

**SPECIAL REVENUE AUDIT
PART 1
AUD23-03**



WEST PALM BEACH

Internal Audit

**City of West Palm Beach
Internal Auditor's Office**

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Chief Internal Auditor
March 25, 2026

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Executive Summary

SPECIAL REVENUE AUDIT

PART 1 – AUD23-03

MARCH 25, 2026



OVERVIEW

- In 2020 and 2021, the City received \$3.8 million Coronavirus Aid, Relief, and Economic Security (CARES) Act funds from federal agencies. CARES Act funds were primarily distributed to Police, Library, and Housing Departments for COVID-19 response activities including personal protective equipment, emergency assistance, rental relief, and community outreach programs.
- In 2021, the City accepted \$24.5 million American Rescue Plan Act (ARPA) in two tranches, with allowed expenditures through December 2026. The ARPA allocation addressed vehicle replacement needs, grant administration, employee vaccination and premium pay incentives, and capital infrastructure projects.
- The Special Revenue Audit Part 1 reviewed COVID-19 federal funding from the CARES Act and ARPA encompassing expenditures from January 1, 2020 through September 30, 2023. The audit assessed a combined total of \$12.2 million.

SUMMARY FINDINGS

1. **Improper Payment of Incentives:** The City made \$5,500 in improper ARPA-funded COVID-19 incentive payments. Two employees received Premium Pay totaling \$5,000 despite not meeting the 51% in-person work threshold. One employee received a \$500 Vaccination Incentive after notifying the City they were ineligible because their vaccination occurred before the program period.
2. **Insufficient Landlord Documentation:** Required documentation for landlord COVID-19 rental assistance was missing or inaccurate in 4 of 38 sampled transactions, totaling \$8,200. Deficiencies included missing taxpayer identification numbers, mismatched property owner names, and invalid Taxpayer Identification Numbers or Social Security Numbers.

SUMMARY RECOMMENDATIONS

1. The Human Resources Department should implement robust verification procedures ensuring employee eligibility before payment issuance. Management should recover identified improper payments where legally permissible and cost-effective and determine whether funds must be returned to the grants.
2. The Housing and Community Development Department should strengthen grant compliance by requiring valid TIN/SSN in Oracle before processing landlord payments, implementing automated validations to prevent incomplete supplier profiles, and establishing formal procedures to reconcile landlord and property owner information with authoritative sources like the County's Property Appraiser records.

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March 25, 2026

Audit Committee
City of West Palm Beach
401 Clematis Street
West Palm Beach, Florida

RE: Special Revenue Audit Part 1 AUD23-03

Dear Audit Committee Members:

Attached is the City of West Palm Beach Internal Auditor's Office report on Special Revenue. Testing for the Special Revenue Audit is being executed in two parts, Part 1 encompasses the expenditures from January 1, 2020 to September 30, 2023 and Part 2 encompasses expenditures from October 1, 2023 to December 31, 2026 or an earlier date if the projects are closed out sooner. This report represents the work and testing results of Part 1.

We thank the management and staff of the Grants Management and Compliance Division in the Finance Department as well as all the Departments that received funding for their cooperation and assistance during this audit.

Respectfully submitted,

s/ Beverly Mahaso
Chief Internal Auditor

cc: Keith James, Mayor
Faye Johnson, City Administrator
Renee Govig, Chief Human Resources Officer
Jade Greene, Housing and Community Development Director
Donna Levengood, Procurement Official

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Background

The Special Revenue Audit was designed to review funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA).

CARES FUNDING OVERVIEW

The CARES Act, enacted in March 2020, provided funds through federal agencies including the Department of Justice (DOJ), Housing and Urban Development (HUD), and the Institute of Museum and Library Services. These funds supported state and local governments in preventing, preparing for, and responding to COVID-19. In 2020 and 2021, City departments received \$3,772,721 in CARES Act awards for eligible programs and activities.

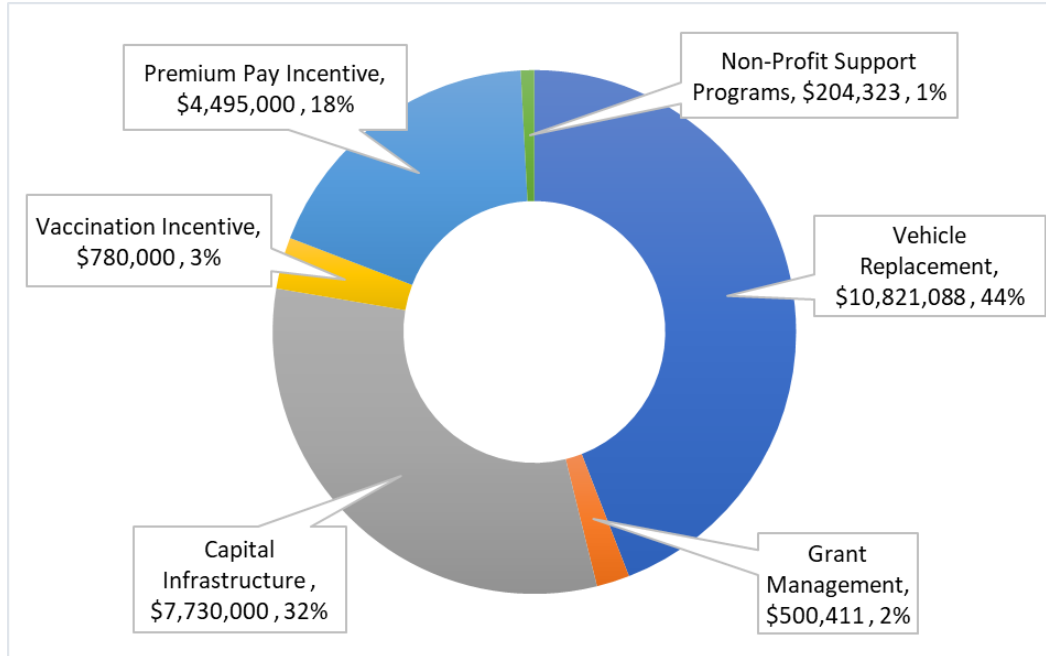
ARPA FUNDING OVERVIEW

Through ARPA, the US Treasury provided \$350 billion in emergency funding for eligible governments. On August 26, 2021, the City accepted \$24,530,823 in ARPA funds that were distributed in two equal tranches of \$12,265,411.50. The City Administration proposed using ARPA funds across six key areas addressing internal and community needs. Besides departmental input on ongoing initiatives, a public survey was conducted to gather community suggestions for project funding. The funding initiatives included:

- **Vehicle Replacement:** Funds allocated toward the existing \$10 million City-wide critical vehicle replacement need.
- **Staffing and Consulting Expenses:** Funds allocated for the oversight, management, and reporting of ARPA funds.
- **Vaccination Incentive:** A one-time Vaccination Incentive for employees who met specific eligibility criteria.
- **Premium Pay:** A one-time employee Premium Pay incentive based on hire date, in-person work during the pandemic, and level of exposure to COVID and public interaction.
- **Capital Infrastructure:** Funds allocated for construction and renovation projects.
- **Non-Profit Support Programs:** Funds initially budgeted for food pantries and social services, subsequently reallocated to support capital infrastructure projects.

The following graphic shows the breakdown of proposed ARPA funds.

Approved Allocation of ARPA Funding



Statement of Scope

The Special Revenue Audit was split into two parts. Part 1 is the subject of this report and encompasses the expenditures from January 1, 2020 through September 30, 2023. Tables 1 and 2 below summarize the CARES Act and ARPA-funded projects that were active during the scope period and were audited in Part 1 of the audit.

Table 1: CARES Act Projects Audited in Special Revenue Audit Part 1

	Recipient Department	Total Expenditure (thru 9/30/23)	Purpose
1.	Police	\$215,649 ¹	Law enforcement and medical personal protective equipment, medical and safety supplies, and overtime.
2.	Library	\$99,162 ²	Materials, supplies, software, and equipment.
3.	Housing	\$1,397,398 ³	Public service activities such as medical assistance, food, water, medication, personal care, transportation, equipment, supplies, planning, and administration.

Grant name, funding source:

¹ DOJ Coronavirus Emergency Supplemental Funding (CESF) Grant.

² CARES Act Grants for Museums and Libraries, Federal Institute of Museum and Library Services.

³ CARES Act - Community Development Block Grant CARES Act (CDBG-CV-Round Three).

	Recipient Department	Total Expenditure (thru 9/30/23)	Purpose
4.	Housing	\$442,145 ⁴	Short-term housing services to eligible households impacted by the pandemic.
6.	Housing	\$147,447 ⁵	Rental assistance, mortgage payments, emergency repair, insurance deductibles, utility deposits, and temporary storage of furniture.
7.	Library	\$47,617 ⁶	Increase community outreach efforts, focusing on local childcare centers, nursing homes and assisted living facilities.
8.	Library	\$299,288 ⁷	Personnel, early childhood classrooms, mental health programs, laptop vending device, and laptops.
TOTAL		\$2,648,706	

Table 2: ARPA Projects Audited in Special Revenue Audit Part 1

	Project	Total Expenditure (thru 9/30/23)	Purpose
1.	Vehicle Replacements	\$4,068,556	Funds were used to replace vehicles and equipment across several departments including: Police, Fire, Public Works, Parks and Recreation, and Community Services.
2.	Grant Administration	\$421,253	Staffing and consulting expenses for ARPA fund oversight, management, and reporting.
3.	Vaccination Pay Incentive	\$439,500	A one-time Vaccination Incentive payment for employees who met specific eligibility criteria.
4.	Premium Pay Incentive	\$4,106,200	A one-time employee Premium Pay Incentive payment for employees who met specific eligibility criteria based on the job's level of exposure to COVID.
5	EMS Vehicle Replacements	\$497,328	Replacement of ambulances for the Fire Department.
TOTAL		\$9,532,836	

⁴ CARES Act, HOPWA-CV (Housing Opportunities for Persons with AIDS), HUD.

⁵ Coronavirus Relief Funds (CRF) Florida Housing Finance Corporation Grant.

⁶ Florida Division of Library and Information Services (DLIS), Florida CARES Act, Countering the Effects of COVID.

⁷ Florida Division of Library and Information Services (DLIS), Florida CARES Act, Thrive with Mandel Project.

Statement of Methodology

We utilized several audit methodologies to achieve the objectives. These evidence-gathering techniques included, but were not limited to:

- Inquiry and interview with key personnel,
- Analyses of grant awards, agreements, contracts, and resolutions,
- Review of federal guidance applicable to CARES and ARPA funding,
- Review of applicable City policies and procedures,
- Analyses of supporting documentation from various sources,
- Visual observation of goods purchased with grant funds as applicable, and
- Selection of samples and testing of applicable grant attributes.

The work program focused on verifying compliance requirements dictated by 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Sampling Methodology

A total of five ARPA and seven CARES Act projects were tested using a combination of sampling methodologies based on project nature, population size, transactional risk, and grant requirements. Sampling methodologies included:

- **100% testing of population.** Based on the low number of transactions and applied to two grants projects.
- **Statistically valid sampling.** Applied to three grant projects.
- **Non-statistical sampling.** Applied to one grant project using applicable payroll testing guidance.
- **Judgmental sampling.** Based on low transactional risk due to strong existing controls. Judgmental selection included both low and high dollar amounts and was applied to six grant projects.

Statement of Auditing Standards

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). These 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.

Statement of Objectives

We identified the following objectives based on the results of the audit risk assessment:

- **Allowability:** Determine whether federal awards were expended only for allowable activities and whether charges were for allowable costs.
- **Eligibility:** Verify that only eligible individuals took part in the program and that eligibility was supported with necessary documentation.
- **Performance Period:** Verify that the federal award covered only allowable costs during the performance period.

Audit Conclusions and Summary of Findings

The Internal Auditor's Office has evaluated the internal controls governing the expenditures of CARES Act and ARPA funds for Part 1 of this audit. We concluded that overall the internal controls were adequate to ensure the proper use of funds at the time of testing with only a few exceptions related to the following grant projects:

- **ARPA Premium Pay Incentive Project:** Two employees were paid the incentive but did not meet the requirement for working in person during the pandemic. The total amount overpaid for these two employees was \$5,000.
- **ARPA Vaccination Incentive Project:** One employee was paid the \$500 incentive but was ineligible due to the date they received their first vaccine dose.
- **CARES Act Coronavirus Relief Funds (CRF) Florida Housing Finance Corporation Grant:** Certain documents required to enable landlords to receive mortgage or rental assistance for their tenants were not observed in several of the transactions tested.

Noteworthy Accomplishments

In the face of the unprecedented logistical hurdles brought on by the COVID-19 pandemic, City departments exercised strong administrative resilience by successfully managing unsolicited ARPA and CARES Act grant funds. Lacking a pre-existing blueprint for such a massive and sudden infusion of federal capital, departments assembled inter-departmental working groups to draft and implement allocation procedures that balanced speed with strict regulatory compliance. By establishing tracking systems and eligibility checklists, they developed procedures to ensure that funds were directed toward

allowable activities, within condensed expenditure windows. This synchronized effort not only minimized the risk of returning unspent funds, but also served as a model for delivering essential community relief.

Most notably, the City's Grants Management and Compliance Division staff, in collaboration with Administration, contributed to the development of a national ARPA strategy as part of an elite group of 30 participant cities/townships.

OPPORTUNITIES FOR IMPROVEMENT

1. IMPROPER PAYMENT OF INCENTIVES

Condition

The City provided two different financial incentives to employees during the COVID-19 pandemic using American Rescue Plan Act (ARPA) funds. We reviewed payments associated with these incentives and found the following:

- Premium Pay Incentive: The City opted to provide additional pay (Premium Pay) to employees who worked the majority of the time in person at a City facility or in the field during the pandemic emergency period.

A review of a statistically valid sample of 293 payments found two employees (1%) that were paid the incentive, but did not work the majority of the time in person. These two employees worked 34% and 13% in person whereas the threshold required to receive the incentive was 51%. Therefore, they were not eligible for the Premium Pay incentive. The total amount overpaid for these two employees was \$5,000. See table below.

Employee	REQUIRED Percent of In-Person Workdays During Emergency Period	ACTUAL Percent of In-Person Workdays During Emergency Period	Amount Paid
Employee 1	51%	34%	\$2,500
Employee 2	51%	13%	\$2,500

- Vaccination Incentive: The City offered employees a Vaccination Incentive which provided additional pay to employees who received their full vaccination during a specific time period. We reviewed a statistically valid sample of 105 payments and found that the City paid the Vaccination Incentive to one employee (1%) who was ineligible because they received their first vaccine dose before the program started. The employee notified the City that they were not eligible for the incentive, however, the payment was still issued. The total amount overpaid to the employee was \$500.

Criteria

According to City Resolution 242-21, to be eligible for the Premium Pay Incentive, the employees had to meet the following criteria:

1. Employees must have been employed by the City on or before October 1, 2020, and
2. Employees must have routinely worked the majority of the time in person at a City facility or in the field during the City Pandemic Emergency Period (March 17, 2020-July 29, 2021).

To be eligible for the Vaccination Incentive, ARPA required that employees must have (1) received the vaccine subsequent to March 3, 2021 and (2) employees must have been fully vaccinated against COVID on or before December 31, 2021.

Cause

Monitoring employees' work location, hours, and key dates to verify that employees met the eligibility criteria were manual processes and therefore prone to human error. Further, due diligence processes to verify that employees met the eligibility requirements were not completed before the incentives were paid. Specifically, we found that the vaccination payment was made from the incorrect ARPA fund, but a correction was not subsequently made.

Effect

These issues indicate some weaknesses in eligibility verification, approval controls, and payroll oversight. Payments made to ineligible employees create financial risk, misstatement of expenses, and potential compliance concerns. Further, the lack of documented corrections raises concerns regarding the accuracy of fund balances.

Recommendation

To eliminate the risk of future improper payments, the Human Resources Department should take the following actions to ensure compliance with program guidelines, prevent future occurrences, and address the non-compliant payments:

- Implement a robust due diligence process, including clear procedures to verify that all employees meet the requirements prior to issuing a payment.
- Recover the improper payments identified in this analysis wherever warranted, cost-effective, and within the confinement of existing laws and regulations. Further, determine whether funds must be returned and proceed accordingly.

Management Response

1. **Vaccination Incentive:** Employees who received the vaccine before March 3, 2021, were eligible to receive a \$500 vaccine incentive paid by City funds, therefore the employee was eligible, but the payment was made from the incorrect fund. This error was not a result of lack of procedures or controls. The Finance Department is seeking guidance from the U.S. Treasury Department to determine the proper way to make any needed accounting corrections.

Target Implementation Date: October 1, 2026

2. **Premium Pay Incentive:** The improper payments were not the result of lack of controls but an error in the calculation of the hours worked by the noted employees. In order to recover the improper payments, the following actions will be taken:
 - a. A letter will be sent to Employee 2, who is an ex-employee, requesting reimbursement to the City in the amount of \$2,500.
 - b. A repayment plan will be established for current Employee 1, who is still employed by the City, to repay the City the \$2,500.

Target Implementation Date: March 6, 2026 – Letters were sent out requesting reimbursement and establishing a payment plan.

2. INSUFFICIENT LANDLORD DOCUMENTATION

Condition

Certain documents required to enable landlords to receive mortgage or rental assistance for their tenants were not observed in several of the transactions tested for the Coronavirus Relief Funds (CRF) – COVID 19 Florida Housing Finance Corporation Grant. Specifically:

- In 3 of the 38 sampled expenditures (8%), the landlord's taxpayer identification number (TIN) or Social Security Number (SSN) was not found in Oracle.
- In 1 of the 38 sampled expenditures (3%), the property owner's name that was recorded in Oracle was different from the name found in the Palm Beach County Property Appraiser's records.
- In one instance (3%), the Taxpayer Identification Number provided was not consistent with a valid Taxpayer Identification Number.

Costs associated with this grant included rental and mortgage payments to landlords for the benefit of individual tenants that demonstrated financial difficulty or loss of income. A total of \$8,200 was spent in connection with the exceptions noted above.

Criteria

To be able to receive payments, landlords were required to provide specific documentation, such as a taxpayer identification number, an IRS Form W9, and proof of property ownership.

Cause

Controls over documentation and landlord eligibility verification were not sufficiently enforced to ensure compliance with CRF grant requirements. Further, pressure to expedite disbursements and provide assistance during the pandemic may have led to reduced rigor in documentation review.

Effect

The absence of required landlord documentation and discrepancies in property ownership records creates several risks and negative impacts. Incomplete taxpayer identification information and mismatched property ownership details reduce the ability to demonstrate that funds were disbursed to the correct parties for the intended purpose. Also, payments may be made to ineligible or incorrect landlords, increasing the risk of improper use of federal funds and potential repayment obligations.

Recommendation 2

The Housing and Community Development Department should strengthen compliance with grant requirements and ensure the accuracy of landlord eligibility documentation by:

- Requiring that all landlord supplier records in Oracle include a valid TIN or SSN before payments are processed.
- Implementing automated system validations to prevent the creation or approval of supplier profiles with missing or incomplete identification fields.
- Establishing a formal procedure to reconcile landlord and property owner information in Oracle with authoritative sources such as the Palm Beach County Property Appraiser (or equivalent county records).

Management Response HCD

HCD agrees with the audit observation and acknowledges that improvements were needed in our documentation and internal review processes. Upon reviewing the history of these transactions with Procurement, it became evident that the process for vendor creation, documentation submission, and verification was not clearly defined between departments. This lack of clarity contributed to documentation errors and inconsistencies identified in the audit.

HCD is already implementing the audit recommendations. Corrective actions include:

1. Requiring a completed and validated W-9 and Taxpayer Identification documentation for all landlords and vendors prior to submission to Procurement.
2. Verifying property ownership through Palm Beach County Property Appraiser records for every payment request.
3. Requiring formal Property Management Agreements or written owner authorization when the payee differs from the owner of record.
4. Establishing management-level review of all landlord/vendor packets prior to vendor creation or payment processing.
5. Developing and implementing formal Standard Operating Procedures (SOPs) to clearly define documentation requirements, review checkpoints, and departmental responsibilities.

HCD is committed to strengthening internal controls, improving coordination with Procurement, and ensuring full compliance with all grant and procurement requirements moving forward.

Target Implementation Date: Items 1-4 have already been implemented and item 5 will be implemented by December 31, 2026.

Management Response Procurement

Procurement agrees improvements were needed regarding the set-up of suppliers in Oracle. Supporting documentation for supplier set up was not consistently obtained which led to the incomplete taxpayer identification number (TIN) or Social Security Number (SSN) data for some supplier records in Oracle.

Procurement has strengthened the supplier setup process. Procurement requires, prior to setup of a supplier in Oracle, receipt of a current, complete signed IRS W-9 Form, and verification of the W-9 information on SunBiz, when applicable. The W-9 Form and screenshot of the SunBiz information for the supplier are saved to the supplier record in Oracle.

Procurement already completed an initial cleanup of the Oracle supplier database and continues to review reporting to ensure compliance and immediate correction of any incomplete data.

Procurement is committed to working together with HCD to ensure a valid TIN or SSN is associated with suppliers in Oracle.

Target Implementation Date: Implemented

Auditor's Comment: We commend the Departments for expediting corrective action. We will conduct a post audit review to confirm the status of the recommendations.