

**DOUGLAS R. HOFFER**  
**STATE AUDITOR**



**STATE OF VERMONT**  
**OFFICE OF THE STATE AUDITOR**

To: Representatives Marcotte and Toll  
Senators Sirotkin and Kitchel  
Date: July 8, 2020  
Re: Guidelines for Vermont Emergency Economic Recovery Grants

Act 115 of 2019 established the Vermont Emergency Economic Recovery Grants program and affords the Agency of Commerce and Community Development (ACCD) and the Department of Taxes (Department) significant discretion for developing guidelines to implement the \$152 million program, but the law also requires certain procedures and standards.

I'm concerned that the guidelines developed by ACCD and the Department – specifically the first-come, first-served distribution of public dollars and the absence of an evaluation of need in the application process – may not be consistent with the legislation. This approach does not foster the equitable distribution of business grants across Vermont geographies and to those that have suffered the greatest economic harm.

While first-come, first-served is a mechanism used to ration scarce resources and may expedite distribution of grants, it's not clear in Act 115 that the Legislature intended to prioritize expedited delivery over equitable or need-based allocation. This may be a trade-off that the Legislature can accept. But, if this is not the intent of the Legislature, timely communication to ACCD and the Department is critical to adjust the guidelines.

Act 115 requires ACCD and the Department to establish standards “governing the amount of grant awards to ensure equitable distribution of funds among regions and among business types, sizes, and sectors and to ensure that grants are based on need and will have a meaningful impact on the business’s continued viability.” It’s difficult to discern how distributing grants on a first-come, first-served basis achieves that goal.

In addition, we have some other observations regarding the guidelines published by ACCD and the Department:

- *The Legislative benchmark for eligibility is reduction in revenue when compared to prior year – 75 percent for first \$76 million of grants and 50 percent for remainder.* While the benchmark established a baseline for need, it's possible that businesses experiencing a one-month decline recover in subsequent months such that cumulative revenues to date are on par with or better than the prior year. The guidelines developed by ACCD and the Department do not include an evaluation of need other than verification of a business’s assertion regarding the one-month decline in revenues. Because of this and the first-come, first-served distribution model, there is risk that businesses that overall have not suffered economic harm will receive grants, while businesses that have suffered economic harm will not.

- *Fraud, waste, abuse and duplication of benefits risk.* According to information provided to the State Auditor's Office (SAO) by ACCD and the Department, business and income data verification procedures will reduce the risk of fraud, waste, and abuse. According to the Department's website, future tax filings after the grants are awarded may be monitored or additional information may be requested to assess duplication of benefits. This is a key step to detect fraud, waste, and abuse, but it's not clear from this information what circumstances would trigger this this monitoring. Additional information provided to SAO by ACCD and the Department does not address this either. It isn't clear the extent to which ACCD and the Department will perform procedures to assess duplication of benefits.
- *Businesses are required to certify their application, but certification does not include acknowledgement of audit rights as required by H.966.* Since the certification contains terms and conditions that applicants agree to, it is analogous to a grant agreement. As part of the certification, businesses do acknowledge that application information may be shared with other state agencies for purposes of verifying eligibility for grants, but H.966 required that standard audit provisions be included in grant agreements.

SAO plans to follow-up with ACCD and the Department regarding the second and third bullet points.

I offer these observations as the grant application period commenced July 6. To the extent the items I've flagged in this memo are an issue for the Legislature, there is time for communication with ACCD and the Department to address these items.

cc:

Secretary Kurrle, Agency of Commerce and Community Development  
Secretary Young, Agency of Administration  
Deputy Secretary Ferland, Agency of Administration  
Steve Klein, Chief Fiscal Officer, Joint Fiscal Office