

STATE AUDITOR DOUG HOFFER

Press Release

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Auditor Doug Hoffer Releases New Report: “COVID-19 Emergency Economic Recovery Grant Program”

MONTPELIER, VT – Vermont State Auditor Doug Hoffer released an analysis of the Agency of Commerce and Community Development’s implementation of the Economic Recovery Grant (ERG) program. The ERG program was established to provide emergency assistance to businesses in need. In total, the Agency disbursed \$117 million to 2,278 businesses through the ERG program in 2020.

“Like many states, Vermont used a significant amount of federal money to help businesses weather the worst early months of the pandemic,” Hoffer said. “The audit is not about whether Vermont was right to do so - that’s a decision made by the Legislature and the Governor. Our audit was focused on determining whether ACCD awarded funds to eligible businesses, and at levels that were justified and protected Vermont taxpayers.

“Most troubling to me is a program design flaw that ACCD should have addressed, but did not, once alerted to it by the State’s COVID-19 Financial Office (CFO) in September 2020. The CFO required ACCD to ensure awards did not exceed businesses’ losses incurred due to COVID-19 business interruptions, **because award amounts above a business’ revenue loss may have to be repaid by Vermont taxpayers.** We reviewed detailed records for a sample of businesses **and found that less than half demonstrated revenue losses that justified the award amount.** More than a year after being informed of this flaw, ACCD has not provided any evidence that they have taken steps to address the issue.”

Also, in order to evaluate whether ERG funds were targeted effectively, the audit compared the methodology ACCD developed to calculate a business’s “need” – using revenue loss - to an option that ACCD considered but rejected, based on changes in the businesses’ adjusted net operating income, a measure of profitability.

The audit found that **ACCD’s use of revenue loss to assess financial harm was not cost-effective for most of the 57 businesses we reviewed and resulted in a total estimated need that was much higher than what we calculated using net operating income.** Under ACCD’s method, the total estimated need for the 57 businesses was \$130.3 million. Under the alternative method, it was only \$14.7 million. That’s 90 percent less.

The audit also found that fully two-thirds of the businesses in our sample were more profitable in 2020 than in 2019 thanks in part to ERG grants. To the extent funds went to businesses that remained profitable or were able to reduce their exposure to COVID-related profitability losses, that money was not available to businesses at risk of failure.

Hoffer added: “My staff auditors have made a series of recommendations to protect taxpayers and improve program design in the future. I’m disappointed that ACCD’s official response to the audit findings was limited to defending the establishment of the ERG grant, which was not in question, rather than remedying the awards to ineligible businesses, investigating award amounts in excess of what is allowed by federal law, and complying with the COVID-19 Financial Office’s directive to safeguard Vermont taxpayers.”

To view the full report, please click [here](#).