO cited a section in the DCEO Law of the Civil

Administrative Code as evidence that it was *“urged by statute to work expeditiously in the execution of appropriated programs.”* See adjacent text box for the language. Allowing grant administrators to work without an executed grant agreement in place or conducting a \$585 million program without administrative rules in place is not a prudent business practice and increases the likelihood that program parameters are not followed. Additionally, allowing grant administrators to work without executed agreements shows a lack of adequate internal controls at DCEO.

20 ILCS 605/605-55

“Contracts and other acts to accomplish Department’s duties. To make and enter into contracts, including but not limited to making grants...and generally to do all things that, in its judgment, may be necessary, proper and expedient in accomplishing its duties.”

In response to our question of who made the decision to allow grant administrators to work without an executed agreement DCEO reported, *“Although no documentation is available, the understanding is that the (former*

Assistant Director) and (former Chief of Staff) were the key DCEO leadership working to get [the] program up and running as soon as possible.”

Confidential Information

During Round 1 for the small business component of BIG, grant administrators were able to inspect information submitted by the applicants. Many of these pieces of information were **either sensitive** (such as veteran’s status, race, ethnicity, gender, and home and email address) **or confidential by law** (such as FEIN, SSN, tax returns, and bank account information).

However, DCEO was unaware of who had access to this confidential information. On June 9, 2022, we were told, *“DCEO did not request the identities of the individuals evaluating applications under the BIG program. The grant administrator(s) was responsible for their staff and contractors as indicated by their grant agreement.”* Two grant administrators told us they hired temporary contractors to complete work on BIG.

We asked DCEO if it provided guidance to grant administrators on how to handle confidential documentation. DCEO directed auditors to Section 26.10 in the grant agreement. The section required all grant administrators to remain in compliance with all applicable confidentiality laws.

We note that the section referenced by DCEO **was not agreed to** prior to the grant administrators actually viewing the confidential information. In fact, the application period for Round 1 was for the period June 26, 2020, through July 7, 2020, **which was conducted prior to any of the agreements** being executed by DCEO.

Grant administrators utilized an application called SmartSheet in both Rounds 1 and 2 for the small business selection process for BIG. SmartSheet is a data hosting entity **outside** of the grant administrators. The lead grant administrator told us that SmartSheet **did host confidential information**. We point out that the entity that provided SmartSheet did not have an agreement with DCEO for BIG with a requirement to remain in compliance with confidentiality laws.

In response to our question of whether there were any breaches to the documentation relative to confidentiality, DCEO reported, *“To the best of our knowledge there were no data breaches.”* Given the amount of confidential information supplied relative to the BIG program, auditors believe this should be an area monitored by DCEO.

The Fiscal Control and Internal Auditing Act [30 ILCS 10/3001] requires all State agencies to *“establish and maintain a system, or systems, of internal fiscal and administrative controls.”* These controls should include the **development of executed agreements with grant administrators prior to allowing those administrators to view confidential information from applicants seeking funding from the State.**

On November 15, 2021, DCEO reported, *“Our understanding is that the Governor’s office and the General Assembly were generally aware that we were working as fast as possible to stand up this round of funding, [sic] however, we*

do not have documentation that would support they were aware that work began prior to the agreement execution.”

Allowing an entity to work on a State grant opportunity without an executed agreement increases the likelihood that program parameters are not followed. Additionally, when entities have the ability to view confidential information without being under contract with the State, it increases the possibility that information is not protected and could become compromised.

Grant Administrators Working Without Executed Agreements

RECOMMENDATION NUMBER

9

DCEO should, when utilizing outside grant administrators, ensure that grant agreements are executed prior to allowing the entities to work on the grant program. Additionally, when the grant administrators are able to view confidential information as part of the program, DCEO should develop procedures to monitor that the confidential documents are securely maintained.

DCEO Response:

The Department agrees with the recommendation.

Lack of Documentation to Support Applicant Notifications

DCEO **failed to maintain notifications to applicants** of the BIG program. Additionally, DCEO paid an outside vendor for a mass mailing system that did not maintain a retrieval function instead of utilizing a State system at the Department of Innovation and Technology (DoIT), which could have been less costly and had the ability to retrieve the notifications.

The small business component of the BIG program utilized a number of form letters to communicate with applicants and award winners. These letters were sent **to notify the applicant** of an award, denial of an award, or to request additional information from the applicant. Notifications were sent via a State email account with the designation of ceo.BIG@illinois.gov.

Applicants that were determined to be awarded BIG funds received a notification from DCEO via the ceo.BIG@illinois.gov email account. The notification stated, *“Your grant will be deposited into the account provided at the time of application within the next 14 days.”* Notification correspondence was signed by the Director or Acting Director of DCEO.

We wanted to test compliance by the grant administrators with the 14-day payment requirement **but were unable to obtain satisfactory documentation** from DCEO that would meet our testing needs. While the email address from DCEO to the applicants appeared to be a State of Illinois account, DCEO utilized a third party, Constant Contact, to process the bulk messaging.

Relative to notices for the small business component of BIG, on July 13, 2022, DCEO reported to us, *“The records already provided are PDFs showing the form*

*e-mails...as well as accompanying spreadsheets **containing the full list of contact information** for recipients of each form e-mail.” [Emphasis added.]*

While DCEO maintained the spreadsheets provided were the “full list,” **we had numerous problems** with the spreadsheets. We discussed these issues with DCEO. The issues included:

- Missing field entries in the spreadsheets;
- Created and updated fields in the spreadsheets outside the dates of the BIG program; and
- A number of cases on spreadsheets that did not tie to populations of Round 1 award winners and applications that DCEO had provided during the audit. DCEO reported 2,400 Round 1 non-winners for BIG, and that every non-winner for Round 1 was because the applicant was ineligible and disqualified. However, the disqualified spreadsheet for Round 1 **contained only** 1,520 notices. Likewise, DCEO told us there were 2,844 award winners in Round 1 yet the two spreadsheets containing Round 1 notifications **contained only** 2,636 notifications.

After our questioning on May 31, 2022, DCEO found a limited number of notices that were apparently sent **outside** Constant Contact.

Applicants to the small business component of BIG also had issues associated with the notification process and receiving timely payments. Exhibit 11 provides a sample of those issues.

Exhibit 11
BIG PROGRAM – NOTIFICATION AND PAYMENT ISSUES
 Small Business Component

Date	Issue
10/22/20	Main Street Brewing notified of BIG award. On 11/18/20, applicant asked DCEO why it had not been paid. On 11/19/20, applicant called DCEO reporting still no payment. DCEO official stated, <i>“If they are talking to Accion about this, there’s nothing else we can do here. Accion is aware of the issue and they have more information than we do on what might have caused this and how to get it resolved.”</i>
11/24/20	Knox Avenue Rehearsals notified DCEO it received an email stating it was awarded \$140,000 but that it only received \$5,000. Knox also stated it had been unsuccessful in reaching anyone directly to discuss.
11/30/20	DCEO asked by the office of a member of the General Assembly about applicant Tellobernal never having received a notification even though the applicant was on an award list for Round 1. The lack of notification was 149 days after the application was submitted on 07/04/20.
12/02/20	DCEO asked by the office of a member of the General Assembly about applicant Ysabels never having received a notification even though the applicant was on an award list for Round 1. Two DCEO officials both confirmed the lack of an email notification.
12/03/20	The Crab Pad reported it was listed on the DCEO Round 1 list of awards yet never received a grant. The applicant applied on 06/29/20 – 157 days prior to asking DCEO. A DCEO official stated, <i>“Yikes, this is from Round 1.”</i>
12/15/20	A DCEO official reported to an Accion official, <i>“I have now heard of three instances where it appears that BIG recipients recently received funds a second time in the 2nd round. In each case, they also received duplicate notices of award.”</i>
12/15/20	Plush Cosmetics received a BIG award letter. After funds were not provided in 14 days a Plush official filed a complaint, according to a DCEO official with the Executive Inspector General. Plush Cosmetics explained, <i>“After 14 days the funds were not deposited into my account. I contacted Accion several times via email and by phone. It’s been over a month and they haven’t given me a reasonable explanation as to why the grant hasn’t been deposited, nor has [sic] the grant funds been deposited into my account for my business.”</i> An Accion official reported to DCEO that the funds were paid on 01/20/21. This was outside the 14-day period.
12/21/20	Javys was notified of a \$5,000 award to be paid within 14 days. An Accion official reported that the funds were paid on 1/25/21. This was outside the 14-day period.

Source: OAG developed from DCEO BIG program correspondence.

DCEO **did not conduct timely monitoring** of the process to utilize an outside vendor for notifications for the small business component of BIG. In February 2021, DCEO had to inform:

- Five applicants that, *“Due to a data error, you were previously sent a notification intended for a different award recipient that was mistakenly attached to your business and e-mail address. Note that the award amount below is different than in the previous notification you received.”*

- Seven applicants that, *“It has come to our attention that you received a Business Interruption Grant but never received an official notification documenting the details of that grant.”*

We contacted DoIT relative to its ability to send mass email messages. A DoIT official reported that the agency does have the ‘listserver’ ability to conduct such work. The official added that it **does not charge a State agency** for the service. While DoIT advertises the service, when we asked DCEO about utilizing the State service, DCEO stated, *“No one...who was involved with the BIG program is aware of the file service you refer to and do not know whether it was considered as an option at the time when the process for sending notifications was being determined.”*

DCEO provided payment information to Constant Contact for the BIG program for the time period May through December 2020. DCEO paid a total of \$5,460 for the bulk email processing. While the dollar amount may not be great, DCEO reported, *“as far as we are aware...there is no way to retrieve those e-mails”* from Constant Contact.

To confirm that the notifications were **not in the State of Illinois email system**, we asked DoIT if there were email correspondence for a sample of cases on the State servers. On July 29, 2022, a DoIT official confirmed there were no results from the DoIT search.

The Fiscal Control and Internal Auditing Act [30 ILCS 10/3001] requires all State agencies to *“establish and maintain a system, or systems, of internal fiscal and administrative controls.”* **These controls should include utilization of a system to maintain notices when DCEO issues grant notices.**

The Department’s Office of External Relations has an annual pre-paid agreement with Constant Contact it uses for mass mailing of newsletters, etc. The Department utilized this to send the BIG notices. No one who was involved with the BIG program was aware of the file service from DoIT.

Utilizing the DoIT listserv system would save the State funds that DCEO paid to Constant Contact. Additionally, utilization of the State bulk email system would ensure that DCEO maintains a historic record of notifications for grant programs.

Lack of Documentation to Support Applicant Notifications

RECOMMENDATION NUMBER

10

DCEO should maintain a history of notifications to applicants of grant programs it is responsible for when it decides to utilize a third party for those notifications.

DCEO Response:

The Department agrees with the recommendation and acknowledges that the system by which notifications were made was not adequate. The Department is wholly committed to providing timely and accurate information to grantees and in future rounds of COVID-19 funding through the B2B program, it utilized grant administrators with more advanced technological capabilities to provide notifications.

Auditor Comment #7:

Relative to the Back to Business (B2B) program, we cannot comment on the DCEO assertions, as B2B was not within the scope of this audit.

Timely Payment of BIG Awards

DCEO failed to monitor that the payment of small business component funding was provided within program guidelines. During our testing we found that in **49 percent (67 of 136) of the cases, the grant administrator failed to provide funding within 14 days of DCEO approval.**

The small business component of the BIG program utilized a number of form letters to communicate with applicants and award winners. One of these letters was a notification to the applicant of receiving the award and informing the applicant that payment would be made within 14 days. Notifications were sent via a State email account with the designation of ceo.BIG@illinois.gov.

During Round 2 of our small business selection testing we were able to utilize grant administrator information on DCEO approval dates and funding dates for award winners. From our random sample of 150 cases, we were able to determine that 136 cases had both pieces of information. **In 49 percent (67 of 136) of the cases, the grant administrator failed to provide funding within 14 days of DCEO approval.** For the 67 exceptions:

- Minimum number of days to be paid was 4 days late;
- Maximum number of days to be paid was 147 days late; and
- Average number of days to be paid was 19 days late.

BIG funds were used to make 6,451 award payments during Round 2. Exhibit 12 provides a breakdown of the payments to the grant administrator and the awards issued by the grant administrator before receiving another payment from DCEO.

Exhibit 12
BIG PROGRAM – PAYMENTS TO GRANT ADMINISTRATOR
 Small Business Component Round 2

State Warrant Date	Amount Paid to Grant Administrator	# Awards Paid by Grant Administrator with Funds	Total Awards Paid Prior to Subsequent State Warrant
10/16/20	\$52,738,633.00	1,128	\$41,225,000.00
11/10/20	\$46,242,577.96	1,666	\$53,243,974.93
12/04/20	\$84,896,606.68	1,893	\$71,425,867.72
12/16/20	\$23,172,191.47	776	\$28,191,521.46
12/29/20	\$29,570,276.06	947	\$41,092,941.77
04/12/21	\$1,716,158.00	41	\$1,648,452.26
Total	\$238,336,443.17	6,451	\$236,827,758.14

Notes:

10/16/2020 State payment includes \$2,500,000 in Round 1 rollover funding already paid to the grant administrator.

12/4/2020 State Payment includes \$36,750,000 in residual Round 1 funding paid to grant administrator.

Source: OAG developed from DCEO BIG program payment information.

DCEO, under signature of the Director, provided winners of BIG funding with a correspondence announcing the award. The correspondence stated, *“Your grant award will be deposited into the account provided at the time of application within the next 14 days. The deposit will be made by [Grant Administrator] ...a DCEO partner in administering this program.”*

On February 15, 2023, DCEO reported, *“We asked that Accion provide input on the likely explanation behind these funding dates that exceeded 14 days, and they provided the following response: ‘Most of the funding delays were caused by ACH [automated clearing house] bounces where we needed to source updated bank info from awardees, sometimes multiple times after multiple failures. There were also moments where we had to wait to fund because we needed to provide paperwork to DCEO to prompt additional fund transfers to us that we could in turn send along to grantees, but that was much rarer than applicant errors.’”*

DCEO also stated, *“Accion was responsible as the grant administrator to ‘provide financial assistance to various subrecipients’ via ‘subawards,’ according to the Project Description in their [sic] grant agreement.”*

We would note that State law directed DCEO to develop the BIG program and now, after we asked about the delay in payments on January 24, 2023, DCEO had to check with its grant administrator for a response. This would not constitute effective monitoring.

The BIG program was developed as a response to losses due to the COVID-19 pandemic. Small businesses were in need of funding. Delaying that funding by not paying the awards on a timely basis would have had a negative impact on the small businesses.

Timely Payment of BIG Awards

RECOMMENDATION
NUMBER

11

DCEO should, when allowing grant administrators to pay out grant funds, develop controls to ensure that payments are timely made by those grant administrators.

DCEO Response:

The Department agrees with the recommendation and regrets any instance of untimely payment. The Department has found these instances often occur when bank account information changes or varies from its original submission. The Department made significant improvements to this element for its B2B program, including 1) requesting banking information at the time of award (rather than the time of application as was done for BIG); and 2) utilizing a secure online platform to automatically verify banking information. This drastically streamlined the funding process and reduced the number of instances where incorrect or out-of-date bank information resulted in instances of back-and-forth with grantees.

Auditor Comment #8:

Relative to the Back to Business (B2B) program, we cannot comment on the DCEO assertions, as B2B was not within the scope of this audit.

Failure to Enforce Funding Monitoring

DCEO had **monitoring weaknesses** relative to the uses of funding provided as part of the small business component of the BIG program. DCEO **failed to conduct** routine monitoring of the funds provided under BIG and at times did not have documentation to conduct monitoring. The lack of documentation **made it impossible for DCEO to know if the same claimed losses were utilized by an applicant to obtain funding under different programs.**

Based on documentation obtained from DCEO during the audit, over two rounds, DCEO made **9,295 awards totaling \$286,087,758** from the small business component of the BIG program. The six grant administrators that evaluated and paid small business award winners reported **conducting no monitoring of the funds disbursed.** We also asked grant administrators if they verified an applicant's ability to conduct business in Illinois through the Secretary of State. See Exhibit 13 for the results of our questions to grant administrators relative to monitoring. During the audit, we found that DCEO **did not have any idea** what the funds were expended on by the award winners and relied on the award winners to expend the funds in compliance with the program.

Exhibit 13
BIG PROGRAM – GRANT ADMINISTRATOR MONITORING OF FUNDS AWARDED
 Small Business Component

Administrator	Monitoring of Funds	Verification of Ability to do Business in Illinois
Accion	No	Our organization was not required to verify the applicant was registered with the Illinois Secretary of State.
Women’s Business Development Center	No	The review teams and team leaders did random checks for businesses in the queue with the Secretary of State.
Chicago Community Loan Fund	No	Yes. The applicant needed to be registered with the Secretary of State.
Chicago Urban League	No	No, businesses just had to be located in the State of Illinois.
SomerCor	No	Administrator did not address Secretary of State issue.
Chicago Neighborhood Initiatives	No	Grant administrator reported applicants were verified with Secretary of State.

Source: OAG developed from DCEO BIG program correspondence.

We saw a number of correspondence related to how funds could be expended:

- In responding to an official from a member of the Illinois House on January 7, 2021, a DCEO official stated, *“You can spend it on a wide range of typical business expenses, and don’t need to worry about tying those expenses to COVID response. It can be applied to expenses March through December 2020.”*
- On January 29, 2021, a Round 2 award winner inquired to DCEO whether BIG funds were taxable and whether it needed to provide any proof of expenditures comparable to PPP (Paycheck Protection Program). A DCEO official reported, *“Yes it is taxable...No they don’t need to have specific documented expenses like PPP.”*

Routine Monitoring

The form letter notifying small business award winners of their selection stated, *“Please note, the Department **will conduct routine monitoring** to verify grantee compliance with program requirements. If selected for monitoring, you will be required to provide a personal statement regarding your hardship and to provide information to support the business interruption. Businesses selected for monitoring must cooperate with the Department and provide all requested information in a timely manner.”* [Emphasis added.]

On June 22, 2022, we asked DCEO if it had documentation to show how the routine monitoring detailed in the award notifications were conducted. DCEO

responded, “No, the specific type of post-program monitoring referred to in this paragraph – where businesses that were beneficiaries of the program were required to provide additional information following receipt of an award directly to DCEO – has not been performed.”

Documentation Requirement

Exhibit B from the grant administrator grant agreement detailed the deliverables the grant administrators had to provide as part of the BIG program. There were **two deliverables** listed. One deliverable was:

- 1) *Immediately upon notification of the subrecipients, the Grantee will provide the following to DCEO:*
 - a. *A comprehensive list of applicants for this program, including the amounts requested.*
 - b. *A complete list of the entities chosen to receive sub-awards, as well as associated sub-award amounts.*
 - c. ***Copies of all supporting documentation from the subrecipients identifying the costs and losses incurred due to the COVID-19 pandemic.*** [Emphasis added.]

On July 6, 2022, we asked DCEO if it had the documentation to satisfy the requirement from the deliverables section of the grant administrator agreement. DCEO responded, “Due to the quantity/amount of files, it was agreed that files would be kept by grant administrators.” Exhibit B was not amended to relieve grant administrators of this contractual requirement.

Report on Use of Financial Assistance

Administrative rules (14 Ill. Adm. Code 690.100) detail reporting requirements for the BIG program. Specifically, section b) states, “On or before March 31, 2021, BIG participants shall submit a report to the Department on the use of financial assistance, in relation to the project and initial budget, and any information about the impact of BIG requested by the Department.” We confirmed with DCEO that applicants awarded BIG funds would be considered participants.

DCEO reported on October 7, 2022, “Ultimately, all of the grants issued by the Department were used to reimburse prior incurred losses, not for some future project. Subrecipients provided either documentation or an attestation of those prior incurred losses. The grant funds could be used for any operational costs. It was ultimately not necessary for DCEO to require all subrecipients to submit a report on the use of the financial assistance as the information was previously provided in the application.” We note that in Round 1, applicants simply reported a loss amount from a drop down menu without any supporting documentation. In Round 2, as previously detailed in this audit, award winners did not always have losses nor did the documentation submitted relate to losses being due to COVID-19.

Other CARES Act Funds and BIG

DCEO published a document titled Guidance for Businesses and Organizations that Receive Business Interruption Grants (BIG) and Funds from Other CARES Act Programs. The guidance stated, “*You may have applied to multiple CARES Act programs around the same time without intending to receive duplicate coverage, but you have now received approval for funding under two or more programs that, in combination, exceeds your eligible expenses. If this has happened to your business, please contact the Department for assistance in resolving this issue.*” DCEO also provided the **eligible uses** of funds for BIG which are listed in Exhibit 14. BIG funds were limited to costs and losses incurred **due to the COVID-19 pandemic**.

Exhibit 14
BIG PROGRAM – ELIGIBLE USES OF FUNDS
 Small Business Component

Grant Proceeds Uses

Reimbursing costs and losses such as inventory and equipment (including Personal Protective Equipment and other supplies to promote health and safety)

Compensation (including salaries, wages, tips, paid leave, and group healthcare benefits) over and above what was covered by Paycheck Protection Program loan

Rent, mortgage, insurance premiums, and utilities over and above what was covered by Paycheck Protection Program loan

Payment of principal and interest on business loans

Lease payments

Technology to facilitate e-commerce

Professional services procured

Source: OAG developed from DCEO BIG program correspondence.

On October 7, 2022, DCEO reported that after referring businesses to the language above, “*we do not have any record of a business believing they need to return their funds.*”

The issue may be more complicated than DCEO believed. In our Round 2 application selection testing we randomly sampled 150 award winners and found that 29 percent of the applicable cases included applicants that did not report CARES Act funds they had received. The CARES Act payments not reported were for PPP and Round 1 of BIG. Unreported funds **totaled \$2,925,932**. One award winner that **received a \$150,000 BIG Round 2 award failed to report \$337,500 in PPP funding already received**.

Failure to conduct routine monitoring violated BIG policy/procedure and limited the ability of DCEO to know what uses BIG funds went towards. Failure to enforce deliverables related to documentation for the program limits DCEO’s ability to monitor the BIG program, especially when it utilized a third party to administer the BIG program. Relying on the applicant to report all CARES Act

funding, without monitoring the information, increases the risk that multiple funds pay for the same loss.

Failure to Enforce Funding Monitoring

**RECOMMENDATION
NUMBER
12**

DCEO should:

- *conduct the monitoring that it develops for grant program criteria;*
- *follow contractual criteria it develops and obtain the documentation to support grant awards when a third party administrator is utilized to select grant recipients;*
- *comply with administrative rules and obtain documentation to demonstrate how grant funds are utilized; and*
- *conduct monitoring efforts to ensure that multiple sources of funding are not utilized for the same expenses.*

DCEO Response:

The Department agrees with the recommendation.

Failure to Deduct Previous Awards

DCEO and its grant administrators failed to follow BIG program requirements relative to deducting previous awards from future BIG funding for the small business component of the program. The result of the inaction resulted in the **overpayment of \$4.29 million in BIG funds.**

During the audit, we received a universe of awards for the small business component of BIG for both Rounds 1 and 2 of the program. We compared the Round 1 and Round 2 winners against each other to determine which applicants had **received awards in both** rounds of the BIG program.

Our analysis found:

- **96 instances** where the applicant in Round 2 should not have received an award due to the amount of BIG funding received during Round 1 – the 96 applicants **should not have received \$1,079,933;**
- **169 instances** where the applicant in Round 2 should have had awards adjusted based on the amount of funding received during Round 1 – the 169 applicants were **overpaid \$3,210,000.**

The BIG program ran out of funds to consider all applicants for the small business component. We requested information on the number of Round 2 applications that were not reviewed by the grant administrator. A total of 26,607 applications **were not reviewed due to the exhaustion of funding.**

The BIG program Certifications and Requirements (for both Rounds 1 and 2) contained certifications that the applicants had to remain compliant with and attest to during the application process. Under the Program-Specific Covenants, Representations, and Warranties section it states, “*The subrecipient (and all*

*businesses owned, operated, or affiliated with the subrecipient) is eligible to receive a subaward in this round of disbursements and to apply for grant funds in future rounds. However, **the value of the current subaward will be deducted from any future subaward granted to the business under this program.***

[Emphasis added.]

On March 29, 2023, DCEO reported, “*This certification was prepared before Round 1 was launched, when we had not yet formulated the process or policies for future rounds. The award in Round 2 was based on losses incurred at a different, non-overlapping time period than the award for Round 1. As a result, while receipt of an award in Round 1 impacted priority, it did not impact the award amount in Round 2.*” Auditors note that while DCEO states that deductions were not necessary in Round 2, DCEO continued to **utilize the exact language in the Round 2 certification document**. That language is shown in Appendix E of this report. Additionally, we saw no documentation to show that DCEO notified applicants that the deduction language to which the applicants were certifying to was being disregarded.

Failure to follow BIG program requirements can result in applicants either receiving an award they are not eligible for or can result in overpayments. Either way, the result is funding not being available for other applicants.

Failure to Deduct Previous Awards

**RECOMMENDATION
NUMBER
13**

DCEO should take steps to ensure that grant administrators appropriately apply program requirements to applications including, when applicable, the deduction of previous awards. Additionally, DCEO should not approve awards until adequate review has been conducted.

DCEO Response:

The Department agrees with the recommendation and would like to clarify that deductions were not a part of the program design. In this instance there was a regretful administrative error in the language used in the certification statements. The line pertaining to deductions included in the certification statement was not indicative of actual program policies and requirements. The single line pertaining to deductions was not included in any other program documents.

Auditor Comment #9:

As stated in the audit, certifications for both rounds of the small business component contained language that, “the value of the current subaward will be deducted from any future subaward granted to the business under this program.” While DCEO contends this was a “regretful administrative error,” this was published criteria for the BIG program; even though DCEO chose not to follow the criteria.

Tax Reporting Issue

DCEO failed to monitor all terms of the grant agreements with grant administrators. The lack of monitoring resulted in one grant administrator **not providing tax information on \$4.4 million in BIG funds to 305 sub-recipients.**

At the beginning of the audit DCEO officials indicated to auditors that the use of grant administrators to receive and review applications, select winners and make payments was a new process at DCEO and was implemented due to the pandemic.

DCEO confirmed that funds provided from the BIG program were taxable and that grant administrators were to send 1099 forms to sub-recipients of BIG funds for tax purposes.

All applicants seeking funding were required to submit a W-9 as part of the application process. The W-9s include information to be used to fill in 1099s for recipients of taxable income.

We asked the grant administrators whether they issued 1099s for the BIG funding. Only one grant administrator, the Chicago Urban League, indicated on June 3, 2022, that it **did not issue 1099s for the BIG program.** The grant administrator confirmed that response again on June 29, 2022.

BIG award documentation from Round 1 of the small business component of the BIG program showed that the Chicago Urban League **issued \$4.4 million in BIG awards to 305 sub-recipients.**

DCEO told us on June 28, 2022, it **was not aware** that the Chicago Urban League had not provided 1099s to award recipients. Further, when we asked DCEO whether the \$4.4 million in BIG funds issued by the Chicago Urban League were taxed or not, DCEO responded, *“DCEO does not have information on whether program beneficiaries paid federal or state income taxes on awards provided through the BIG program.”*

Section 2.2 of the grant agreement between the Chicago Urban League and DCEO, executed August 12, 2020, required the grantee (Chicago Urban League) to comply with all provisions of the federal Internal Revenue Code and the Illinois Income Tax Act.

Section 17.2 of the grant agreement required the grantee to advise any sub-grantee of funds awarded of the requirements imposed on it by the federal and state laws and regulations.

DCEO stated, *“It is not part of DCEO’s routine monitoring procedures to test compliance with the [S]tate of Illinois tax code. The [S]tate of Illinois tax code is upheld by the Illinois Department of Revenue.”*

As the Grantor in the agreements with grant administrators for the BIG program, DCEO has the responsibility to monitor the terms of the agreement and ensure that the grantee complies with the agreement. Failure to ensure that grant administrators provide 1099 forms to funding recipients increases the chance that taxes are not paid to federal and state institutions.

Tax Reporting Issue

**RECOMMENDATION
NUMBER****14***DCEO should take the steps necessary to ensure that the terms of grant agreements, including sending 1099 forms when applicable, are complied with by grant administrators.***DCEO Response:**

The Department agrees with the recommendation.

Child Care Component Monitoring

The agreement between DHS and INCCRRA required DHS to review two samples of subawards. One sample was to review program eligibility and the second sample was to review operating capacity. DHS provided auditors the sample of subawards and the results of its review. DHS reported that INCCRRA provided support for one set of recipients that satisfied the requirements of the two samples. DHS also reported that INCCRRA received monthly financial and program reporting **from the recipients**. INCCRRA verified the follow-up/monitoring process as described by DHS.

Livestock Management Component Monitoring

Unlike the small business and child care components of the BIG program, the Livestock Management Facility Program (LMFP) was overseen by DOA officials rather than a grant administrator and LMFP applicants were awarded based on a reimbursement process. The calculations and maximum allowable amounts used to determine the award amount were outlined in the BIG administrative rules. In order for an applicant to receive an award under LMFP, the applicant had to provide actual inventory records or accrued expenses for reimbursement. Additionally, DOA conducted a review of the headcount records and amounts paid under the Agriculture Business Interruption Program (ABIP) portion of LMFP. ABIP was the largest part of LMFP and included 564 of 611, or 92 percent, of the awards made under LMFP. During their review, DOA found discrepancies in 16 of its awards and requested a return of funds for overpayments from the applicants.

Compliance with Funding Allocations

DCEO allocated funding based on the requirements in State statute for the BIG program. Our analysis of BIG payment documentation showed 39 percent of the funding went to businesses located in disproportionately impacted areas (DIAs) of the State of Illinois.

LAC Resolution 159 asked us to conduct an examination of how DCEO allocated funding in the BIG program to disproportionately impacted areas and whether the allocation was at least 30 percent of total funding.

The funding requirement for DIAs found in Public Act 101-636 specifically states, *“Funds will be appropriated to the BIG Program for distribution to or on behalf of Qualifying Businesses. Of the funds appropriated, a minimum of 30% shall be allotted for Qualified Businesses with ZIP codes located in the most disproportionately impacted areas of Illinois, based on positive COVID-19 cases.”*

We examined grant expenditure documentation on the three components of the BIG program: DHS’ child care restoration grant program (CCRG), DOA’s livestock management facilities grant program (LMFP) and DCEO’s small business program to determine whether DCEO met the 30 percent minimum of BIG funding for DIAs as required by the Act. We found that businesses located in DIA zip codes met the requirement and accounted for \$225 million of the \$580 million, or 39 percent, of the total BIG funding. See Exhibit 15 for a breakdown of DIA percentages by program.

Exhibit 15

BIG PROGRAM – ALLOCATIONS TO DISPROPORTIONATELY IMPACTED AREAS

Program	Grant Amounts to DIA Zip Codes	Percentage of Overall BIG Funding
DHS-CCRG	\$106,259,924	18.33%
DOA-LMFP	\$345,401	.06%
DCEO-Small Business	\$117,933,246	20.36%
Total	\$224,598,571	38.72%

Source: OAG developed from DCEO BIG program documentation.

Also, Public Act 101-636 has a percentage funding requirement for critical care. Specifically, the Act states, *“From appropriations for the BIG Program, the Department shall provide financial assistance through grants, expense reimbursements, or subsidies to Qualifying Businesses or a Qualified Partner to cover expenses or losses incurred due to the COVID-19 public health emergency. With a minimum of 50% going to Qualified Businesses that enable critical support services such as child care, day care, and early childhood education, the BIG Program will reimburse costs or losses incurred by Qualifying Businesses due to business interruption caused by required closures...”*

We determined that DHS’ CCRG program met the qualification for critical support services based on the language in the Act. We compared the total amount of grants awarded from DHS’ CCRG program to the total amount of grants funded as part of the BIG program. We found that the grants awarded as part of the CCRG program met the requirement and accounted for \$290 million of the \$580 million, or 50 percent, of the overall BIG funding. See Exhibit 16 for the breakdown of BIG funding by component.

**Exhibit 16
BIG PROGRAM – ALLOCATIONS BY PROGRAM COMPONENT**

Program	BIG Program Funding	Percentage of Overall BIG Funding
DHS-CCRG	\$290,000,000	50.00%
DOA-LMFP	\$3,478,084	1.00%
DCEO-Small Business	\$286,088,000	49.00%
Total	\$579,566,084	100.00%

Source: OAG developed from DCEO BIG program documentation.

Priority for Severely Impacted Businesses

DCEO developed a listing of Disproportionately Impacted Areas (DIAs) for the BIG program. The listing, as stated in statute, was based on the COVID-19 levels and areas that had certain poverty levels.

LAC Resolution 159 asked us to examine DCEO's compliance with prioritizing severely impacted businesses and industries. Disproportionately Impacted Areas (DIAs) were generally not used during the selection process for BIG program. DCEO used the **economic impact** language found in the Public Act related to the BIG program and implemented it through inclusion of a severe DIA eligibility criteria in Round 1, which focused on property damage in areas with civil unrest. However, the use of these severe DIA eligibility criteria was different than how DIA was defined and excluded a number of zip codes that would have been otherwise eligible.

Public Act 101-636, with an effective date of June 10, 2020, authorized the BIG program and gave DCEO oversight of the program. Section (d) of the Act states, *"Funds will be appropriated to the BIG Program for distribution to or on behalf of Qualifying Businesses. Of the funds appropriated, a minimum of 30% shall be allotted for Qualified Businesses with ZIP codes located in the most disproportionately impacted areas of Illinois...."* In order to implement this Section of the Act, DCEO was given the power to use *"data provided by the Illinois Department of Public Health and other reputable sources, determine which geographic regions in Illinois have been most disproportionately impacted by the COVID-19 public health emergency, considering factors or positive cases, positive case rates, and economic impact."* Appendix D of this report provides a listing of the **176 zip codes that comprise the DIAs** relevant to the BIG program.

DCEO reported that three of its officials were involved in the determination of the DIAs. The officials were the former Assistant Director, the former Chief of Staff, and the Deputy Director for Policy Development, Planning and Research.

During our review of emails, we found that DCEO knew as early as May 2020 they would be statutorily mandated to administer the BIG Program. Also included in that correspondence was direction from DCEO's CFO to a DCEO Budget Analyst on May 28, 2020, defining a DIA. The CFO said, *"I've written the statute to utilize zip codes...The task I have for you...develop a recommendation for which ZIP codes should be used for the above definition. For now, ignore the 'economic impact' part and focus just on the COVID cases piece."*

DCEO published a **memo on June 25, 2020**, with the methodology for identifying DIA's as well as the definition a DIA. The memo defined a DIA as *"zip codes that have high rates of COVID cases per capita AND high rates in at least one of the four poverty metrics relative to other zip codes within their region. To ensure DIAs adequately cover areas in need, they also include zip codes with very high rates of COVID cases per capita AND modest rates of*

poverty, and very high rates of poverty AND modest rates of COVID cases per capita.”

The memo listed the following criteria for **DIAs**:

- Positive COVID-19 case rates;
- Persons living at or below 133% of the federal poverty level;
- Children living in households that meet the free lunch or breakfast eligibility guidelines;
- Persons eligible for the Supplemental Nutrition Assistance Program;
- Persons eligible for Women, Infants, and Children assistance.

The memo made no mention of severe DIAs including language related to civil unrest or property damage.

However, when the eligibility criteria was posted, severe DIA was used as a criterion. In Round 1, DCEO created an eligibility category for **severe DIAs** that was based on specific zip codes that not only had high COVID and poverty rates but were **also deemed to have property damage due to civil unrest**. In Round 2, DIA zip codes were not used for eligibility and were only used for prioritization of award. Severe DIAs were **not used for eligibility or any other reason** in Round 2.

Community Navigators

During the small business component of the BIG program, we found that **DCEO only minimally utilized a few firms to provide technical outreach and assistance**. Community Navigators were not utilized until the BIG successor program, Back to Business, was initiated.

LAC Resolution 159 asked us to conduct an examination of the role of the Community Navigators, if any, in the selection of grant recipients in the BIG program. According to DCEO's website, the Small Business Community Navigators program is a support program for small businesses in the State of Illinois, which is a hub and spoke model that brings together community organizations from across the State. The Community Navigator awardees, or hubs, will provide support and training services to the spokes in their program, and the spokes will offer grassroots engagement with small businesses to assist with access to grants, marketing outreach, and technical assistance.

For the BIG program, which ended on June 30, 2021, we found that **Community Navigators were generally not utilized**. DCEO did conduct a competitive Notice of Funding Opportunity to contract with Community Navigators for the successor to BIG, the Back to Business program in FY22.

Effective September 29, 2020, the administrative rules for BIG were amended. The amendment added 14 Ill. Adm. Code 690.500, which required that, *"The Department shall utilize funds from the State Coronavirus Urgent Remediation Emergency (CURE) Fund to implement a program that will provide financial assistance to qualified non-profit organizations to provide technical assistance to diverse, underserved and minority-owned small businesses. Technical assistance will be provided to increase the awareness of, and to assist in the procurement of, financial assistance under BIG and other relevant resources."*

We found that for the BIG program DCEO did not utilize a hub and spoke model. Rather, DCEO utilized four organizations to provide technical assistance and outreach (TA&O) for the BIG program. According to DCEO, *"The scope and breadth of the hub-and-spoke model used for community navigators in 2021 is much greater than that used for the TA&O partners [in 2020], but the concept was similar."* As shown in Exhibit 17, the four partners, which signed grant agreements with DCEO, **received \$874,508** for TA&O services. We also note that \$191,646 or 22 percent of the funds received for technical assistance and outreach **were unused and returned**.

Exhibit 17
BIG PROGRAM – TA&O FUNDING
 Small Business Component Round 2

Entity	Total Amount Paid	Total Amount Used	Amount Returned	% of Total Returned
Greater Auburn Gresham Development Corporation	\$310,000	\$259,365	\$50,635	16.3%
The Resurrection Project	\$227,530	\$206,186	\$21,344	9.4%
Chicago Urban League	\$219,645	\$99,978	\$119,667	54.5%
American Business Immigration Coalition	\$117,333	\$117,333	\$0	0%
Total	\$874,508	\$682,862	\$191,646	21.9%

Source: OAG developed from DCEO BIG program information.

Just as with other components of the BIG program, DCEO allowed the TA&O partners to **operate without an executed grant agreement in place**. DCEO stated that the TA&O partners started working in September 2020. The TA&O grant notifications were sent by DCEO on: November 23, 2020, to the Greater Auburn Gresham Development Corporation; November 24, 2020, to the Resurrection Project; December 18, 2020, to the Chicago Urban League; and December 14, 2020, to the Illinois Business Immigration Coalition.

It was difficult for us to see how the TA&O partners actually contributed much to the BIG program. If TA&O partners did not start working until September 2020, they could not have been conducting outreach for Round 1 of BIG. The BIG small business Round 1 application period was over before the partners even began work. DCEO admitted that the technical assistance and outreach partners were “onboarded” August 2020, and services to businesses began being provided after Round 1 concluded.

While DCEO reported the TA&O partners worked the entirety of Round 2 of BIG, the Round 2 small business application period was September 17, 2020, through December 15, 2020. The Round 2 application period start date was still more than two months prior to the execution of the grant agreements with the TA&O partners.

During the Round 2 small business application process, applicants were asked, “*Did you receive technical assistance or outreach from any of the following entities?*” Using the Round 2 universe of applications, we analyzed BIG small business responses. We found applicants named **20 different technical assistance and outreach entities**. Of the 20 entities, 13 were either a TA&O partner or subcontractor. Overall, for all Round 2 applications submitted, **only 1.5 percent of applicants reported using a TA&O partner or subcontractor**. See Exhibit 18 for use by applicant of technical assistance and outreach. Based on those responses, not only were the TA&O partners **not used** in Round 1, they

appeared to have been **minimally involved** in Round 2. Additionally, applicants named a number of other entities that were providing similar TA&O services.

Exhibit 18
BIG PROGRAM – TA&O INVOLVEMENT
 Small Business Component Round 2

Entity	Total Applications	% of TA&O Involvement	% of Overall Applications
TA&O Partner or Subcontractor	632	18.83%	1.50%
Named Entity Other Than TA&O Partner or Subcontractor	2,724	81.17%	6.40%
None/Blank/Other	39,298	N/A	92.10%
Total	42,654	100.00%	100.00%

Source: OAG developed from DCEO BIG program information.

We asked DCEO, specifically, what type of technical assistance and outreach was being referenced in the question. DCEO responded, *“These responses likely reflected a range of support provided by technical assistance and outreach partners, including: referral to the program, information regarding eligibility and how to apply, and assistance in filling out the application.... It was used for our tracking purposes.”*

Using the same universe of Round 2 applicants, we analyzed the location and county of the applicant for the applicants reported **having used** a TA&O partner or subcontractor. We found for the 632 applicants responding to use the partner or subcontractor, 532 or 84 percent of the applicants were located in Cook or the collar counties (Will, Lake, Kane, DuPage) and 100 or 16 percent were elsewhere in the State. While DCEO stated the TA&O program supported all counties and businesses, the overwhelming majority of responding applicants were in Cook or the collar counties.

It is unclear what work for the BIG program the TA&O partners did after the end of the BIG Round 2 application period. The amendments to TA&O grant agreements were not executed until April 6, 2021, and changed the scope of work to include Paycheck Protection Program outreach and technical assistance.

Based on Exhibit 18, it does not appear that TA&O partners and subcontractors provided the majority of technical assistance and outreach services to applicants applying to Round 2 of the BIG program. In fact, DCEO and the BIG grant administrators Accion and WBDC, **provided 81 percent of those services** to applicants reporting such use. DCEO stated the four partners and their subcontractors could cover the entire State during the BIG program. We questioned DCEO why there was a need to expand these services for the Back to Business program, the successor program to BIG. DCEO said, *“We knew that we could do more to reach underserved communities that lacked broadband, were disenfranchised, and not covered by the initial group of navigators due to bandwidth and capacity...Furthermore, the Community Navigators program is*

rooted in equity, we know that small businesses have better trust, and relationship, with organizations in their community than the State of Illinois and four organizations couldn't provide that trust for 102 counties."

Our analysis of the applicant reported information on technical assistance and outreach in Round 2 found minimal instances where the entities contracted and paid for outreach actually were identified as the source of outreach or assistance. See Exhibit 19 for a breakdown of the TA&O contractors, their subcontractors and how many were identified as a source of assistance.

Exhibit 19
BIG PROGRAM – TA&O FUNDING PARTNERS OUTREACH ASSISTANCE
 BIG Round 2

TA&O Partner and Subcontractors	Amount Paid	Count of Applicant Reported Use
Greater Auburn Gresham Development Corporation	\$105,458	16
<i>South Holland Business Association</i>	\$49,984	30
<i>Southland Juvenile Justice Council</i>	\$41,423	0
<i>Southland Development Authority</i>	\$12,500	98
<i>Chamber 57</i>	\$50,000	20
Chicago Urban League	\$0	81
<i>Sunshine Enterprise</i>	\$0	31
<i>Hope Excel Center</i>	\$49,978	21
<i>Springfield Urban League</i>	\$50,000	21
<i>Urban League of Madison County</i>	\$0	0
The Resurrection Project	\$159,109	102
<i>Hispanic American Community Education and Services</i>	\$14,530	70
<i>North American Institute for American Advancement</i>	\$21,865	64
<i>Carpentersville Family Resource Center</i>	\$10,681	61
American Business Immigration Coalition	\$117,333	17
Total	\$682,861	632

Source: OAG developed from DCEO BIG program information.

We asked DHS and DOA about the identification and role of the Community Navigators within CCRG and LMFP, respectively. DHS and DOA both reported that Community Navigators were not applicable to their portions of the BIG program.

Return of Funds

DCEO did not initially have a formal process to claw back funds that were paid to BIG recipients that were in violation of the terms of the BIG program. DCEO reported, *“It was developed after awards began to be distributed.”*

LAC Resolution 159 asked us to conduct an examination of the actions taken by DCEO, DHS, and DOA when a BIG participant was not in compliance with any step in the application process or made a material misrepresentation in reporting on the use of funds provided as part of the BIG program.

In February 2021, DCEO officials reported to the Senate Commerce Committee that its main focus was not to claw back funds but to increase communications with awardees of BIG funds that may have not accurately represented their situation during the application process.

Grant Program Violators

DCEO **did not claw back funds** for noncompliance with the Executive Order. DCEO became aware of instances of violations but did not initially have a system in place to manage businesses found to be in violation of law, regulations, and executive orders. DCEO **relied on the attestations of the recipients** that they would comply or were already complying with the mitigation efforts.

As part of the BIG program application process, applicants were required to sign a Requirements and Certifications document as a condition of BIG program participation. Section 7 of the document states, *“The **subrecipient has complied and will continue to comply** with all relevant laws, regulations, and executive orders from the State and federal government, including the social distancing guidelines as promulgated by the Executive Orders of the Illinois Governor.”* [Emphasis added.]

During the audit, we found that DCEO was aware of businesses having signed the Requirements and Certifications document yet were not in compliance with all laws, regulations, and executive orders. DCEO became aware of notices of BIG program violations from news stories, forwarded complaints, and internal agency reviews. Businesses most often having documented violations were restaurants failing to follow local mitigations and executive orders. We found that DCEO was not prepared to handle such notices of violation, did not have complete information on all violators, and did not always enforce a return of funds when such violations were confirmed.

DCEO Not Prepared to Handle Notices of Violation

During our search of the emails, we found correspondence which was initiated by a local county health department on October 28, 2020, to a DCEO program manager asking about enforcement for bars or restaurants having received a BIG grant but refusing to comply with public health mandates. The DCEO program manager was not aware and forwarded the question to other DCEO officials asking about claw backs for noncompliance. Later that same day, a DCEO Deputy Director responded, *“Yes, if they are found to be in violation of their*

signed certification – which includes language that they will follow Executive Orders related to social distancing – we tell them to return the funds.” The DCEO Program Manager then followed up by saying, *“Given this question is from a health department, is there a process for this or direction for health departments regarding this?”*

In additional correspondence from Winnebago County on October 30, 2020, involving DCEO, the Attorney General and the Governor’s Office, Winnebago County officials cited businesses in their county, which had received at least one Order of Closure, yet received grant funds despite rejecting executive order and mitigation measures from the County. After review of the list, DCEO found additional businesses not in compliance and decided to issue notices of violation.

At the time of the correspondence above, DCEO was unsure whether it or the grant administrator was responsible for issuing notices of violation. On November 4, 2020, days after the inquiries from the local health departments, DCEO’s Chief of Staff asked the Deputy Director about responsibility for follow-up communication with the grantee accused of being in violation. The Deputy Director stated, *“...my understanding of the way that this program works is that this certification is an agreement between Accion and the BIG recipient, and it’s technically on Accion to make these determinations with our input and oversight.”*

The named entities on the final template of the letter to be sent to grantees for noncompliance with COVID restrictions were DCEO and the grantee, not the grant administrator. This template was also issued by DCEO’s General Counsel on November 4, 2020, and allowed violators a chance to comply rather than requesting a return of funds for the violation. The letter included the following language: *“You have five (5) days to respond to this letter and confirm for DCEO that you **will** comply with all state laws, restrictions and guidelines, including the current Restaurant and Bar guidelines for regions in mitigation as promulgated by the department [sic] of Public Health and DCEO...”* [Emphasis added.]

Complete Information

Auditors asked and received the universe of correspondence regarding notices of noncompliance from DCEO. DCEO provided a spreadsheet as of January 18, 2022, which contained the names of 66 businesses having received a notice of violation. The ‘first’ notices were sent between September 3, 2020, and February 19, 2021.

As a step to check the completeness of the spreadsheet, we decided to contact the Sangamon County Department of Public Health with regard to its records of businesses not compliant with State and local rules during COVID-19 restrictions. It was able to provide its listing of Sangamon County businesses that where the Department of Public Health suspended permits due to defiance of the Governor’s mandates relative to indoor dining during COVID mitigations. The listing provided by Sangamon County named 21 different businesses that were cited for indoor dining, against Governor’s mandates, on at least one occasion during the timeframe of November 15 through December 30, 2020.

We compared the list of 21 businesses with the universe of awards during BIG Rounds 1 and 2. Three businesses received a BIG award in either Round 1 or Round 2 and were cited by the Sangamon County Department of Public Health for violation of the Governor’s mandates relative to indoor dining. We would note that none of the three businesses were on the listing of problem applicants which received correspondence from DCEO regarding noncompliance with the BIG program. Such compliance was required as condition of BIG program award. See Exhibit 20 for citation and award dates of the three businesses.

Exhibit 20
BIG PROGRAM – EXAMPLES OF SMALL BUSINESS AWARD WINNERS AND VIOLATIONS
 Rounds 1 and 2

Business	BIG Award \$	BIG Award Date	Sangamon County Citation Date
A – Round 1	\$20,000.00	06/30/20	11/16/20
B – Round 2	\$35,000.00	12/14/20	11/16/20
C – Round 2	\$30,000.00	12/21/20	12/01/20

Source: OAG developed from DCEO BIG program information and the Sangamon County Department of Public Health.

Not Enforcing

DCEO neither intended to request a return of grant funds when a grantee admitted noncompliance nor enforced return of grant funds. Based on responses DCEO received from grantees to the notice of violation correspondence, we asked DCEO what actions they took if the grantee confirmed noncompliance or did not respond. DCEO stated, *“If recipients confirmed they were in noncompliance, they were then required to ensure their future compliance or to return the funds received. All businesses communicated they would comply. As a result, DCEO did not clawback [sic] funds for noncompliance.”* [Emphasis added.]

During our email review, we found an email correspondence between DCEO’s Deputy General Counsel and a BIG recipient on January 7, 2021, regarding noncompliance. The email from DCEO stated, *“It has come to our attention that your business, [restaurant], may be operating outside of the parameters of the certification agreement your business agreed to when receiving financial assistance under the Business Interruption Grant program...”* The restaurant owner responded on the same day, *“Thank you very much for your concern into this matter, throughout the month of November and December the weather was very beautiful some days...”* The restaurant owner admitted noncompliance, yet there was no evidence DCEO took back funds.

The Fiscal Control and Internal Auditing Act [30 ILCS 10/3001] requires all State agencies to *“establish and maintain a system, or systems, of internal fiscal and administrative controls.”* **These controls should include a system of review for noncompliance and enforcement when there is a known program violation.**

DCEO reported, “For a program of this size, unidentified noncompliance is always possible, as seen by other state and federal jurisdictions administering similar program.”

Additionally, we also asked if DCEO conducted any other research on these cases or if DCEO simply accepted the word of the recipient of the correspondence with respect to compliance. DCEO stated they had to “**rely on the attestations of the recipient that they would comply or were already complying with the mitigation efforts.**”

Allowing State funds to be spent on grantees who are known violators of the program requirements reduces the amount of grant funds available to other businesses who are in compliance with all requirements. Additionally, when DCEO chooses not to enforce program requirements, it provides disincentive for businesses to comply.

Grant Program Violators

**RECOMMENDATION
NUMBER
15**

DCEO should have a system in place to manage notices of grant program violators and should enforce the program requirements it creates.

DCEO Response:

The Department agrees with the recommendation that systems should be in place to manage compliance and notices of violation. The Department implemented a process by which complaints or claims of awardee ineligibility or noncompliance were referred to our legal bureau for investigation.

Auditor Comment #10:

While the legal department at DCEO was utilized when a report came in on noncompliance, it lacked an adequate control to recover funds. As stated in the audit, DCEO reported, “If recipients confirmed they were in noncompliance, they were then required to ensure their future compliance or to return the funds received. All businesses communicated they would comply. As a result, DCEO did not claw back funds for noncompliance.”

Child Care Component Return of Funds

DHS reported that it had neither distributed nor recovered funds for CCRG. DHS further reported that INCCRRA did not have the need to recover any funds from its distribution of CCRG. INCCRRA also confirmed that there were no instances where it was instructed by DCEO or DHS to recover any CCRG funds paid out.

Livestock Management Component Return of Funds

DOA reported that there were a total of 16 participants reviewed for overpayment. Of the 16, two provided additional documentation in support of the award and 12 returned the amount of overpayment. The total amount returned to DOA was

\$18,894. DOA further reported that as of October 4, 2021, there were two overpayments yet to be collected and that multiple letters had been sent out. The amount of the two outstanding overpayments totals \$1,037.

Appendix A

Legislative Audit Commission Resolution Number 159

Legislative Audit Commission

Resolution No. 159

Presented by Representative McCombie

WHEREAS, on March 9, 2020, Governor JB Pritzker issued a Gubernatorial Disaster Proclamation due to the outbreak of COVID-19; and

WHEREAS, on March 20, 2020, Governor JB Pritzker filed Executive Order 2020-10 with the Secretary of State; and

WHEREAS, Executive Order 2020-10 ordered, in part: that Illinois residents stay at home; that nonessential businesses cease operations; that public and private gatherings outside a living unit be prohibited; and that all nonessential travel cease; and

WHEREAS, Department of Commerce and Economic Opportunity (DCEO) information showed the Business Interruption Grant (BIG) program was developed by Governor JB Pritzker and the General Assembly to provide \$580 million in economic relief for small businesses hit hardest by COVID-19; and

WHEREAS, the BIG program, identified as the largest program of its kind in the nation, leveraged federal funding provided by the federal Coronavirus Aid, Relief and Economic Security (CARES) Act to help offset COVID-19 related losses for Illinois small businesses; and

WHEREAS, the BIG program consisted of: \$290 million for child care providers; \$290 million for grants to other small businesses throughout Illinois; \$7 million in Small Business Emergency Loan forgiveness; and up to \$5 million for the Livestock Management Facilities Program; and

WHEREAS, the Illinois Administrative Code assigns DCEO, the Department of Human Services (DHS), and the Department of Agriculture (DOA) the responsibility for oversight of the BIG program; and

WHEREAS, DCEO information showed a total of 8,998 BIG grants issued to small businesses in Illinois – with some businesses receiving grants in either the first or second rounds of funding or both rounds – for a total funding amount of \$276,275,000; and

WHEREAS, reports indicated that more than eight in ten of the 42,000 businesses that applied for small business grants were denied; and

WHEREAS, nearly 5,000 Child Care Restoration Grants – totaling \$290,000,000 – were provided as of December 30, 2020; and

WHEREAS, the issuance and oversight of these grants was conducted while State government was generally conducting business off site due to the pandemic; and

WHEREAS, in the DCEO compliance examination for the period ended June 30, 2020, the Auditor General reported that the grants management area within DCEO had a 46 percent vacancy in positions; and

WHEREAS, DCEO utilizes a Small Business Community Navigator Program where a number of navigators provide outreach to small business for DCEO; and

WHEREAS, Governor JB Pritzker announced in May 2021 that the Navigator program was receiving an additional \$10 million in funding through a competitive grant opportunity; and

WHEREAS, reports have called into question some of the recipients of the BIG grants for issues such as continuing to operate indoor dining in violation of the Governor's executive order, not reporting investigations into recipient operations, and grants that went to companies that the State considered dissolved; and

WHEREAS, DCEO reported to the Senate Commerce Committee, at a hearing on February 11, 2021, that it had prioritized communicating compliance over clawing back funds; therefore, be it

RESOLVED, BY THE LEGISLATIVE AUDIT COMMISSION, that the Auditor General is directed to conduct a program audit of the Business Interruption Grant program; and be it further

RESOLVED, that the audit include, but not be limited to, for the period March 2020 to July 2021, the following determinations:

- An examination of the application process, the documentation submitted, and the selection of grants by DCEO, DHS, and DOA for the BIG program;
- An examination of the monitoring oversight by DCEO, DHS, and DOA for grant recipients including whether all eligibility requirements were satisfied and expenses submitted were allowable;
- An examination of how DCEO allocated funding in the BIG program to disproportionately impacted areas and whether the allocation was at least 30 percent of total funding;
- An examination of DCEO compliance with prioritizing severely impacted businesses and industries;
- An examination of the role of the Community Navigators, if any, in the selection of grant recipients in the BIG program;
- An examination of the actions taken by DCEO, DHS, and DOA when a BIG participant was not in compliance with any step in the application process or made a material misrepresentation in reporting on the use of funds provided as part of the BIG program; and be it further

RESOLVED, that the Department of Commerce and Economic Opportunity, Department of Human Services, the Department of Agriculture, and any other entity having

information relevant to this audit cooperate fully and promptly with the Auditor General's Office in the conduct of this audit; and be it further

RESOLVED, that the Auditor General commence this audit as soon as possible and report his findings and recommendations upon completion in accordance with the provisions of Section 3-14 of the Illinois State Auditing Act; and be it further

RESOLVED, that a copy of this resolution be delivered to the Auditor General, the Department of Commerce and Economic Opportunity, the Department of Human Services, and the Department of Agriculture.

Adopted this 1st day of September, 2021.



SIGNED ORIGINAL ON FILE

Senator Jason Barickman
Co-Chair, Legislative Audit Commission

SIGNED ORIGINAL ON FILE

Representative Fred Crespo
Co-Chair, Legislative Audit Commission

Appendix B

Audit Scope and Methodology

This performance audit was conducted in accordance with generally accepted government auditing standards and the audit standards promulgated by the Office of the Auditor General at 74 Ill. Adm. Code 420.310. 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 found in Legislative Audit Commission (LAC) Resolution 159.

We examined the five components of internal control – control environment, risk assessment, control activities, information and communication, and monitoring – along with the underlying principles. We considered all five components to be significant to the audit objectives. Any deficiencies in internal control that were significant within the context of the audit objectives are discussed in the body of the report.

The audit objectives were delineated by LAC Resolution Number 159 which directed the Auditor General to conduct a program audit of the Business Interruption Grant program (Program), a program administered by the Department of Commerce and Economic Opportunity (DCEO), Department of Human Services (DHS) and the Department of Agriculture (DOA). The Resolution contained several objectives for the audit (listed below):

1. An examination of the application process, the documentation submitted, and the selection of grants by DCEO, DHS, and DOA for the BIG program;
2. An examination of the monitoring oversight by DCEO, DHS, and DOA for grant recipients including whether all eligibility requirements were satisfied and expenses submitted were allowable;
3. An examination of how DCEO allocated funding in the BIG program to disproportionately impacted areas and whether the allocation was at least 30 percent of total funding;
4. An examination of DCEO compliance with prioritizing severely impacted businesses and industries;
5. An examination of the role of the Community Navigators, if any, in the selection of grant recipients in the BIG program; and
6. An examination of the actions taken by DCEO, DHS, and DOA when a BIG participant was not in compliance with any step in the application process or made a material misrepresentation in reporting on the use funds provided as part of the BIG program.

The audit timeframe was defined as March 2020 through July 2021 in the Resolution.

In conducting the audit, we reviewed applicable federal laws, State statutes and rules. We reviewed compliance with those laws and rules to the extent necessary to meet the audit's objectives. Additionally, we reviewed the certifications and requirements for each of the small business, child care and livestock management and facilities programs for each of the BIG components. We also reviewed all guidance used during the application and award processes. Any instances of non-compliance are included in this report.

We reviewed all applicable interagency agreements, grant agreements and related policies and procedures. We found that DCEO and DHS had an intergovernmental agreement for the Child Care Restoration Grant (CCRG) portion of BIG. We found that DCEO and DOA had an intergovernmental agreement for the Livestock Management Facilities Program (LMFP) portion of BIG. The purpose of these interagency agreements was for DCEO to provide funding to DHS for the CCRG and to DOA for the LMFP programs and for DHS and DOA to develop and implement each of the CCRG and LMFP programs. Any instances of non-compliance are included in this report.

We reviewed all grant agreements for all of the grant administrators involved with the small business and child care portions of BIG. There were six different grant administrators used for the small business program: Accion, Chicago Community Loan Fund (CCLF), Chicago Neighborhood Initiatives (CNI), Somercor, Chicago Urban League (CUL), and Women's Business Development Center (WBDC). There was one grant administrator used for the child care program, Illinois Network of Child Care Resource and Referral Agencies (INCCRRA). DOA did not utilize a grant administrator to implement the LMFP; rather, DOA used State personnel. Any instances of non-compliance are included in this report.

We also reviewed the four technical assistance and outreach grant agreements in support of the BIG program with Chicago Urban League, Greater Auburn Gresham Development Corporation, The Resurrection Project and American Business Immigration Coalition. Any instances of non-compliance are included in this report.

We reached out to a number of officials as part of the audit. We had a number of phone conferences and email correspondence with State officials at DCEO, DHS and DOA. We contacted the Department of Innovation and Technology (DoIT) to ask about their capability and technology to send mass e-mails. We contacted the Department of Public Health (DPH) for COVID case rate data. We contacted the Office of the Attorney General to determine how it handled COVID related complaints. We reached out to officials at Lake County, DuPage County, Will County, Kane County, Cook County and the City of Chicago for information on businesses receiving grant funds from the CARES Act funding for COVID relief that the collar counties received directly from the federal government. We contacted and received information from the Sangamon County Department of Public Health relative to violations of open businesses during COVID restrictions.

We had phone conferences and email correspondence with all seven of the grant administrators. We asked each of the administrators questions such as how each became involved with the BIG program, what types of business the administrators normally do with the State of Illinois, what processes were used for the BIG program, and the types of monitoring conducted by not only the administrators but also the State. We also had to rely on the administrators for all documentation requests related to small business and CCRG BIG applicants because the State agencies did not maintain this information.

We requested and reviewed the email vaults of 11 individuals from DCEO. We provided 33 key word phrases for a search. This resulted in 47,979 emails matching the criteria of the search. After our review, we selected 1,227 pages of emails for our public work papers. The emails were used to provide context and support decisions made as part of the BIG program. References to such emails can be found throughout the report.

We requested and received the universe of small business applicants for Rounds 1 and 2. The total number of small business **applicants** in Round 1 was 5,244. The total number of small business **applicants** in Round 2 was 42,654. We **randomly selected** a sample of 150 awards in Round 1 for testing and 150 awards in Round 2 for testing. We randomly selected samples of 150 denials in Round 1 for testing and 150 denials in Round 2 for testing. We requested and received all supporting sample documentation from the small business grant administrators and tested the samples against applicable criteria. The samples were randomly selected and the results of the testing are based on the samples and not projected to the entire populations. The results of the testing can be found throughout the report.

We requested and received the universe of awards for all 3 rounds of CCRG **awards** at DHS. The total number of CCRG awards was 7,459. Of the 7,459 awards, we **randomly selected** a sample of 100 awards for testing. We requested and received the universe for all 3 rounds of CCRG for applicants **not funded**. The total number of CCRG applicants not funded was 105. Of the 105 applicants not funded, we **randomly selected** a sample of 20 for testing. We requested and received the supporting sample documentation from the grant administrator, INCCRRA, and tested the sample cases against the applicable criteria. We did not find any significant or pervasive issues as a result of testing of both samples. The samples were randomly selected and the results of the testing should be based on the sample and not projected to the entire population.

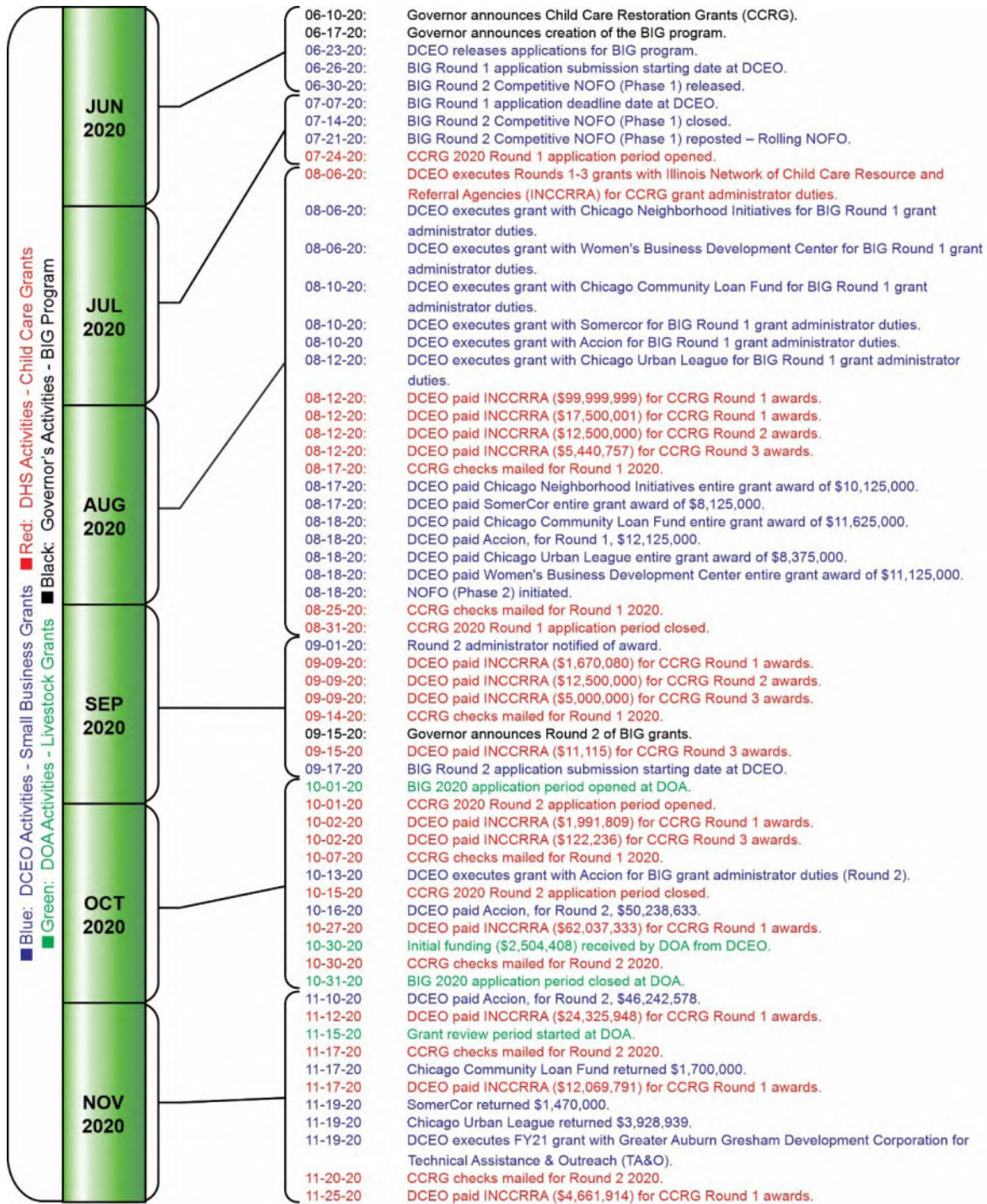
We requested and received the universe of LMFP **awards** at DOA. The total number of LMFP awards was 611. Of the 611 awards, we **judgmentally selected** 15 awards for testing. We requested and received the universe of LMFP **denials**. The total number of LMFP denials was 152. Of the 152 denials, we **judgmentally selected** 15 for testing. We requested and received the supporting sample documentation from DOA and tested the sample against the applicable criteria. We did not find any significant or pervasive issues as a result of testing

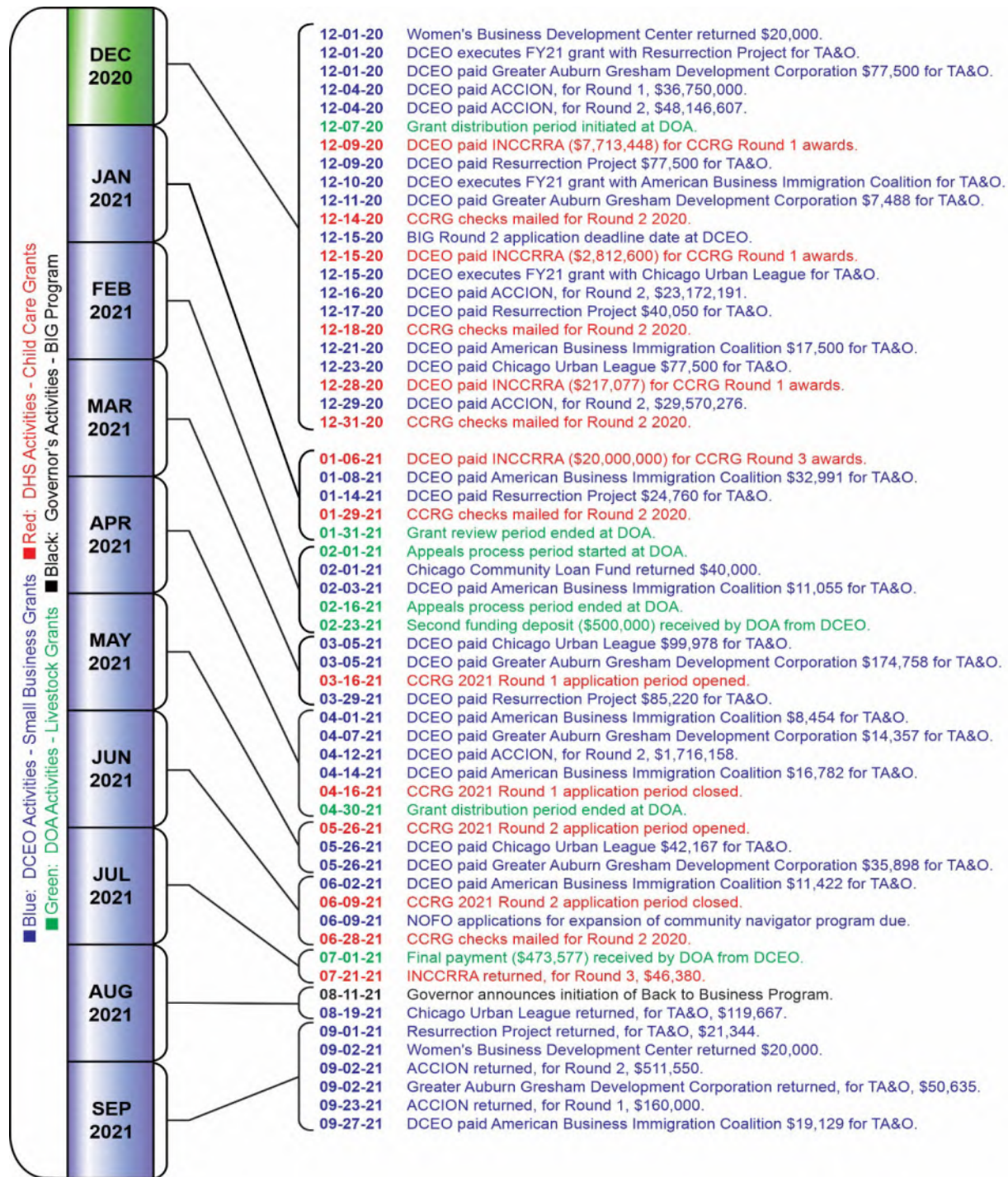
of both samples. However, the samples should be considered on their own and not projected to the population.

On April 26, 2023, we sent DCEO, DHS, and DOA the draft audit report. On May 1, 2023, DHS waived a formal exit conference. On May 3, 2023, DOA waived a formal exit conference. An exit conference was held with DCEO on May 5, 2023. The principal attendees are noted below:

Exit Conference		May 5, 2023
Agency	Name and Title	
DCEO	<ul style="list-style-type: none"> • Kristin Richards, Director • Khama Sharp, Assistant Director • Becky Locker, Chief of Staff • Kimberly Hill, Chief Operating Officer • Garrett Carter, General Counsel • Jason Horwitz, Policy and Development • Jared Walkowitz, Chief Accountability Officer • Megan Buskirk, Assistant Deputy Director Office of Accountability 	
Illinois Office of the Auditor General	<ul style="list-style-type: none"> • Mike Maziarz, Senior Audit Manager • Jill Paller, Audit Manager 	

Appendix C Timeline of Activities – BIG Program





Source: OAG developed from BIG documentation.

Appendix D

Disproportionately Impacted Area Zip Codes and Cities BIG Program

Zip Code	City	Zip Code	City	Zip Code	City
60018	Des Plaines	60432	Joliet	60640	Chicago
60033	Harvard	60433	Joliet	60641	Chicago
60040	Highwood	60435	Joliet	60643	Chicago
60064	North Chicago	60436	Joliet	60644	Chicago
60071	Richmond	60438	Lansing	60645	Chicago
60077	Skokie	60455	Bridgeview	60646	Chicago
60085	Waukegan	60458	Justice	60649	Chicago
60087	Waukegan	60459	Burbank	60651	Chicago
60090	Wheeling	60466	Park Forest	60652	Chicago
60099	Zion	60469	Posen	60653	Chicago
60101	Addison	60471	Richton Park	60659	Chicago
60104	Bellwood	60472	Robbins	60706	Harwood Heights
60106	Bensenville	60473	South Holland	60707	Elmwood Park
60110	Carpentersville	60478	Country Club Hills	60714	Niles
60115	DeKalb	60501	Summit Argo	60804	Cicero
60120	Elgin	60505	Aurora	60827	Riverdale
60133	Hanover Park	60506	Aurora	60901	Kankakee
60139	Glendale Heights	60534	Lyons	60912	Beaverville
60141	Hines	60545	Plano	60915	Bradley
60145	Kingston	60608	Chicago	60927	Clifton
60153	Maywood	60609	Chicago	60955	Onarga
60155	Broadview	60612	Chicago	60958	Pembroke Township
60160	Melrose Park	60616	Chicago	60970	Watseka
60164	Melrose Park	60617	Chicago	61012	Capron
60165	Stone Park	60619	Chicago	61020	Davis Junction
60171	River Grove	60620	Chicago	61032	Freeport
60185	West Chicago	60621	Chicago	61054	Mount Morris
60402	Berwyn	60623	Chicago	61101	Rockford
60406	Blue Island	60624	Chicago	61102	Rockford
60409	Calumet City	60626	Chicago	61103	Rockford
60411	Chicago Heights	60628	Chicago	61104	Rockford
60415	Chicago Ridge	60629	Chicago	61109	Rockford
60419	Dolton	60632	Chicago	61201	Rock Island
60425	Glenwood	60633	Chicago	61235	Atkinson
60426	Harvey	60636	Chicago	61239	Carbon Cliff
60428	Markham	60637	Chicago	61282	Silvis
60429	Hazel Crest	60639	Chicago	61341	Marseilles

Zip Code	City	Zip Code	City	Zip Code	City
61401	Galesburg	62018	Cottage Hills	62448	Newton
61410	Abingdon	62056	Litchfield	62471	Vandalia
61443	Kewanee	62059	Lovejoy	62474	Westfield
61455	Macomb	62060	Madison	62522	Decatur
61462	Monmouth	62090	Venice	62526	Decatur
61469	Oquawka	62095	Wood River	62560	Raymond
61603	Peoria	62201	East St. Louis	62565	Shelbyville
61604	Peoria	62203	East St. Louis	62618	Beardstown
61605	Peoria	62204	East St. Louis	62681	Rushville
61606	Peoria	62205	East St. Louis	62702	Springfield
61610	Creve Coeur	62206	East St. Louis	62703	Springfield
61701	Bloomington	62207	East St. Louis	62801	Centralia
61739	Fairbury	62232	Caseyville	62864	Mount Vernon
61801	Urbana	62233	Chester	62882	Sandoval
61802	Urbana	62237	Coulterville	62901	Carbondale
61820	Champaign	62238	Cutler	62906	Anna
61832	Danville	62239	Dupo	62907	Ava
61866	Rantoul	62242	Evansville	62912	Buncombe
61910	Arcola	62254	Lebanon	62951	Johnston City
61920	Charleston	62272	Percy	62966	Murphysboro
61938	Mattoon	62274	Pinckneyville	62992	Ullin
62002	Alton	62286	Sparta		

Note: Red indicates that the area is identified as a Severely Impacted Disproportionately Impacted Area.
Source: OAG developed from DCEO and Illinois zip code documentation.

Appendix E

BIG Applicant Certification Statements – Small Business

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STATE OF ILLINOIS
BUSINESS INTERRUPTION GRANT PROGRAM
CERTIFICATIONS AND REQUIREMENTS

The Business Interruption Grant Program (the “Program”) is supported by grant agreements (“Agreement” or “Agreements”) between the Illinois Department of Commerce and Economic Opportunity (the “Department”) and qualified Grantees (“Grantee”) which authorize the Department to grant funds to the Grantee (“Award” or “Awards”) in support of eligible activities under the Program. The Agreements authorize the Grantee to provide sub-awards to eligible participants that meet certain conditions. As an eligible participant, your Business (“subrecipient”) is required to utilize these grant proceeds for specific purposes, as set forth below. Additionally, your Business shall adhere to the terms and procedures established by the Grantee under this Program.

As a subrecipient, to participate in the program, you must remain in compliance with the terms and certifications set forth below. Please review the below items carefully, as your Business and its representatives shall warrant that all material facts presented are accurate. If your Business is unable to provide this assurance, it is ineligible to receive an Award under this Program.

General Covenants, Representations, and Warranties

As the authorized representative of the subrecipient, I agree and certify that:

1. The subrecipient is a business, that is independently owned and operated, is not dominant in its field, employs at least one employee, and operates a fitness center, bar, restaurant, barbershop, salon, or is a business located in a severe disproportionately impacted area (DIA) as of February 29th, 2020.
2. The subrecipient has incurred eligible costs and losses due to a business interruption caused by COVID-19 that is equal to or greater than the value of the subaward.
 - a. An eligible fitness center subaward is \$20,000;
 - b. An eligible bar or restaurant subaward is either \$10,000 or \$20,000 based on the amount of eligible costs or losses indicated in the business grant application;
 - c. An eligible barbershop or salon subaward is \$10,000;
 - d. An eligible business located in a severe disproportionately impacted area (DIA) as of February 29th, 2020 subaward is \$20,000.
3. The applicant understands that any funding provided by this subaward is being provided under the Program, and is authorized under the Coronavirus Aid, Relief, and Economic Security Act, P.L. 116-136 (the CARES Act).
4. The applicant shall use the subaward for eligible losses and costs as established by the Department and the U.S. Department of the Treasury.
5. The information and supporting documentation provided on behalf of the subrecipient for the Program application, the ACH Authorization and Agreement, the IRS Form W-9, is true and accurate in all material respects. The subrecipient understands that the Grantee will transfer the sub-award via ACH to the bank account indicated on the ACH Authorization form.
6. The subrecipient has the legal authority to apply for federal, State and local assistance, and that the Business will comply with the established requirements of this subaward.

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7. The subrecipient has complied and will continue to comply with all relevant laws, regulations, and executive orders from the State and federal government, including the social distancing guidelines as promulgated by the Executive Orders of the Illinois Governor.
8. The subrecipient will operate and maintain the facility in accordance with the minimum standards as may be required or prescribed by any applicable federal, State, and local agencies for the maintenance and operation of such facilities.
9. The Business will continue to comply, as applicable, with the provisions of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333), the Copeland Act (40 U.S.C. 276c and 18 U.S.C. 874), the Davis-Bacon Act (40 U.S.C. 276a-276-1), the Drug-Free Workplace Act of 1988 (44 CFR, Part 17, Subpart F), the Fair Labor Standards Act (29 U.S.C. 201), and the Illinois Prevailing Wage Act (820 ILCS 130/1).
10. The Business will comply with all relevant laws and regulations concerning non-discrimination.
11. That the subrecipient will pay no appropriated funds to any person for influencing or attempting to influence an officer or employee of federal, State or local government, or an employee of a member of any federal, State or local government in connection with the awarding of any State and federal contract, the making of any State and federal grant, the making of any State and federal loan, the entering into any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any State and federal contract, grant, loan or cooperative agreement.
12. The applicant is not presently suspended, debarred, proposed for debarment, or declared ineligible by any State or Federal department or agency, and will not enter into a contract with a contractor who is on any federal or state debarred contractor list.
13. The Business will prohibit employees, contractors, and subcontractors from using their positions for a purpose that constitutes or presents an appearance of personal or organizational conflict of interests or personal gain.
14. The Business will take all practical steps to remain viable, solvent, and in operation. Additionally, the subrecipient attests that the Business has not taken any material steps to dissolve the Business in 2020.
15. The subrecipient has no lawsuits, claims, suits, proceedings or investigations pending, to the knowledge of the Business, threatened against or affecting the Business (or its officers and directors) in respect of the assets or the Business nor, to the knowledge of the Business, is there any basis for any of the same, and there is no lawsuit, suit or proceeding pending in which the Business is the plaintiff or claimant which relates to the Business or assets of the Project.
16. The Business has no action, suit or proceeding pending or, to the knowledge of the Business, threatened which questions the legality or propriety of the transactions contemplated by this Agreement.
17. The Business has not received any notice of any investigation conducted or charges, complaints or actions brought by the State of Illinois or any governmental body within the State of Illinois regarding the Business or its officers and directors.
18. The Business nor its officers and directors have received any notice that it is the subject of any criminal investigations or charges.
19. The subrecipient will hold harmless the United States and its agents and employees, the state of Illinois and its agents and employees, from and against all claims, damages, losses, and expenses arising out of or resulting from the approval of work, regardless whether such claim, damage, loss or expense is entirely or in part by the United States or the State of Illinois. The Business understands that the release of all information by the Department and the Grantee, in any manner,

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is hereby authorized whether such information is of record, and I hereby release all persons, agencies, firms, companies, and entities, from any damages resulting from such information.

Program-Specific Covenants, Representations, and Warranties

The Business (“subrecipient”) hereby represents to the Grantee and the Department, **as the grantor of the Program**, that the following is true and correct and, except where expressly noted, shall remain true and correct:

- (i) The subrecipient will use the proceeds of the subaward supported by the Program exclusively for costs and losses incurred due to the business interruption or other adverse conditions caused by the Coronavirus Disease 2019 (COVID-19) pandemic. For purposes of this Program, costs incurred during a business interruption may be classified as a cost related to COVID-19. Grant proceeds may be used to reimburse costs and losses such as inventory, equipment (including Personal Protective Equipment and other supplies to promote health and safety), compensation (including salaries, wages, tips, paid leave, and group healthcare benefits), rent, technology to facilitate e-commerce, professional services procured (including the design and construction of environments necessary to promote physical and social distancing and cleaning and disinfecting services) and other costs of operation in accordance with the applicable administrative rules or the policy directives of the grantor that was incurred during the period that begins on March 1, 2020, and ends on December 30, 2020. All spending related to this program must be reimbursable by the Federal Coronavirus Relief Fund, as prescribed by 601(a) of the Social Security Act and added by section 5001 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act including all subsequent federal guidance. Expenses that have been or will be reimbursed under any other federal program are not eligible for reimbursement through the proceeds of this subaward.
- (ii) The subrecipient (and all businesses owned, operated, or affiliated with the subrecipient) is eligible to receive a subaward in this round of disbursements and to apply for grant funds in future rounds. However, the value of the current subaward will be deducted from any future subaward granted to the business under this program.

Requirements Between Grantee and Subrecipients

As stipulated in the Agreements between the Department and the Grantee, the Grantee must include language for any sub-awards made pursuant to these Agreements between the Department and the Grantee. All sub-awardees (subrecipients) are also subject to certification and disclosure. Pursuant to Appendix II(I) to 2 CFR Part 200, Grantee shall forward all disclosures by contractors regarding this certification to Grantor. The requirements of the Grantee below shall also apply to the subrecipient unless otherwise stipulated.

- (i) Records Retention. Grantee shall maintain for three (3) years from the date of submission of the final expenditure report, adequate books, all financial records and, supporting documents, statistical records, and all other records pertinent to this Award, adequate to comply with 2 CFR 200.333, unless a different retention period is specified in 2 CFR 200.333 or 44 Ill. Admin. Code §§ 7000.430(a) and (b). If any litigation, claim or audit is started before the expiration of the

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retention period, the records must be retained until all litigation, claims or audit exceptions involving the records have been resolved and final action taken.

(ii) Accessibility of Records. Grantee, in compliance with 2 CFR 200.336 and 44 Ill. Admin. Code 7000.430(e), shall make books, records, related papers, supporting documentation and personnel relevant to this Agreement available to authorized Grantor representatives, the Illinois Auditor General, Illinois Attorney General, any Executive Inspector General, the Grantor's Inspector General, federal authorities, any person identified in 2 CFR 200.336, and any other person as may be authorized by Grantor (including auditors), by the state of Illinois or by federal statute. Grantee shall cooperate fully in any such audit or inquiry.

(iii) Failure to Maintain Books and Records. Failure to maintain books, records and supporting documentation shall establish a presumption in favor of the State for the recovery of any funds paid by the State under this Agreement for which adequate books, records and supporting documentation are not available to support disbursement.

(iv) Subrecipients/Delegation. Grantee may not subcontract nor sub-grant any portion of this Agreement nor delegate any duties hereunder without Prior Approval of Grantor. The requirement for Prior Approval is satisfied if the subcontractor or subrecipient has been identified in the Uniform Grant Application, such as, without limitation, a Project Description, and Grantor has approved.

(v) Application of Terms. Grantee shall advise any subrecipient of funds awarded through this Agreement of the requirements imposed on them by federal and state laws and regulations, and the provisions of this Agreement. In all agreements between Grantee and its subrecipients, Grantee shall insert term(s) that requires that all subrecipients adhere to the terms of this Agreement.

(vi) Access to Documentation. The Award will be monitored for compliance in accordance with the terms and conditions of this Agreement, together with appropriate programmatic rules, regulations, and/or guidelines that the Grantor promulgates or implements. The Grantee must permit any agent authorized by the Grantor, upon presentation of credentials, in accordance with all methods available by law, full access to and the right to examine any document, papers and records either in hard copy or electronic format, of the Grantee involving transactions relating to this Award.

(vii) Cooperation with Audits and Inquiries, Confidentiality. The Grantee is obligated to cooperate with the Grantor and other legal authorities in any audit or inquiry related to the Award. The Grantor or any other governmental authority conducting an audit or inquiry may require the Grantee to keep confidential any audit or inquiry and to limit internal disclosure of the audit or inquiry to those Grantee personnel who are necessary to support the Grantee's response to the audit or inquiry. This confidentiality requirement shall not limit Grantee's right to discuss an audit or inquiry with its legal counsel. If a third party seeks to require the Grantee, pursuant to any law, regulation, or legal process, to disclose an audit or inquiry that has been deemed confidential by the Grantor or other governmental authority, the Grantee shall promptly notify the entity that is conducting the audit or inquiry of such effort so that the entity that is conducting the audit or inquiry may seek a protective order, take other appropriate action, or waive compliance by the Grantee with the confidentiality requirement.

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The individual below, acting in the capacity to represent the Business (“subrecipient”) in completion of this certification, certifies that all information contained herein, is true to the best of his/her knowledge and belief. I declare under penalty of perjury that the above statements are true and correct.

Authorized Representative

Signature Name Title Date

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Small Business Component Round 2

STATE OF ILLINOIS
BUSINESS INTERRUPTION GRANT PROGRAM
CERTIFICATIONS AND REQUIREMENTS

The Business Interruption Grant Program (the “Program”) is supported by grant agreements (“Agreement” or “Agreements”) between the Illinois Department of Commerce and Economic Opportunity (the “Department”) and qualified Grantees (“Grantee”) which authorize the Department to grant funds to the Grantee (“Award” or “Awards”) in support of eligible activities under the Program. The Agreements authorize the Grantee to provide sub-awards to eligible participants that meet certain conditions. As an eligible participant, your Business (“subrecipient”) is required to utilize these grant proceeds for specific purposes, as set forth below. Additionally, you shall adhere to the terms and procedures established by the Grantee under this Program, including the Department’s administrative rules (available [here](#)).

As a subrecipient, to participate in the program, you must remain in compliance with the terms and certifications set forth below. Please review the below items carefully, as your business and its representatives shall warrant that all material facts presented are accurate. If your business is unable to provide this assurance, it is ineligible to receive an Award under this Program. Frequently asked questions and eligibility guidelines may be found [here](#).

General Covenants, Representations, and Warranties

As the authorized representative of the subrecipient, I agree and certify that:

1. The subrecipient is a business that is independently owned and operated, is not dominant in its field, and employs at least one employee as of March 1, 2020.
2. The subrecipient has incurred eligible costs and losses due to a business interruption caused by COVID-19 that is equal to or greater than the value of the subaward.
3. The applicant understands that any funding provided by this subaward is being provided under the Program, and is authorized under the Coronavirus Aid, Relief, and Economic Security Act, P.L. 116-136 (the CARES Act).
4. The applicant shall use the subaward for eligible losses and costs as established by the Department and the U.S. Department of the Treasury.
5. The information and supporting documentation provided on behalf of the subrecipient for the Program application, the ACH Authorization and Agreement, the IRS Form W-9, is true and accurate in all material respects. The subrecipient understands that the Grantee will transfer the subaward via ACH to the bank account indicated on the ACH Authorization form.
6. The subrecipient has the legal authority to apply for federal, State and local assistance, and that the subrecipient will comply with the established requirements of this subaward.
7. The subrecipient has complied and will continue to comply with all relevant laws, regulations, and executive orders from the State and federal government, including the social distancing guidelines as promulgated by the Executive Orders of the Illinois Governor.
8. The subrecipient will operate and maintain the facility in accordance with the minimum standards as may be required or prescribed by any applicable federal, State, and local agencies for the maintenance and operation of such facilities.
9. The subrecipient will continue to comply, as applicable, with the provisions of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333), the Copeland Act (40 U.S.C. 276c and 18

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U.S.C. 874), the Davis-Bacon Act (40 U.S.C. 276a-276-1), the Drug-Free Workplace Act of 1988 (44 CFR, Part 17, Subpart F), the Fair Labor Standards Act (29 U.S.C. 201), and the Illinois Prevailing Wage Act (820 ILCS 130/1).

10. The subrecipient will comply with all relevant laws and regulations concerning non-discrimination.
11. That the subrecipient will pay no appropriated funds to any person for influencing or attempting to influence an officer or employee of federal, State or local government, or an employee of a member of any federal, State or local government in connection with the awarding of any State and federal contract, the making of any State and federal grant, the making of any State and federal loan, the entering into any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any State and federal contract, grant, loan or cooperative agreement.
12. The applicant is not presently suspended, debarred, proposed for debarment, or declared ineligible by any State or Federal department or agency, and will not enter into a contract with a contractor who is on any federal or state debarred contractor list.
13. The subrecipient will prohibit employees, contractors, and subcontractors from using their positions for a purpose that constitutes or presents an appearance of personal or organizational conflict of interests or personal gain.
14. The subrecipient will take all practical steps to remain viable, solvent, and in operation. Additionally, the subrecipient attests that the subrecipient has not taken any material steps to dissolve the subrecipient, permanently cease operations, or sell substantially all of its assets in 2020.
15. The subrecipient has no lawsuits, claims, suits, proceedings or investigations pending, to the knowledge of the subrecipient and its authorized representative, threatened against or affecting the subrecipient (or its officers and directors) in respect of the assets or the subrecipient nor, to the knowledge of the subrecipient and its authorized representative, is there any basis for any of the same, and there is no lawsuit, suit or proceeding pending in which the subrecipient is the plaintiff or claimant which relates to the subrecipient or its assets.
16. The subrecipient has no action, suit or proceeding pending or, to the knowledge of the subrecipient or its authorized representative, threatened which questions the legality or propriety of the transactions contemplated by this Agreement.
17. The subrecipient has not received any notice of any investigation conducted or charges, complaints or actions brought by the State of Illinois or any governmental body within the State of Illinois regarding the Business or its officers and directors.
18. Neither the subrecipient nor its officers and directors have received any notice that it is the subject of any criminal investigations or charges.
19. The subrecipient will hold harmless the United States and its agents and employees, the state of Illinois and its agents and employees, from and against all claims, damages, losses, and expenses arising out of or resulting from the approval of work, regardless whether such claim, damage, loss or expense is entirely or in part by the United States or the State of Illinois. The subrecipient understands that the release of all information by the Department and the Grantee, in any manner, is hereby authorized whether such information is of record, and I hereby release all persons, agencies, firms, companies, and entities, from any damages resulting from such information.
 - (i) **The subrecipient acknowledges that the Illinois False Claims Act (740 ILCS 175/1, et seq.) applies to this certification, and any false claims or representations made by the subrecipient or its authorized representative in connection with the Program may subject**

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the subrecipient or its authorized representative to liability under the Illinois False Claims Act and other applicable law.Program-Specific Covenants, Representations, and Warranties

The subrecipient hereby represents to the Grantee and the Department, **as the grantor of the Program**, that the following is true and correct and, except where expressly noted, shall remain true and correct:

(ii) The subrecipient will use the proceeds of the subaward supported by the Program exclusively for costs and losses incurred due to the business interruption or other adverse conditions caused by the Coronavirus Disease 2019 (COVID-19) pandemic. For purposes of this Program, costs incurred during a business interruption may be classified as a cost related to COVID-19. Grant proceeds may be used to reimburse costs and losses such as inventory, equipment (including Personal Protective Equipment and other supplies to promote health and safety), compensation (including salaries, wages, tips, paid leave, and group healthcare benefits), rent, technology to facilitate e-commerce, professional services procured (including the design and construction of environments necessary to promote physical and social distancing and cleaning and disinfecting services) and other costs of operation in accordance with the applicable administrative rules or the policy directives of the grantor that was incurred during the period that begins on March 1, 2020, and ends on December 30, 2020. All spending related to this program must be reimbursable by the Federal Coronavirus Relief Fund, as prescribed by 601(a) of the Social Security Act and added by section 5001 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act including all subsequent federal guidance. Expenses that have been or will be reimbursed under any other federal program are not eligible for reimbursement through the proceeds of this subaward.

(iii) The subrecipient (and all businesses owned, operated, or affiliated with the subrecipient) is eligible to receive a subaward in this round of disbursements and to apply for grant funds in future rounds. However, the value of the current subaward will be deducted from any future subaward granted to the business under this program.

Requirements Between Grantee and Subrecipients

As stipulated in the Agreements between the Department and the Grantee, the Grantee must include language for any sub-awards made pursuant to these Agreements between the Department and the Grantee. All sub-awardees (subrecipients) are also subject to certification and disclosure. Pursuant to Appendix II(I) to 2 CFR Part 200, Grantee shall forward all disclosures by contractors regarding this certification to Grantor. The requirements of the Grantee below shall also apply to the subrecipient unless otherwise stipulated.

(i) Records Retention. Grantee shall maintain for five (5) years from the date of submission of the final expenditure report, adequate books, all financial records and, supporting documents, statistical records, and all other records pertinent to this Award, adequate to comply with guidance provided by the U.S. Department of the Treasury labeled "Memorandum for Coronavirus Relief Fund Recipients" dated July 2, 2020, and the minimum requirements of 2 CFR 200.333. If any litigation, claim or audit is started before the expiration of the retention

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period, the records must be retained until all litigation, claims or audit exceptions involving the records have been resolved and final action taken.

(ii) Accessibility of Records. Grantee, in compliance with 2 CFR 200.336 and 44 Ill. Admin. Code 7000.430(e), shall make books, records, related papers, supporting documentation and personnel relevant to this Agreement available to authorized Grantor representatives, the Illinois Auditor General, Illinois Attorney General, any Executive Inspector General, the Grantor's Inspector General, federal authorities, any person identified in 2 CFR 200.336, and any other person as may be authorized by Grantor (including auditors), by the state of Illinois or by federal statute. Grantee shall cooperate fully in any such audit or inquiry.

(iii) Failure to Maintain Books and Records. Failure to maintain books, records and supporting documentation shall establish a presumption in favor of the State for the recovery of any funds paid by the State under this Agreement for which adequate books, records and supporting documentation are not available to support disbursement.

(iv) Subrecipients/Delegation. Grantee may not subcontract nor sub-grant any portion of this Agreement nor delegate any duties hereunder without Prior Approval of Grantor. The requirement for Prior Approval is satisfied if the subcontractor or subrecipient has been identified in the Uniform Grant Application, such as, without limitation, a Project Description, and Grantor has approved.

(v) Application of Terms. Grantee shall advise any subrecipient of funds awarded through this Agreement of the requirements imposed on them by federal and state laws and regulations, and the provisions of this Agreement. In all agreements between Grantee and its subrecipients, Grantee shall insert term(s) that requires that all subrecipients adhere to the terms of this Agreement.

(vi) Access to Documentation. The Award will be monitored for compliance in accordance with the terms and conditions of this Agreement, together with appropriate programmatic rules, regulations, and/or guidelines that the Grantor promulgates or implements. The Grantee must permit any agent authorized by the Grantor, upon presentation of credentials, in accordance with all methods available by law, full access to and the right to examine any document, papers and records either in hard copy or electronic format, of the Grantee involving transactions relating to this Award.

(vii) Cooperation with Audits and Inquiries, Confidentiality. The Grantee is obligated to cooperate with the Grantor and other legal authorities in any audit or inquiry related to the Award. The Grantor or any other governmental authority conducting an audit or inquiry may require the Grantee to keep confidential any audit or inquiry and to limit internal disclosure of the audit or inquiry to those Grantee personnel who are necessary to support the Grantee's response to the audit or inquiry. This confidentiality requirement shall not limit Grantee's right to discuss an audit or inquiry with its legal counsel. If a third party seeks to require the Grantee, pursuant to any law, regulation, or legal process, to disclose an audit or inquiry that has been deemed confidential by the Grantor or other governmental authority, the Grantee shall promptly notify the entity that is conducting the audit or inquiry of such effort so that the entity that is conducting the audit or inquiry may seek a protective order, take other appropriate action, or waive compliance by the Grantee with the confidentiality requirement.

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Appendix F

Agency Responses



Illinois
Department of Commerce
& Economic Opportunity
JB Pritzker, Governor

May 10, 2023

Via electronic mail
Mike Maziarz (mmaziarz@auditor.illinois.gov)
Senior Audit Manager
Office of the Auditor General
740 East Ash Street
Springfield, Illinois 62703

Mr. Maziarz:

I am writing in response to your letter from April 26, 2023, and the accompanying draft audit report provided by the Office of the Auditor General ("OAG") pursuant to Legislative Audit Commission Resolution 159. Legislative Audit Commission Resolution 159 charged the OAG with performing a performance audit of the Business Interruption Grant ("BIG") Program and the performance of the Department of Commerce and Economic Opportunity (the "Department") in implementing the BIG Program. The Department's response to the audit's recommendations pursuant to Legislative Audit Commission Resolution 159 can be found as an attachment to this letter.

Sincerely,

SIGNED ORIGINAL ON FILE

Kristin Richards
Director

Finding #, Name, and Page #	Auditor's Recommendation	Agency Response
<p>#1- Lack of Documentation to Support Selection of Grant Administrators</p>	<p>DCEO should develop and maintain documentation on why and how it has selected grant administrators when DCEO delegates the responsibility for that administration to outside parties.</p>	<p>The Department agrees that it would have been preferable to have additional documentation in place as it pertains to selecting the administrator for BIG Round 1.</p> <p>During this time period in 2020, emergency flexibilities permitted the Department to select grant administrators without a competitive Notice of Funding Opportunity (NOFO) process, as noted in OMB Memo 20-17.</p> <p>The Department would also like to note that a competitive NOFO process was utilized for selecting the administrator in BIG Round 2, which resulted in Accion being selected after scoring the highest on merit-based criteria, consistent with the documentation provided to OAG pertaining to this process.</p> <p>Regarding the status of the investigation mentioned on page 4, the Department concluded that the campaign contribution that took place prior to the former Assistant Director's employment with the Department did not create a conflict of interest. Nevertheless, the Department forwarded this issue to the Office of the Executive Inspector General to determine whether to conduct any additional investigation.</p> <div data-bbox="683 947 1427 1247" style="border: 2px solid blue; padding: 10px; margin-top: 10px;"> <p><u>Auditor Comment #1:</u></p> <p><i>DCEO notified auditors on January 5, 2022, that it was investigating the situation with the former Assistant Director. Sixteen months later, in the formal responses to the audit, DCEO informs us of the investigation results. We have seen no documentation relative to the investigation.</i></p> </div>
<p>#2 - Failure to Develop Timely Administrative Rules for the BIG Program</p>	<p>DCEO should develop administrative rules for new grant programs prior to the initiation of the program.</p>	<p>The Department agrees with the recommendation that it would have been preferable to have formal Administrative Rules adopted prior to the launch of the program. The Department would also like to note that program administration did follow the policies that were adopted as part of the program's Administrative Rules.</p>

<p>#3 - Self-Certifications</p>	<p>When DCEO allows grant applicants to self-certify information on the grant application, DCEO should develop controls to check those certifications for accuracy.</p>	<p>The Department agrees with the recommendation that it is important to implement processes, checks and balances for programs that necessitate the use of self-certification.</p> <p>It is a standard practice to ask entities to certify that they will follow the law and attest that the information they have provided is correct, especially for information that is not feasibly verifiable for thousands of businesses. For example, the Department did not have access to PPP/CARES data to cross reference while BIG award determinations were being made and therefore, needed to rely on attestations. However, PPP/CARES was not a determinant of eligibility or funding amount and therefore, the Department believes the use of self-certification was appropriate.</p> <p>To ensure accessibility for the most vulnerable businesses, the Department required information and documentation that was consistently available to all businesses within a short time period. BIG was designed first and foremost to quickly help businesses that have been adversely impacted by the pandemic, all of whom suffered immense hardship.</p> <p>For future rounds of COVID-19 funding programs through its B2B program, the Department implemented the following processes to improve its ability to verify attested information:</p> <ul style="list-style-type: none"> • Basing award size on tax form information for year-over-year losses occurred. Tax information was not available for 2020 during the BIG program and therefore, the Department had to use less preferable proxies to determine need (e.g. bank statements comparing months in different years). • Implementation of standard, manual review checks against external data sources for verification, such as receipt of other sources of government relief, status with the Secretary of State’s office, verification of proper licensing, and additional quality assurance checks. <div style="border: 2px solid blue; padding: 10px; margin-top: 10px;"> <p><u>Auditor Comment #2:</u></p> <p><i>As stated in the audit, in Round 2 of the small business component of BIG, 29 percent (36 of 125) of the sampled applicants failed to accurately report PPP or other CARES Act funding on the application. Despite DCEO asserting, “PPP/CARES was not a determinant of eligibility” for BIG, the reporting, or lack of reporting of PPP/CARES funding did influence the place in line for review of the applications by the grant administrator.</i></p> <p><i>Relative to the Back to Business (B2B) program, we cannot comment on the DCEO assertions, as B2B was not within the scope of this audit.</i></p> </div>
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<p>#4 - Use of Non-Approved Selection Criteria</p>	<p>DCEO should design grant application selection criteria that are aligned with directives in State statute.</p>	<p>DCEO agrees with the recommendation, and the Department did use selection criteria aligned with state statute. Creating a specific eligibility criterion for businesses located in DIAs that experienced property damage due to civil unrest falls within DCEO’s authority granted by statute and administrative rule. 20 ILCS 605-105(h) granted DCEO the authority to “establish procedures that prioritize greatly impacted industries and businesses” attributable to the COVID-19 public health emergency. The program Administrative Rules define “Severely Disproportionately Impacted Areas” (DIAs) as those that “...experienced heightened adverse economic conditions since March 13, 2020.” The civil unrest that occurred in May 2020 resulted in “heightened adverse economic conditions since March 13, 2020” for businesses in those areas that experienced civil unrest, through direct damage inflicted on some businesses and through extended closures.</p> <div style="border: 2px solid black; padding: 10px; margin-top: 10px;"> <p><u>Auditor Comment #3:</u></p> <p><i>As stated in the finding, DCEO reported that there is no mention of civil unrest in State or federal statutes, rules, or guidance. The audit also notes that the former DCEO Chief of Staff reported, “...prioritizing the property damage DIAs may come at the expense of businesses in other DIAs.” The former DCEO Assistant Director stated, “I generally don’t think we should communicate that businesses with damages will get priority though we should implement on the back end.” Finally, the audit notes that the administrative rules DCEO references in its response were effective July 21, 2020, which was 14 days after the end of the Round 1 application period for the small business component.</i></p> </div>
<p>#5 - Applications Outside Eligibility Criteria</p>	<p>DCEO should make sure that eligibility criteria is followed when conducting a grant program and not allow ineligible applicants to receive funding.</p>	<p>DCEO agrees with the recommendation.</p> <p>This error was due to a misunderstanding of the criteria among one of our partners; the Department takes responsibility for not having caught the error during the review and approval of awards.</p> <p>For BIG Round 2 and in subsequent programs providing small business relief, DCEO worked with its grant administrators to maintain more extensive documentation and consistent processes for review and met directly with the administrators performing review multiple times a week to ensure a common understanding on program policy, how it should be operationalized, and to quickly address any issues or questions that arose.</p> <p>Additional improvements include a more robust set of internal reviews of awards prior to allowing grant administrator to release funds, including DCEO staff closely reviewing samples of award determinations on an ongoing basis.</p>

		<p><u>Auditor Comment #4:</u></p> <p><i>DCEO states the error was a misunderstanding among one of the partners. While that may be true, the system developed by that partner, which DCEO approved, allowed the ineligible applications to go forward. DCEO also states that additional improvements were made in Round 2 and subsequent programs. While we cannot comment on additional programs, we can comment that we were only able to concur with 41 percent of the BIG awards in Round 2 from our sample.</i></p>
<p>#6 - Award Selection Testing Results for Small Business Component</p>	<p>DCEO should, when utilizing grant administrators to make funding selections, conduct more extensive oversight by ensuring administrators understand the evaluation criteria and by reviewing a significant amount of application documentation to determine if awards were correctly made.</p>	<p>The Department agrees with the recommendation that oversight, due diligence and reviews are critically important when making grant awards, and it takes responsibility for the program’s shortcomings. The amount of time in which the Department established the program and delivered funding to businesses in dire need of support ultimately resulted in an imperfect process.</p> <p>The Department would like to note that the majority of businesses in the OAG’s case study that are in question are considered minor administrative errors, such as failing to sign/date a tax return:</p> <p>Round 1: 91 of 150 (failure to sign/date tax return)</p> <p>Round 2: 85 of 150 (failure to sign/date tax return)</p> <p>As stated in the Department’s prior response, it did not reject an application on the basis of a tax return not being signed or dated. The vast majority of small businesses are generally not accustomed to applying for state grants. With the added stress of a global pandemic, it was decided that grants should not be withheld for minor administrative concerns.</p> <p>The Department also confirms receipt regarding additional inconsistencies identified and will evaluate the findings.</p> <p>For future rounds of COVID-19 funding programs through its B2B program, the Department implemented the following processes to improve overall program administration:</p> <ul style="list-style-type: none"> • Basing award size on tax form information for year losses occurred. Tax information was not available for 2020 during the BIG program and therefore, the Department had to use less preferable proxies to determine need (e.g. bank statements comparing year over year) • Use of a portal maintained by our grant administrator where DCEO has full access to all submitted application data, uploaded documents, and reviewer actions. The application portal provides a full scope of information and documentation for oversight of administrator decisions. • Implementation of standard, manual review checks against external data sources for verification, such as receipt of other sources of government relief, status with the Secretary of State’s

		<p>office, verification of proper licensing, and additional quality assurance checks.</p> <div style="border: 2px solid black; padding: 10px; background-color: #e6f2ff;"> <p><u>Auditor Comment #5:</u></p> <p><i>The DCEO response chooses to ignore the cases where applicants were ineligible to receive funding yet the grant administrator and DCEO approved the funding anyway. Instead, DCEO chooses to highlight a “minor” administrative error relative to tax returns. We note that it was DCEO criteria that required tax returns to be legible, complete and signed to be accepted.</i></p> <p><i>Relative to the Back to Business (B2B) program, we cannot comment on the DCEO assertions, as B2B was not within the scope of this audit.</i></p> </div>
<p>#7 - Overpayment of COVID Losses by BIG Program</p>	<p>DCEO should comply with requirements in State statute relative to award of funding for specific purposes.</p>	<p>The Department agrees with the recommendation that it should comply with requirements in State statute but respectfully disagrees with OAG’s assertion that the practice of rounding up represented non-compliance. Based on the language of the statute (20 ILCS 605-105(h)) it was within the purview of DCEO to design the program in a manner that would efficiently and effectively support businesses most in need.</p> <p>Further, DCEO respectfully disagrees with OAG’s assertion that rounding up constituted “excess amounts” given the unprecedented hardship faced by small businesses in Illinois.</p> <p>As noted in our response on page 31, “[documents showing losses were] significantly lower than the actual financial hardship any business had incurred due to COVID].”</p> <p>The Department had the legal authority to identify a process that provided an award to compensate businesses for losses and costs incurred due to the COVID-19 pandemic. The documents required from businesses in Round 2 reflected a snapshot of losses incurred during a 2-month period that followed multiple prior months of business closures and interruptions. It was within DCEO’s authority to round up that amount to reflect that required documentation did not include losses from revenue declines in other months, nor did it include any increased costs associated with the pandemic.</p>

		<p><u>Auditor Comment #6:</u></p> <p><i>State statute required DCEO, as part of the BIG program, to provide financial assistance to cover expenses or losses incurred due to the COVID-19 public health emergency. When an applicant submitted proper documentation for a certain level of COVID losses, DCEO was justified in providing funding. However, DCEO elected to implement a process to award additional funding for hypothetical losses not supported by documentation. As noted in the audit, one applicant demonstrated \$97 in losses, yet DCEO provided \$5,000 to this applicant. This does not appear to be within the spirit of the statute.</i></p>
<p>#8 - Exception to Policy on the Number of Awards</p>	<p>DCEO should take the steps necessary to ensure that grant awardees do not receive funds in excess of program policy.</p>	<p>The Department agrees with the recommendation.</p>
<p>#9 - Grant Administrators Working Without Executed Agreements</p>	<p>DCEO should, when utilizing outside grant administrators, ensure that grant agreements are executed prior to allowing the entities to work on the grant program. Additionally, when the grant administrators are able to view confidential information as part of the program, DCEO should develop procedures to monitor that the confidential documents are securely maintained.</p>	<p>The Department agrees with the recommendation.</p>
<p>#10 - Lack of Documentation to Support Applicant Notifications</p>	<p>DCEO should maintain a history of notifications to applicants of grant programs it is</p>	<p>The Department agrees with the recommendation and acknowledges that the system by which notifications were made was not adequate. The Department is wholly committed to providing timely and accurate information to grantees and in future rounds of COVID-19 funding through the B2B program, it utilized grant administrators</p>

	<p>responsible for when it decides to utilize a third party for those notifications.</p>	<p>with more advanced technological capabilities to provide notifications.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><u>Auditor Comment #7:</u></p> <p><i>Relative to the Back to Business (B2B) program, we cannot comment on the DCEO assertions, as B2B was not within the scope of this audit.</i></p> </div>
<p>#11 - Timely Payment of BIG Awards</p>	<p>DCEO should, when allowing grant administrators to pay out grant funds, develop controls to ensure that payments are timely made by those grant administrators.</p>	<p>The Department agrees with the recommendation and regrets any instance of untimely payment. The Department has found these instances often occur when bank account information changes or varies from its original submission. The Department made significant improvements to this element for its B2B program, including 1) requesting banking information at the time of award (rather than the time of application as was done for BIG); and 2) utilizing a secure online platform to automatically verify banking information. This drastically streamlined the funding process and reduced the number of instances where incorrect or out-of-date bank information resulted in instances of back-and-forth with grantees.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><u>Auditor Comment #8:</u></p> <p><i>Relative to the Back to Business (B2B) program, we cannot comment on the DCEO assertions, as B2B was not within the scope of this audit.</i></p> </div>
<p>#12 - Failure to Enforce Funding Monitoring</p>	<p>DCEO should:</p> <ul style="list-style-type: none"> - conduct the monitoring that it develops for grant program criteria; - follow contractual criteria it develops and obtain the documentation to support grant awards when a third party administrator is utilized to select grant recipients; - comply with administrative rules and obtain documentation to demonstrate how grant funds are utilized; and 	<p>The Department agrees with the recommendation.</p>

	- conduct monitoring efforts to ensure that multiple sources of funding are not utilized for the same expenses.	
#13 - Failure to Deduct Previous Awards	DCEO should take steps to ensure that grant administrators appropriately apply program requirements to applications including, when applicable, the deduction of previous awards. Additionally, DCEO should not approve awards until adequate review has been conducted.	<p>The Department agrees with the recommendation and would like to clarify that deductions were not a part of the program design. In this instance there was a regretful administrative error in the language used in the certification statements. The line pertaining to deductions included in the certification statement was not indicative of actual program policies and requirements. The single line pertaining to deductions was not included in any other program documents.</p> <div style="border: 2px solid black; padding: 10px; margin-top: 10px;"> <p><u>Auditor Comment #9:</u></p> <p><i>As stated in the audit, certifications for both rounds of the small business component contained language that, “the value of the current subaward will be deducted from any future subaward granted to the business under this program.” While DCEO contends this was a “regretful administrative error,” this was published criteria for the BIG program; even though DCEO chose not to follow the criteria.</i></p> </div>
#14 - Tax Reporting Issue	DCEO should takes the steps necessary to ensure that the terms of grant agreements, including sending 1099 forms when applicable, are complied with by grant administrators.	The Department agrees with the recommendation.
#15 - Grant Program Violators	DCEO should have a system in place to manage notices of grant program violators and should enforce the program requirements it creates.	The Department agrees with the recommendation that systems should be in place to manage compliance and notices of violation. The Department implemented a process by which complaints or claims of awardee ineligibility or noncompliance were referred to our legal bureau for investigation.

		<p><u>Auditor Comment #10:</u></p> <p><i>While the legal department at DCEO was utilized when a report came in on noncompliance, it lacked an adequate control to recover funds. As stated in the audit, DCEO reported, "If recipients confirmed they were in noncompliance, they were then required to ensure their future compliance or to return the funds received. All businesses communicated they would comply. As a result, DCEO did not clawback funds for noncompliance."</i></p>
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