



OFFICE OF THE AUDITOR GENERAL

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Performance Audit

Follow-Up Report

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www.auditor.illinois.gov

Program Audit of the Business Interruption Grant (BIG) Program Audit Follow-Up

In May 2023, the Office of the Auditor General (OAG) released a program audit of the Department of Commerce and Economic Opportunity's (DCEO or Department) Business Interruption Grant (BIG) Program. The audit was conducted pursuant to Legislative Audit Commission Resolution Number 159. The audit contained a total of 15 recommendations directed toward DCEO. DCEO generally agreed with the recommendations. This is the first follow-up conducted. The current status of the recommendations is shown in the table below.

STATUS OF PERFORMANCE AUDIT RECOMMENDATIONS

As of June 30, 2024

Rec. No.	Recommendation Description	Agency	Current Status		
			Implemented	Partially Implemented	Not Implemented
1	Lack of Documentation to Support Selection of Grant Administrators	DCEO		X	
2	Failure to Develop Timely Administrative Rules for the BIG Program	DCEO		X	
3	Self-Certifications	DCEO			X
4	Use of Non-Approved Selection Criteria	DCEO			X
5	Applications Outside Eligibility Criteria	DCEO			X
6	Award Selection Testing Results for Small Business Component	DCEO			X
7	Overpayment of COVID Losses by BIG Program	DCEO		X	
8	Exception to Policy on the Number of Awards	DCEO	X		
9	Grant Administrators Working Without Executed Agreements	DCEO			X
10	Lack of Documentation to Support Applicant Notifications	DCEO		X	
11	Timely Payment of BIG Awards	DCEO		X	
12	Failure to Enforce Funding Monitoring	DCEO		X	
13	Failure to Deduct Previous Awards	DCEO			X
14	Tax Reporting Issue	DCEO	X		
15	Grant Program Violators	DCEO		X	

Source: Summary of OAG follow-up.

In conducting this follow-up work, we determined whether DCEO made **use of grant administrators** by requesting all grant programs that operated with a grant administrator during the period FY23-FY24. DCEO reported **nine grant programs that utilized grant administrators** during the period. We selected five grant programs to be utilized in the follow-up testing. **DCEO grant administrators disbursed over \$410 million under the five grant programs.** Those programs, with number of awards and dollar amount of awards, are shown below:

- Back to Business (B2B) Grant Program - \$249,510,000 disbursed through 6,687 awards;
- B2B Restaurant Employment Stabilization Grant Program (B2B Restaurants) - \$37,615,000 disbursed through 991 awards;

- B2B Hotel Jobs Recovery Grant Program (B2B Hotels) - \$70,369,424 disbursed through 720 awards;
- B2B Illinois Creative Sector Recovery Grant Program (B2B Arts) - \$47,740,000 disbursed through 2,239 awards; and
- Local Chambers of Commerce Grant Program (Local Chambers) - \$4,925,514 disbursed through 132 awards.

Recommendation 1: Lack of Documentation to Support Selection of Grant Administrators

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.

Current Status: Partially Implemented

During the original BIG audit, 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, appeared 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 the Department of Agriculture.

During the current follow-up project, on October 9, 2024, DCEO reported, *"DCEO implemented this recommendation. For all new applicable grant programs, DCEO maintains supporting documentation showing how grant administrators were selected."*

Auditors, during this follow-up project, tested the selection of grant administrators for the five grant programs detailed above. Our review found that DCEO generally had all the documentation needed for making a selection of grant administrators.

The one area that **lacked documentation** was on reviewer discussions when there was a **wide discrepancy in scores** from the reviewers. In the Local Chambers of Commerce Grant Program score sheets, one category related to whether the applicant was successful in administering grants of this size. The scoresheets indicated there was confusion whether ARPA/CARES funds are considered state/federal funds. Reviewer #2, who assigned two points to this category, left a comment on the scoresheet stating, *"If ARPA and CARES funds count as managing Federal funds it will be more competitive."* The other two reviewers assigned the full 10/10 points for this category.

Likewise, the scoring sheets for the Small Business Grants Programs (B2B Hotels, B2B Restaurants, and B2B Arts) **contained wide discrepancies, which had no documented support to show the reviewers discussed scoring.** For criteria as to whether the applicant could provide real-time information to DCEO, Reviewer #2 scored lower (1/5 points) than the other reviewers stating, *"They do not discuss reporting and what would be included."* In its application, the vendor does not state if real-time data is available; the applicant only specifies the metrics they currently track from client surveys. Another reviewer awarded full points and commented, *"[The applicant] provided reports generated for application and grant management."* The third reviewer did not leave a comment but awarded full points.

Recommendation 2: Failure to Develop Timely Administrative Rules for the BIG Program

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

Current Status: Partially Implemented

During the original BIG audit, 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.

During the current follow-up project, on October 9, 2024, DCEO reported, *"For recommendation #2, DCEO developed administrative rules for all grants prior to the grant start date in all cases except two. Grant #21-482001 lists the start date as 7/1/21 and rules were adopted on 9/1/21, but the grant was not obligated until 9/21/21. Also, grant #23-041001 was a pilot program without established grant rules."* Grant #21-482001 refers to the B2B program. Grant #23-041001 refers to the Made in Illinois Grant Program, which was not a part of this testing.

Auditors, during the follow-up project, **received information from DCEO that contradicted the statement above.** On January 16, 2025, in response to our questioning about administrative rules for the B2B Hotels, B2B Arts, B2B Restaurants, and Local Chambers programs, DCEO replied, *"There are no rules in the Administrative Rules for these programs."*

Emergency administrative rules were adopted for the B2B program on September 1, 2021. However, that was **15 days after the program had started receiving applications for the program on August 18, 2021.**

Relative to the other three Small Business Grant Programs (B2B Hotels, B2B Restaurants, B2B Arts), DCEO chose not to adopt administrative rules as legislation considered rulemaking permissible rather than mandatory. DCEO reported it had *“intended to file emergency rules for [the] programs. However, to ensure the potential rules met the intent of the statute, DCEO needed to first competitively acquire a program administrator and meet with stakeholders to ensure program policy met industry needs.”* DCEO stated that process took several months. DCEO also reported, *“By the time DCEO was prepared to file administrative rules, DCEO discovered that the emergency rulemaking authority had lapsed.”* (Emphasis added.)

DCEO, if it desired, **had plenty of time to file administrative rules** for the three Small Business Grant Programs. An analysis of the timing showed:

- 351 days elapsed from the date of passage of the enabling legislation (April 19, 2022) to contract execution with the grant administrator (April 5, 2023);
- 186 days elapsed from the beginning date of the contract term (October 1, 2022) to contract execution with the grant administrator (April 5, 2023); and
- The application period start date indicated that the application start period was the same day as contract execution with the grant administrator (April 5, 2023) – which would appear to indicate that the grant administrator was working prior to executing a contract with DCEO.

Recommendation 3: Self-Certifications

When DCEO allows grant applicants to self-certify information on the grant application, DCEO should develop controls to check those certifications for accuracy.

Current Status: Not Implemented

During the original BIG audit, 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.

During the current follow-up project, on October 9, 2024, DCEO reported, *“DCEO implemented this recommendation.”*

Auditors, during the follow-up project, were **unable to verify the DCEO ‘implementation’ statement.** The DCEO Grant Management Manual states, *“Due diligence must be performed by DCEO on award recommendation to confirm eligibility criteria.”* Part of the awarding of funds involved the certifications from the applicant.

In the application processes for the grants we tested, applicants had to certify certain information on the application form with either a positive or negative self-certification. Some of these certifications included: not presently ineligible by any other State or federal agency; not deriving more than 33 percent of revenue from gambling; and utilizing funds prescribed in the eligibility rules. We asked DCEO if it **verified any of these self-certification areas.** DCEO responded, on March 21, 2025, *“No. DCEO did not verify any self-certification areas for any of the five grant programs. DCEO has acted in compliance with all available guidance provided by treasury. DCEO frequently visited Treasury’s website to download and understand the latest guidance.”* (Emphasis added.)

The B2B Hotels and B2B Restaurants program had a **unique self-certification.** DCEO reported that per statute, *“Within one year after receiving grant funds under this Section, the eligible entity shall submit a written attestation to the Department acknowledging compliance with the subsection.”* Further DCEO stated, *“[DCEO] has verified the completion of attestation forms through reporting from the National Community Reinvestment Coalition (NCRC).”* (Emphasis added.)

DCEO was correct that statute (20 ILCS 605/605-1095(e) and 20 ILCS 605/605-1100(d)) does require the certification by the award recipient one year after receiving the funds. However, while DCEO indicated it had verified the attestation forms, our analysis of documentation found that was not the case in all funding instances. We examined spreadsheets containing all the information on applications and awards for the B2B Hotels and B2B Restaurants programs. We found 31 awardees for the B2B Hotels program did not submit the required attestation. These 31 awardees received **\$2.93 million** in funding. Likewise, in the B2B Restaurants program, we found 65 awardees that failed to submit the required attestation. These 65 awardees received **\$2.39 million** in funding.

We shared these exceptions with DCEO on April 1, 2025. We asked DCEO why these exceptions were not compliant with the statute and whether DCEO had recovered the grant funds. On April 11, 2025, DCEO responded, *“We are in the process of reclaiming grant funds in alignment with DCEO legal policy and in consultation with the Illinois Attorney General.”*

On May 1, 2025, DCEO revised the response, **after we asked for documentation for when the collections began**, to state, *“The DCEO reclaims grant funds by referring these grantees to the Attorney General’s Office to initiate a grant fund recovery action. **We will be referring the grant funds in the future.**”* (Emphasis added.)

The last B2B Hotels funding transaction occurred on September 20, 2023. The last B2B Restaurants funding transaction occurred on October 11, 2023.

Recommendation 4: Use of Non-Approved Selection Criteria

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

Current Status: Not Implemented

During the original BIG audit, 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.

During the current follow-up project, on October 9, 2024, DCEO reported, *“DCEO implemented this recommendation, ensuring we aligned our grant programs with all program and statutory requirements.”*

Auditors, during the follow-up project, tested five DCEO grant programs as part of this follow-up audit work. We found the October 9, 2024 response to be **inaccurate**. The Department of Commerce and Economic Opportunity Law (20 ILCS 605/605-1050(g)(2)) states a *“qualifying business”* for the B2B program is *“a business or organization that has experienced or is experiencing business interruption or other adverse conditions due to the COVID-19 public health emergency, and **includes a new business or organization started after March 1, 2020** in the midst of adverse conditions due to the COVID-19 public health emergency.”* (Emphasis added.) DCEO’s Administrative Rules (14 Ill. Adm. Code 691.70(a)(2)) state an eligible B2B applicant is a business that, *“for the purposes of determining loss, **was in operation as of December 2019.**”* (Emphasis added.) Additionally, DCEO’s eligibility guidelines for the B2B program also required applicants to have been operating **during or before December 2019** in order to be eligible for B2B funding. DCEO’s guidelines for the B2B program **conflict with statute** and exclude new businesses having opened after March 1, 2020.

On December 26, 2024, we asked DCEO to explain the difference in criteria. On January 16, 2025, DCEO responded, *“When Section 691.70 (a)(2) was drafted, the language mentioned was intended only to apply to funding rounds that relied on an applicant demonstrating a loss. For other rounds where applicant loss was not a part of the eligibility criteria, this provision would not apply. JCAR staff had a similar concern, so we added the ‘for purposes of determining loss’ language to limit its application.”*

The B2B Administrative Rules (14 Ill. Adm. Code 691.90 (c)(2) & (c)(3)) **require any applicant to submit a 2019 and 2020 tax returns as part of the application to support financial losses due to the COVID-19 pandemic**. Businesses established after December 2019 would not have a 2019 tax return.

During testing of 10 B2B denial cases, we determined there were no denials based on business start date; however, eligible businesses that opened after December 2019 may have been deterred from applying to the B2B program due to DCEO’s requirement to be in operation prior to December 2019 and to submit a 2019 tax return.

DCEO again deviated from statutory requirements of the B2B program in its development of disproportionately impacted areas (DIAs). DCEO’s listing of DIA zip codes was used to **prioritize the funding of applicants** with a business located in a DIA. The Department of Commerce and Economic Opportunity Law (20 ILCS 605/605-1050(d)) states, *“Of the funds appropriated, a minimum of 40% shall be allotted for Qualifying Businesses with ZIP codes located in the most disproportionately impacted areas of Illinois, **based on positive COVID-19 cases.**”* (Emphasis added.) DCEO’s Administrative Rules for the B2B program define a DIA, *“as zip codes most severely affected by the COVID-19 Public Health Emergency, to be determined based on positive COVID-19 case per capita rates, **and high rates in at least one of the poverty-related categories** relative to other zip codes within their region.”* (Emphasis added.) The poverty-related categories are the following:

- the share of population consisting of children age 6 to 17 in households with income less than 125% of the federal poverty level;
- the share of population consisting of adults over age 64 in households with income less than 200% of the federal poverty level;
- the share of population in households with income less than 150% of the federal poverty level; and
- the share of population consisting of children ages 5 and under in households with income less than 185% of the federal poverty level.

DCEO's definition of a DIA is based on the amount of positive COVID-19 cases and poverty rates is **not consistent** with the statutory definition of a DIA, which is only based on the number of positive COVID-19 cases in an area.

Recommendation 5: Applications Outside Eligibility Criteria

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

Current Status: Not Implemented

During the original BIG audit, 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 the current follow-up project, on October 9, 2024, DCEO reported, "*DCEO implemented this recommendation. The agency reviewed a percentage of the applications reviewed by the program administrator for quality control.*" (Emphasis added.)

Auditors, during the follow-up project, reviewed the DCEO Grant Management Manual. The Manual states, "*Due diligence must be performed by DCEO on award recommendations to confirm eligibility criteria.*"

The five grant programs auditors examined made 10,769 awards totaling over \$410 million dollars. We selected a total of 150 awards, from the five grant programs detailed at the beginning of this report, to examine for accuracy of the award of funding. We found that **the DCEO reviews missed ineligible awards for 17 percent (25 of 150) of the awards we sampled**. We requested the supporting documentation for the applications and reviewed it against criteria relevant to each grant program for eligibility. The 25 eligibility exceptions **incorrectly received a total of \$1.45 million**. Exhibit 1 details the 25 ineligible cases.

Exhibit 1

GRANT AWARDS TO INELIGIBLE APPLICANTS

B2B, B2B Arts, Local Chambers, B2B Hotels, and B2B Restaurants

Program and Case Number	Ineligible Award Amount	Reason for Ineligibility/Violation of Terms
B2B–OAG Case 50	\$215,000	Applied as a hotel, but actually a property management business.
B2B Arts–OAG Case 8	\$50,000	Business dissolved prior to application.
B2B Arts–OAG Case 14	\$10,000	Business did not show a loss.
Local Chambers–OAG Case 5	\$50,000	Revenue exceeded \$1 million.
Local Chambers–OAG Case 7	\$50,000	Revenue exceeded \$1 million.
Local Chambers–OAG Case 11	\$50,000	Revenue exceeded \$1 million.
Local Chambers–OAG Case 18	\$27,795	2020 revenue higher than 2019 revenue.
B2B Hotels–OAG Case 8	\$126,299	Short term rental.
B2B Hotels–OAG Case 9	\$125,428	Not in operation as of 3/12/20.
B2B Hotels–OAG Case 11	\$96,684	Not in operation as of 3/12/20.
B2B Hotels–OAG Case 12	\$74,038	Not in operation as of 3/12/20.
B2B Hotels–OAG Case 13	\$67,069	Business not in Illinois.
B2B Hotels–OAG Case 14	\$62,714	Not in operation as of 3/12/20.
B2B Hotels–OAG Case 15	\$42,680	Not in operation as of 3/12/20.
B2B Hotels–OAG Case 17	\$40,938	Not in operation as of 3/12/20.
B2B Hotels–OAG Case 19	\$15,679	Funds used for bonuses.
B2B Restaurants–OAG Case 1	\$50,000	Received Restaurant Revitalization grant funds.
B2B Restaurants–OAG Case 2	\$50,000	Received Restaurant Revitalization grant funds.
B2B Restaurants–OAG Case 11	\$50,000	Received Restaurant Revitalization grant funds.
B2B Restaurants–OAG Case 12	\$50,000	Received Restaurant Revitalization grant funds.
B2B Restaurants–OAG Case 13	\$5,000	Not in operation as of 3/12/20.
B2B Restaurants–OAG Case 14	\$40,000	Received Restaurant Revitalization grant funds.
B2B Restaurants–OAG Case 16	\$35,000	Received Restaurant Revitalization grant funds.
B2B Restaurants–OAG Case 17	\$20,000	Received Restaurant Revitalization grant funds.
B2B Restaurants–OAG Case 18	\$50,000	Received Restaurant Revitalization grant funds.
Total	\$1,454,324	

Source: OAG developed from B2B testing summaries.

In addition to our testing of award winning applicants, we also reviewed a sample (10 for each grant program tested) of applications that were denied. Our analysis showed the DCEO grant administrator **was not consistent in applying the eligibility rules across all applicants**. For example, in the B2B Restaurants sample of denied applications, we found **30 percent (3 of 10) of the applications were denied due to having received prior financial assistance, including from the Restaurant Revitalization Fund**. As shown in Exhibit 1 above, the grant administrator **did provide funding** for eight applicants that received the same funding from the Restaurant Revitalization Fund. This verification of the award documentation should have been an easy catch for DCEO as all it had to do was sort the award spreadsheet for issues, such as revenue amounts or operation dates.

Recommendation 6: Award Selection Testing Results for Small Business Component

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.

Current Status: Not Implemented

During the original BIG audit, 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.

During the current follow-up project, on October 9, 2024, DCEO reported, “DCEO implemented this recommendation. The agency utilized various controls, including reviewing a percentage of the applications reviewed by the program administrator for quality control, hosting weekly meetings, and working with the grantee to ensure compliance.”

Auditors, during the follow-up project, found **the selection process still had significant deficiencies** in the selection of B2B awards. From documentation received from DCEO, DCEO made 10,769 awards across five programs totaling over \$410 million. See Exhibit 2 for a breakdown of each program.

Exhibit 2 TOTAL GRANT AWARDS AND AMOUNTS B2B, B2B Arts, Local Chambers, B2B Hotels, and B2B Restaurants		
Program	Count of Awards	Award Amounts
B2B	6,687	\$249,510,000.00
B2B Arts	2,239	\$47,740,000.00
Local Chambers	132	\$4,925,513.90
B2B Hotels	720	\$70,369,424.04
B2B Restaurants	991	\$37,615,000.00
Totals	10,769	\$410,159,937.94
Source: OAG developed from DCEO documentation.		

To conduct the examination at DCEO of the award selection process for the five programs, we selected 150 total cases from the universe of award winners and an additional sample of 50 total cases from the universe of non-award winners. The 150 winners were awarded \$15,916,482 in grant funds. Our sample included the two grant administrators utilized to administer the five grant programs. In order to apply to each program, applicants had to provide certain documents. All programs required tax filings and valid identification. In addition, certain B2B programs required more specific documentation, such as a monthly bank statement from March to December 2020 showing operational expenses and an appropriate license. Other programs required registrations and DUNS numbers.

Of the five programs tested, we were able to **concur with 47 percent** (71 of 150) of the awards from our sample. We **questioned 36 percent** (54 of 150) of the grant awards, totaling \$6,242,589, in our sample due to lack of required documentation. **Auditor note: We determined that 17 percent (25 of 150) were ineligible. Ineligibility was followed-up as part of Recommendation 5.**

For the 54 awards that we questioned for lack of required documentation, the document most often missing was tax information. Forty-one percent (22 of 54) were missing such information. Tax information was important to determine whether a loss occurred. There were an additional 8 of 54 that were missing multiple documents, some of which included tax information. See below for a summary of all missing documents by B2B program:

B2B

- 21 percent (6 of 28) – Missing Tax Information
- 25 percent (7 of 28) – Missing DUNS
- 21 percent (6 of 28) – Missing Multiple Documents
- 14 percent (4 of 28) – Missing Complete Bank Statement
- 18 percent (5 of 28) – Missing Business License

B2B Arts

- 75 percent (9 of 12) – Missing Tax Information
- 17 percent (2 of 12) – Missing SOS Number
- 8 percent (1 of 12) – Missing Valid ID

Local Chambers

- 100 percent (3 of 3) – Missing Tax Information

B2B Hotels

- 40 percent (2 of 5) – Missing SOS Number

- 20 percent (1 of 5) – Missing Tax Information
- 20 percent (1 of 5) – Missing Application
- 20 percent (1 of 5) – Missing Certificate of Registration with Illinois Department of Revenue

B2B Restaurants

- 50 percent (3 of 6) – Missing Tax Information
- 33 percent (2 of 6) – Missing Multiple Documents
- 17 percent (1 of 6) – Missing Valid Identification

Auditors, during the follow-up project, found the **denial process also still had some deficiencies** in the non-awards we tested. From documentation received from DCEO, there were 18,268 applicants that did not receive B2B funding. The number of non-awards by program are:

- B2B – 10,000;
- B2B Arts – 4,112;
- B2B Restaurants – 3,083;
- B2B Hotels – 985; and
- Local Chambers – 88.

We sampled 50 total cases from the universe of non-award winners. Our testing showed the following:

- in 66 percent (33 of 50) of the non-awards, we **agree with the denial** and the reason given for the denial;
- in 20 percent (10 of 50) of the non-awards, we **agree with the denial but question the reason**;
- in 6 percent (3 of 50) of the non-awards, we **disagree with the denial**; and
- in 8 percent (4 of 50) of the non-awards, the non-awards were **not actually a denial**
 - 3 of 4 applicants did not provide the banking information needed to be funded; and
 - 1 of 4 applicants was actually funded.

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 applicants that provided all of the required documentation and would have otherwise been deemed eligible for funding.

Recommendation 7: Overpayment of COVID Losses by BIG Program

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

Current Status: Partially Implemented

During the original BIG audit, 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 the current follow-up project, on October 9, 2024, DCEO reported, *“Partially implemented. State statute and program requirements were followed for all grant fund disbursements. For grant 21-482001 [B2B program], a portion of the program allowed for award amounts to be rounded up or for a minimum award amount.”*

Auditors, during the follow-up project, found two of the five grant programs, B2B and B2B Arts, **utilized the rounding process**. The other three out of five grant programs, B2B Hotels, B2B Restaurants and Local Chambers, **did not utilize rounding** as part of the process.

We tested 70 businesses, in the B2B program, during the follow-up and found that we agreed with 41 of the 70 business awards. Of the 41 awards, **31 included rounding loss amounts up to the next \$5,000**. The rounding of these 31 awards amounted to an **additional \$125,303 that could have been used for other businesses that did not receive grant awards because funding was depleted**. Additionally, we tested 20 grant award winners from the B2B Arts program and found that we agreed with 6 of the 20 business awards made. Of the six awards, **three included rounding loss amounts up to the next \$5,000**. The rounding of these three awards amounted to an **additional \$9,860 in funding**. Exhibit 3 presents **examples of payments** that were over the calculated losses of the applicant.

Exhibit 3
EXCESS PAYMENT EXAMPLES DUE TO ROUNDING
 B2B Arts and B2B Programs

Program and Case Number	Calculated Loss	Payment Amount	Excess Amount Paid for Rounding
B2B Arts—OAG Case 4	\$1,850.29	\$5,000.00	\$3,149.71
B2B—OAG Case 1	\$25,776.83	\$30,000.00	\$4,223.17
B2B—OAG Case 21	\$105,100.00	\$110,000.00	\$4,900.00
B2B—OAG Case 28	\$75,774.50	\$80,000.00	\$4,225.50
B2B—OAG Case 45	\$50,362.83	\$55,000.00	\$4,637.17

Source: OAG developed from B2B testing summaries.

We found that DCEO again utilized an award determination process which **failed to follow the directive of State statute** relative to funding for COVID-19 losses. Similar to the Public Act 101-636 cited in the original audit, Public Act 102-0016 again required DCEO, as part of the Back to Business program, to “*provide financial assistance...to cover expenses or losses incurred due to the COVID-19 public health emergency....*” Regardless of whether the grant agreements allowed for a rounding process, State statute requires the financial assistance to be used to **cover expenses and losses directly incurred by COVID-19**. By rounding, DCEO has no idea whether the excess payments were supported by losses due to COVID-19.

Recommendation 8: Exception to Policy on the Number of Awards

DCEO should take the steps necessary to ensure that grant awardees do not receive funds in excess of program policy.

Current Status: Implemented

During the original BIG audit, 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.

During the current follow-up project, on October 9, 2024, DCEO reported, “*DCEO implemented this recommendation.*”

Auditors, during the follow-up project, examined five grant programs. Our examination found criteria where an applicant **could only receive one award** from the B2B Hotels, B2B Restaurants, and B2B Arts programs. DCEO information published for the three programs all stated, “*Applicants may only apply for one program and are only eligible to receive a grant from one of these programs.*”

Those prohibitions above **did not extend to other grant programs** we tested, B2B and Local Chambers, or other funding programs, such as the Hospitality Emergency or Restaurant Revitalization programs.

We examined payment information for the five grant programs we tested (B2B, B2B Hotels, B2B Restaurants, B2B Arts, and Local Chambers). We found that **none of the awardees from the three programs with the prohibitions received more than the eligible number of awards**. However, when we examined those three programs with the B2B, Local Chambers, Hospitality Emergency, and Restaurant Revitalization, we found extensive numbers of applicants that received multiple awards. We found:

- There were 889 applicants that received multiple awards across the seven grant programs;
- One applicant received a \$150,000 B2B award on top of a \$4.05 million Restaurant Revitalization award to the same applicant;
- Another applicant received a \$133,268 B2B Hotel award on top of \$50,000 from the Hospitality Emergency program and another \$1.49 million Restaurant Revitalization award to the same applicant; and
- Still another applicant received a \$321,410 B2B Hotel award on top of a \$190,000 B2B award to the same applicant.

If the goal of these funding programs was to extend funding to as many applicants as possible, maybe DCEO should have had prohibitions for single awards under all programs to assist as many businesses as possible.

Recommendation 9: Grant Administrators Working Without Executed Agreements

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.

Current Status: Not Implemented

During the original BIG audit, 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.

During the current follow-up project, on October 9, 2024, DCEO reported, *“Partially implemented. DCEO implemented the recommendations through the changes to the Grant Management Manual in August 2023. Most grant administrators only initiate work after an executed grant agreement is established. However, the grant administrator for grant #21-482003 [B2B Hotels] completed some work before the grant agreement was obligated. This grant predates the recommendation.”*

Auditors, during the follow-up project, found the DCEO October 9, 2024 response to be inaccurate. **DCEO allowed all five of the grant administrators for the programs we reviewed to initiate work without executed contracts in place.**

Exhibit 4 below presents a timing analysis of when the five programs began, the contract execution dates, and the application initiation dates.

Exhibit 4

GRANT ADMINISTRATOR WORK INITIATION ANALYSIS

B2B, B2B Hotels, B2B Restaurants, B2B Arts, and Local Chambers Programs

Program	Contract Execution Date	Contract Term Beginning Date	Application Initiation Date
B2B	09/21/21	07/01/21	08/18/21
B2B Hotels	04/05/23	10/01/22	04/05/23
B2B Restaurants	04/05/23	10/01/22	04/05/23
B2B Arts	04/05/23	10/01/22	04/05/23
Local Chambers	01/16/24	10/01/23	01/11/24

Source: OAG developed from DCEO information.

For the B2B program, DCEO stated it allowed the grant administrator *“to accept applications while the parties negotiated and finalized the grant agreement to ensure struggling businesses impacted by the COVID-19 pandemic could quickly receive grants.”* Auditors would note that it was **82 days from contract start date until an executed contract was signed.**

For the B2B Hotels, B2B Restaurants, and B2B Arts programs, DCEO stated, *“To ensure the program was timely implemented and grants were issued to struggling applicants, DCEO agreed to move forward with the program as the parties negotiated, and DCEO processed, the grant agreement.”* Auditors would note that it was **186 days from contract start dates until executed contracts were signed.**

For the Local Chambers program, DCEO reported, *“Finalizing a grant agreement can be a time-consuming process as the parties negotiate terms and the scope of work.”* Auditors would note that it was **107 days from contract start date until an executed contract was signed.**

The DCEO Grant Management Manual states, *“There may be grant programs that are managed by a grant administrator. These are typically situations where the volume of grants to be awarded are significant and to find efficiencies, the administrator makes award determinations and distributes the grant awards. This type of grant is unique and has risks involved, so a method of oversight must be established to confirm the program is operating as intended by DCEO.”*

(Emphasis added.) Auditors would agree this is a unique and risky grant arrangement, an arrangement where all contracts should be negotiated prior to allowing an administrator to begin operating. This is especially true when the administrators for these five grant programs were distributing over \$410 million.

Recommendation 10: Lack of Documentation to Support Application Notifications

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.

Current Status: Partially Implemented

During the original BIG audit, 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.

During the current follow-up project, on October 9, 2024, DCEO reported, “Many of the applicable grant programs pre-date this recommendation. However, grants issued after the Grants Management Manual (updated in August 2023) comply with this recommendation.”

Auditors, during the follow-up project, reviewed the DCEO Grant Management Manual and found there was criteria stating, “All communication from the grant administrator must be documented and accessible by DCEO.”

As part of our testing of a sample from the five grant programs, we tested as to whether communications were present in the award files for winners and non-winners. We found evidence of notifications in both types of funding scenarios. Specifically:

- **B2B program** - 0 percent (0 of 70) of the winners had notification information in the files provided by DCEO; however, 90 percent (9 of 10) of the non-winners had notification information in the files;
- **B2B Hotels program** - 95 percent (19 of 20) of the winners had notification information in the files provided by DCEO; additionally, 100 percent (10 of 10) of the non-winners had notification information in the files;
- **B2B Restaurants program** - 100 percent (20 of 20) of the winners had notification information in the files provided by DCEO; additionally, 100 percent (10 of 10) of the non-winners had notification information in the files;
- **B2B Arts program** - 100 percent (20 of 20) of the winners had notification information in the files provided by DCEO; additionally, 100 percent (10 of 10) of the non-winners had notification information in the files;
- **Local Chambers program** - 0 percent (0 of 20) of the winners had notification information in the files provided by DCEO; additionally, 0 percent (0 of 10) of the non-winners had notification information in the files (only non-specific to applicant form letters). **Auditors note that this program, while lacking notification documentation, was implemented after the changes to the Manual.**

Recommendation 11: Timely Payment of BIG Awards

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

Current Status: Partially Implemented

During the original BIG audit, 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.

During the current follow-up project, on October 9, 2024, DCEO reported, “DCEO fully implemented the recommendations through the changes to the Grant Management Manual in August 2023.”

Auditors, during the follow-up project, reviewed the Manual and did not find any **specific control** related to timely payments by grant administrators. We did see an entry in the Manual that stated, “Due diligence must be performed by DCEO to confirm the administrator is managing the program consistent with the grant agreement.”

We asked DCEO whether there were any criteria that guided the timely payment of awards to subrecipients by grant administrators. On May 14, 2025, DCEO responded, “There is no criteria for B2B that required grant administrators to pay grant award winners within a certain timeframe.”

Our review of the DCEO response to the grant administrator contracts confirmed the DCEO response with **one exception**, the Local Chambers program. In Exhibit B to the contract it states, “*The Grantee [grant administrator] will invite subawards to be claimed, awarded, with funds disbursed by the end of April 2024.*”

In our testing of 20 award winners from the Local Chamber program, we found 95 percent (19 of 20) were not paid by the end of April 2024. We were unable to determine the payment date for the other sample case due to a lack of documentation. We also calculated the number of days from grant administrator approval to the payment to the winning entity. The range of payments were between 57 and 86 days with an average payment cycle of 71 days.

Not having a specific time period for payments by grant administrators just allows the grant administrators to hold the funds longer when the funds were meant to be utilized by entities that were in need due to COVID-19.

Recommendation 12: Failure to Enforce Funding Monitoring

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.*

Current Status: Partially Implemented

During the original BIG audit, 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.

During the current follow-up project, on October 9, 2024, DCEO reported, “*DCEO fully implemented the recommendations through the changes to the Grant Management Manual in August 2023.*”

Auditors, during the follow-up project, requested and received the DCEO Grant Management Manual as cited in DCEO’s response. The Manual includes a section on ‘Reporting,’ requiring, at a minimum, reporting on a quarterly basis with both the Periodic Financial Report and Periodic Performance Report. As stated in the Manual, the purpose is to ensure the grantee meets the terms of the grant agreement.

The Manual also includes a section on ‘*Managing Grants with Grant Administrators.*’ This section includes the following guidance:

1. *Due diligence must be performed by DCEO to confirm the administrator is managing the program consistent with the grant agreement.*
2. *Due diligence must be performed by DCEO on award recommendations to confirm eligibility criteria.*

We judgmentally sampled 47 reports, or approximately 20 percent of the Back to Business required reporting between DCEO and the grant administrators included in the grant agreements for each of the five programs. The last of the five Back to Business programs, B2B Arts and B2B Restaurants, closed on December 31, 2024. We found 15 reports were not applicable because either DCEO completed the reporting or the federal guidance did not require such reporting. Of the remaining 32 reports:

- 19 percent (6 of 32) had no issues;
- 19 percent (6 of 32) were not finalized as of April 11, 2025;
- 25 percent (8 of 32) were either for the wrong time period requested or were not specifically submitted; and
- 37 percent (12 of 32) were submitted 3 to 392 days late.

Additionally, DCEO placed one of the grant administrators on the Stop Payment List. However, according to the GATA website, stop payment was not filed until January 30, 2025, because of the grant administrator’s delinquent reporting for the Small Business Grant Programs. We note that we requested these required reports on January 23, 2025, one week before DCEO placed the grant administrator on the Stop Payment List.

Recommendation 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.

Current Status: Not Implemented

During the original BIG audit, 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 current follow-up project, on October 9, 2024, DCEO reported, “We fully implemented the recommendations through the changes to the Grant Management Manual in August 2023. Additionally, this is not a part of the eligibility criteria for the programs we reviewed.”

Auditors, during the follow-up project, reviewed the Manual and did not find any **specific control** related to deductions based on previous awards. We did see an entry in the Manual that stated, “Due diligence must be performed by DCEO to confirm the administrator is managing the program consistent with the grant agreement.”

However, we found the October 9, 2024 DCEO statement relative to eligibility criteria to be **inaccurate**. DCEO documentation for the B2B Hotels program stated, “Entities who have received funding through a prior round of B2B or Business Interruption Grants (BIG) will have the amount received from those previous grant programs deducted from their total.”

None of the 20 winning applicants from B2B Hotels in our sample had **reported receiving funds from B2B or BIG**. We then analyzed all B2B Hotel award winners to determine whether the grant administrators deducted B2B and BIG awards from the B2B Hotel awards. We found:

- 162 B2B Hotel cases that **had verifiable deductions needed**;
- 81 percent (131 of 162) of the cases had **overpayments due to not deducting B2B and/or BIG awards**;
- 19 percent (31 of 162) of the cases **successfully deducted** B2B and/or BIG awards;
- \$7.7 million was paid to the 131 winners for B2B Hotel awards **without any deductions**;
- \$6.8 million in **B2B awards were paid to the 131 B2B Hotel winners**; and
- \$5.0 million in **BIG awards were paid to the 131 B2B Hotel winners**.

Given from DCEO comments that **it did not think deductions were part of the eligibility criteria, it appears unlikely from the guidance in the Manual that DCEO was performing due diligence to confirm eligibility criteria.**

Recommendation 14: Tax Reporting Issue

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.

Current Status: Implemented

During the original BIG audit, 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**.

During the current follow-up project, on October 9, 2024, DCEO reported, “We fully implemented the recommendations through the changes to the Grant Management Manual in August 2023.”

Auditors, during the follow-up project, reviewed the DCEO Grant Management Manual. The Manual states, “If funds are disbursed through the grant administrator...Advise the administrator on all required tax forms and communication with beneficiaries.”

Utilizing our samples of award winners for the five grant programs, we requested and reviewed documentation on the 1099 forms sent to funding recipients from the grant administrators. While 4 of 150 1099 forms had an incorrect amount listed on the form, all grants administrators appear to be providing 1099 forms to the funding recipients.

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.

Current Status: Partially Implemented

During the original BIG audit, **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.

During the current follow-up project, on October 9, 2024, DCEO reported, *"We fully implemented the recommendations through the changes to the Grant Management Manual in August 2023."*

Auditors, during the follow-up project, reviewed the DCEO Grant Management Manual. The change to the Manual from the results of the BIG audit comprised of approximately a half-page and did address communication notices. The updated Manual does not address program violators. The Manual also does not address how to 'claw back' funds provided in error.

The original BIG audit identified **\$23.2 million in non-contended exceptions, from the DCEO responses, to the funding awards**. On December 2, 2024, we requested that DCEO **provide evidence to show how DCEO recouped the dollars** from the funding exceptions we provided DCEO in the initial BIG audit. It took 80 days for DCEO to respond to this request, which is detailed below:

- December 11, 2024, DCEO requested, and auditors agreed to, a 1-week extension for deadline to respond.
- December 18, 2024, DCEO provided BIG Repayment Status Update from February 2024 and December 2024 showing the overfunding amount to be around \$2 million, a similar amount to what was reported at the February 20, 2024 Legislative Audit Commission hearing for the initial BIG audit. The December 2024 report showed \$1.7 million had been recovered.
- December 18, 2024, DCEO explained, *"DCEO's process for clawing back funds consists of first contacting the grantee and demanding repayment. If the grantee cannot repay the entire amount at once, DCEO will enter into a repayment agreement. If the grantee refuses to repay the grant, or does not respond to the demand, those grants are referred to the Illinois Attorney General. If the grantee does not cooperate with the AG in returning the grant funds, the AG will file a lawsuit to recover the funds."*
- December 18, 2024, auditors questioned whether any of the around \$2 million overfunding amount was from the \$23.2 million in exceptions from the original BIG audit. Auditors used Recommendation #5 from the original audit as an example where we identified **196 ineligible awards based on DCEO award criteria**. Those **196 ineligible awards totaled \$3.42 million**. This amount appears to be "overfunding" to the 196 awardees. In its response DCEO stated, *"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."* This led auditors to ask two questions:
 - How can DCEO 'take responsibility' for the error but not collect the 'overfunding' from these ineligible awards?
 - Does DCEO plan to recover the funds from the exceptions noted in the original BIG audit?
- January 8, 2025, having not received an answer to our questions posed 21 days earlier, we asked DCEO:
 - If an error was made by the grant administrator the awardee would not be allowed to keep the funding – correct?
 - Who is responsible for recovery of those funds, DCEO or the grant administrator?
 - How much of the funding from the initial BIG audit exceptions were recovered?
- January 21, 2025, auditors again asked DCEO for answers to our previous inquiries.
- January 21, 2025, DCEO requested to meet with auditors on this claw back issue.
- January 23, 2025, scheduled meeting date between auditors and DCEO.
- January 23, 2025, DCEO canceled the meeting and stated, *"Per the direction of our Director's office, I will reach out in early February to reschedule."*
- February 18, 2025, auditors provided DCEO one last opportunity to respond, by February 20, 2025, to our previous questions.
- February 20, 2025, DCEO provided two responses:
 - *"The OAG identified approximately \$23 million in exceptions based on what it believes were 'incorrect funding decisions.' The Department disagrees with the assertion that all of the grants listed as exceptions were the result of 'incorrect funding decisions.' For instance, Recommendation #4 asserts that DCEO issued \$11.31 million in*

ineligible awards based on the designation of civil unrest. The Department asserted that creating a specific eligibility criterion for businesses located in disproportionately impacted areas that experienced property damage due to civil unrest falls within DCEO's authority granted by statute and administrative rule."

AUDITOR COMMENT (from original BIG audit) – 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.

- **"Certain grants were overfunded, and we provided a spreadsheet outlining our collection efforts. At this time, the Department does not anticipate clawing back any additional grant funds." (Emphasis added.)**
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Follow-up was conducted by staff from the Office of the Auditor General. This was the first time follow-up has been done on the recommendations from the May 2023 performance audit.