



# OFFICE OF THE INSPECTOR GENERAL

Montgomery County, Maryland



## MEMORANDUM OF INVESTIGATION

**TO:** Benjamin H. Wu  
President  
Montgomery County Economic Development Corporation

**FROM:** Megan Davey Limarzi, Esq.  
Inspector General *ML*

**DATE:** July 1, 2021

**SUBJECT:** Investigation of a Restaurant Relief Grant Applicant, OIG Publication #22-001

The Office of the Inspector General (OIG) recently concluded an investigation to determine if an applicant for County restaurant relief grants provided false or misleading information on grant applications to secure pandemic-related grant funds. We found that the applicant received \$10,000 from the County's Public Health Emergency Grant program (PHEG), \$3,094.96 from the County's Reopen Montgomery program (Reopen), and \$10,000 from phase one of the Montgomery County Economic Development Corporation (MCEDC) Restaurant Relief program (Restaurant Relief). We did not substantiate the allegation that the applicant intentionally provided false information to obtain grant funds. However, we observed that Restaurant Relief lacked clearly defined and communicated criteria that resulted in applicant confusion and an unwarranted payment.

### **Background**

This investigation was predicated on a complaint alleging that the subject applicant received Restaurant Relief grant funds even though the associated subject restaurant was closed several weeks before the State mandated pandemic-related closures in March of 2020. The subject applied for and received \$10,000 from the PHEG, \$3,094.96 from Reopen, and \$10,000 from phase one of the Restaurant Relief.

In researching the three grant programs, we learned that PHEG and Reopen required businesses to be in good standing with the Maryland State Department of Assessments and Taxation (SDAT) at the time of application. Restaurants did not need to be physically open to the public or serving food.

In contrast, Restaurant Relief required restaurants to be "open and operating." Although this criteria was not clearly defined on application materials, MCEDC explained that restaurants needed to be open to the public and serving food to qualify for phase one of Restaurant Relief funds.

## **Inquiry and Investigation**

Our investigation showed that the subject restaurant was closed to the public from January 20, 2020, to December 2, 2020. During an interview, the owner of the subject restaurant explained that they initially closed in January to perform plumbing maintenance and planned to reopen in mid-March 2020. The owner of the subject restaurant said that because of pandemic-related delays, they were not able to complete repairs and pass the required inspections until November 2020. Due to the nature of the closure, they were unable to serve customers during that time. The restaurant reopened for takeout and delivery service on December 3, 2020.

Although they were closed and not serving food, the subject restaurant's application for Restaurant Relief funds indicated that they were open and operating as of September 1, 2020. We were told that subject restaurant's owner completed the Restaurant Relief application in consultation with an accountant who advised that because the restaurant remained a viable business in good standing with the SDAT, they believed the business was qualified under the criterion. The subject restaurant was awarded \$10,000 in phase one Restaurant Relief funds on December 23, 2020.

The subject restaurant does not appear to have been eligible for grant funds under MCEDC's explanation of what constituted a business that was "open and operating." However, the fact that this explanation was not made part of the published grant and application materials may have caused the subject applicant to misinterpret eligibility requirements.

During our investigation, we learned that MCEDC recently implemented phase three of the Restaurant Relief program and in doing so provided a more detailed definition of what constituted "open and operating." Phase three materials explain that a restaurant must be "open to the public and providing food service, and has been since January 1, 2021" to be eligible to receive grant funds.

## **Conclusion and Recommendation**

In the OIG's October 2020 publication *Lessons Learned from County COVID-19 Grant Programs* we noted as a recommended enhancement that the County "clearly define and communicate eligibility criteria" to strengthen grant programs. We communicated that not having clearly defined eligibility criteria would "minimize the effectiveness of assistance efforts, lead to errors in processing applications, and potentially lead to eligible applicants being denied assistance." In this instance a lack of clearly communicated criteria may have resulted in a business receiving grant funds that they were not eligible to receive.

It appears that MCEDC has clarified the criteria for phase three of Restaurant Relief, at least with respect to a business' operating status. In keeping with what we found during this investigation, we reiterate our previous recommendation that grant administrators clearly define and communicate all eligibility criteria. The criteria should be specific to each grant program to avoid any potential misinterpretation of eligibility.

cc: Bill Tompkins, Executive Vice President & Chief Operating Officer MCEDC